PART 1: LEADING THROUGH VOLATILITY: STRATEGIES FOR AGILITY AND RESILIENCE

Announcer 00:03

Please welcome the panel on "Leading Through Volatility: Strategies for Agility and Resilience," moderated by Laura Deal Lacey, executive vice president, international, Milken Institute.

Laura Deal Lacey 00:38

Good afternoon, everyone. Welcome to the session, "Leading Through Volatility: Strategies for Agility and Resilience." I want to start by just talking about what has happened in the first 58 days of 2026. On day three of 2026, the United States launched a military operation in Venezuela that resulted in the capture of President Maduro. On day 20, Canada's prime minister, Mark Carney, delivered a sobering speech in Davos, arguing that middle-power countries must work more closely together to avoid being dominated by larger geopolitical actors, indicating a rupture between US and Canada relations. On day 21 of this year, President Trump raised the possibility that the United States could take control of Greenland, upsetting transatlantic relations. On day 31, the world watched as a US-led oil blockade of Cuba went into effect trying to force regime change—and that is still an ongoing issue. And then on day 58, just 23 days ago, US and Israeli forces struck Iran, creating instability in the Middle East and in energy markets. And all of this has happened in the first 81 days of the year. For investors and business leaders, volatility is no longer an occasional disruption—it is becoming a defining feature of the global economy. In today's conversation, we're going to explore how countries, companies, and investors are positioning themselves to remain resilient, competitive, and forward-looking in an increasingly uncertain world. Let me begin by introducing our distinguished panelists. We have Dr. Rania Al-Mashat, who, until one month ago, was the Minister of Planning, Economic Development, and International Cooperation for Egypt. She has flown in for 24 hours to be here in Hong Kong with us, and we really appreciate her making the effort. And then we have Kenny Gaw, president and cofounder of Gaw Capital, one of Asia's leading real estate investment platforms, with investments across property, infrastructure, and growth sectors globally, with $35 billion in AUM. Last but not least, Michael Smith, who's group CEO of Hongkong Land, one of Asia's most established property investment and development companies—they're a $50 billion juggernaut. So, Rania, let me start with you. I opened the session by outlining how dramatically the world has changed in 58 days. Can you give the perspective as an economist, as a policymaker, on the situation in the Middle East, and what is the mood on the ground?

Rania Al-Mashat 03:29

Well, thank you, Laura—and thank you for starting by narrating everything that took place. We almost forgot that we were just at the beginning of ’26 with all these events. I think one of the biggest challenges from all of this is that we have a fragmented global order. You mentioned what Prime Minister Carney said in Davos, and the war that is taking place now has also showed a bigger divide between the US, Europe, and other countries. And this is an issue—this is an issue when it comes to trade, when it comes to investments, and so forth. The second big outcome is that nobody likes wars. Wars are very bad for investment sentiment. Wars are very bad for the relocation of capital. Wars are very bad for what we are seeing as global citizens—an affordability crisis that’s affecting everyone, whether you’re in the US or in sub-Saharan Africa. The impact of higher oil prices on inflation is not a good one, and that affects consumer sentiment and consumer spending. The other element is that this war is also affecting supply chains in a very dramatic way—and lifelines with respect to oil. And if we know that the Strait of Hormuz accounts for around one-fifth of global oil movement, we also have the Suez Canal, which is being affected as well, and that accounts for 12 percent of global trade. So, it’s—it’s a very compounded implication. I know that we’ve all been talking about companies being more resilient and individuals being more resilient over time, and that we’re seeing shock after shock. But I think we were just sort of recovering from the protectionist trade war and the policies that were taking place when we are compounded and confronted with this. And as a policymaker, you have different signals. You have a contraction in demand, which is expected because of high prices, but you also have inflation expectations that are on the rise. So, here you are—in between what you do on monetary policy, particularly when fiscal space for emerging markets is getting tighter. So, there’s—as much as the uncertainty affects investors and the movement of capital, policymakers are also confronted with trying to stay on message, trying to communicate transparently, to give a convincing and coherent story so that you are able to at least mitigate the implications of investor sentiment, which is also reshaping in different ways. So, it’s a very—it’s not an easy situation. I think anyone who’s sensible wants this to be as transitory as possible, as short-lived as possible, so that we don’t go into deeper structural shifts which change sentiment and behavior in a way that makes it more difficult to unwind. So, that’s the hope. But again, you just mentioned what happened in 81 days—I’m dreading to think about the next 81 days. But anyway, I’ll leave it at that as opening remarks.

Laura Deal Lacey 06:55

Sounds good. Thank you so much, Rania, for your insights. Let’s bring Kenny in and come from the investor perspective. As a global investor, how do you see these geopolitical tensions changing your views on opportunities and challenges?

Kenneth Gaw 07:09

Yeah, so I think all these disruptions for me first started in Trump 1.0, when he started the trade war. And by now, I think we all realize that the biggest certainty today is uncertainty. So, that’s what we’ve been seeing—we’ve been seeing this already. And with this war, suddenly I would say the big losers are all the major US allies in the world. And surprisingly, the big winner is Russia, of all people. So, what have we been doing in the past few years? When the first trade war started, we figured, hey, factories need to move—relocate from China. So, we went to places like Vietnam. We started developing industrial real estate there, catering to factories which were moving from China and adopting this China-plus-one strategy. We also—Greater China had a downturn—we also diversified to Japan, which is the biggest market in Asia outside of Greater China and now is by far our second-largest market. In Australia, we saw that there was a big increase in housing prices and also aging demographics, so we invested in senior housing. We also diversified into infrastructure, especially digital infrastructure like data centers and telecom towers. We also diversified into renewable energy infrastructure. These we feel are important for the future of technology and AI, because these things will drive the growth of those sectors. We also recently invested in a waste management business, which obviously is also important for the continued growth and expansion of human society. So, that’s how we’ve been diversifying—to manage risk and just be nimble and creative.

Laura Deal Lacey 09:07

Thank you. Thank you, Kenny, for those insights. Let’s bring Michael into the conversation. Michael, you lead a company that’s been around since 1889. Can you give us some historical perspective on how your company has handled past turmoil and challenges that we can learn from?

Michael Smith 09:26

Sure. I think in the last 137 years—don’t underestimate Hong Kong. I mean, we bought our first piece of land in Hong Kong Central in 1889. And obviously every economy has troughs and peaks, but probably the most exciting city in the world between a trough and a peak, I think, is Hong Kong. It’s got a great mix of authorities that are very, very dynamic, low taxes, a really deep workforce—particularly in finance and tech—proximity to China, no capital controls. There’s a whole bunch of different positives for Hong Kong that we, as a firm being here for 137 years, have never underestimated, and we continue to deploy more capital in Hong Kong. Not just Hong Kong—I think there are other gateway cities in Asia, which are a big focus of ours. So, we have a big presence in Singapore, in Shanghai. We’d love to be in Tokyo and Seoul. But it’s really that belief in cities that have those advantages which attract talent. I mean, ultimately what our business tries to do is create ecosystems where people can work—and where you can attract and retain the best people in your industries and your workforces. And our belief is that if you can create an ecosystem—the sort of village square of a gateway city—that’s where people are going to want to congregate. They want to live, work, play, shop, dine, and have great experiences. So, what we’ve got here in Hong Kong Central, Marina Bay in Singapore, and the Huangpu River in Shanghai are examples of trying to create those ecosystems. So, we’re not as exciting as Kenny’s business—we’re just very, very focused on trying to ensure that when you really want to attract the best people and retain them, you do it within an ecosystem of ours.

Laura Deal Lacey 11:02

And as a leader, how do you focus on short-term challenges and then the long-term horizon? How do you juggle between those two things?

Michael Smith 11:09

No, that’s—it’s a great question. I think you really do have to be proactive and not reactive. I think we laid out a sort of strategic vision when I joined a couple of years ago of who we wanted to be, which is what I just stated, and really stick to that. And I think the capital markets really like companies that say what they are going to do and then do what they say. And I think when we launched who we wanted to be—and we made some pretty bold assertions of doubling our earnings and doubling our dividends and doing a bunch of other things—we then went and executed them. So, I think that proactivity of being a leader of a business where you can go out and demonstrate to the world that you have conviction about who you want to be—and you take real steps to get there.

Laura Deal Lacey 11:48

Well, let's shift gears right now and move to another massive force reshaping the global economy—AI and tech advancements. Kenny, coming back to you—tech is increasingly dictating where and how capital is deployed, from data centers to digital infrastructure. How is the rise of AI changing the way you approach asset investments?

Kenny Goh 12:11

Yeah. So, I mentioned earlier about diversifying into infrastructure, so I would say that's part of the thinking also. Obviously, data centers are pretty obvious—you know you need data centers to power AI. And then the other one is energy. Without energy, without power, those computers and chips don't work. So, I think those are pretty obvious diversifications. But then from a real estate standpoint, the way I also think about it is that no matter what AI does, as long as there are human beings on this earth, we are going to need real estate. So, we just need to figure out what kind of real estate. So, I think with AI coming, we all realize that it will probably disrupt a lot of white-collar jobs, and at some point, it may disrupt blue-collar jobs as well when there are humanoid robots. But on the other hand, people will have more time—because of the machines doing the work. And most likely there will be a further widening of the wealth gap, because people with the best ideas and people with capital will get richer, because they can execute. I mean, the people with the best ideas will get the people with the most capital to back them, and they need a lot fewer labor to execute whatever they're doing. So, I think the living sector is going to continue to do well—whether it's luxury residential in top cities, holiday homes in top leisure destinations, resorts—those are going to do well. And then I would say experiential types of real estate, whether it is retail or resorts, I think those will do well. So, that's the way we are thinking about it.

Laura Deal Lacey 14:04

Well, some say blue-collar jobs are the new white-collar jobs, so it'll be interesting to see how those dynamics play out. Rania, I was thinking—as a policymaker, talking about AI and the future of the workforce—where do you see the biggest opportunities for emerging economies?

Rania Al-Mashat 14:24

You know, when we had COVID hit the world in 2020, we were always saying "leave no one behind." I think with AI, countries have to be mindful that we don't leave countries behind. So, you know, there is a disparity between countries in their application of AI and so forth. But if all countries want growth and jobs—and that's the theme, whether you're in a developed economy or an emerging and developing economy—everybody wants growth, and everybody wants jobs. And jobs that are related to human capital are the ones that are important. For example, health care. Health care with AI is actually going to create more jobs. So, I think for countries with big populations, there needs to be a thinking on how the AI revolution can actually help you—skill your workforce and make use of the demographic dividend that exists. So, I would say health care is one. We have other sectors as well. But with AI today, government policy is one that should not be just education or higher education—it's more cross-cutting. And therefore, policies have to take a more government-wide approach, not just something very specific to education. So, I think that the more sectors that deal more with services are the ones that will, I would say, have a bigger impact when it comes to AI.

Laura Deal Lacey 16:01

Yeah—with AI, there's also the geopolitics of AI. How are you seeing that? I'd also love to hear from Kenny in terms of data centers and other investments. It could be only for China or for US technology—how are you navigating that space?

Kenneth Gaw 16:18

Yeah, you know, the world has been kind of moving toward a two-camp world, but actually with what's going on now—with Venezuela, Iran, and all that—it's time to evolve maybe into a multi-camp world, right? Europe doesn't look like it's firmly in the US camp anymore, and Brazil got kicked out of the US camp. I think India wanted to be closer to the US but has been pushed now to play both sides. So, I think it remains to be seen how it's going to play out. But yes, so far, I would say data center development has been such that your data center is either for Chinese users or for non-Chinese users. And frankly, most of the hyperscalers are either Chinese or US—the other countries just don't really have hyperscalers anymore. So, that is happening. But in terms of how the technology is going to play out, that is also interesting. You look at China—the US has denied China chips, but China has another big advantage: they have no power deficit. China has all of the solar power in the world, the best battery technology in the world, they have wind, and they are building more nuclear power plants than anyone else in the world. They are building the biggest hydropower facilities, as well. So, China does not have a power problem. The grid system is also world-class—they are now piping solar power directly from the desert to coastal cities. Nobody else is doing that. And the other thing is human capital. China is producing more engineers than the rest of the world combined, because Chinese students are going into STEM and sciences. So, I think despite the lack of cutting-edge chips, as long as the chips are good enough—which I think they're getting to become "good enough"—you've already seen China keeping pace in the AI race. And I don't think anyone would be surprised if one day China actually overtakes the US, given all the applications they have in manufacturing, robotics, and self-driving cars—they have a lot more applications in their country.

Laura Deal Lacey 18:42

Yeah, absolutely. China seems to be one of the most resilient economies when dealing with the current oil crisis, so it's interesting to see that their investment in green energy has paid off. Michael, if you wanted to add something related to AI—and maybe the Chinese economy as well.

Michael Smith 19:03

Sure. I think probably the best example for us is we have a project in Shanghai called Westbund Central. I think we're spending $9 billion or $10 billion on building 12 office buildings, two Mandarin hotels, a convention center, 600 shops, and 1,500 apartments. It's, I think, the largest commercial project currently under construction anywhere—possibly in China or the world. But the opportunity for us from a technology perspective is to build in a flexible digital infrastructure. That's maybe not something we've done before, but we have the opportunity to ensure that it has the flexibility to accommodate whatever our tenants need or whatever the occupiers need. And I don't think—even the tech tycoons in the room—know exactly how these things will change. But having that physical, flexible infrastructure to enable that, we want to put that in. And I think going forward, all real estate owners will need to consider that and think about how they do that. We just have the good fortune of having one large project under construction at one time, which allows us to make sure it is equipped for the future.

Laura Deal Lacey 20:01

Great. I wanted to shift gears again and talk more about opportunities and things that you're positive about. We've talked a lot about the challenges that we're facing around the world—where are the shiny opportunities that you think are exciting for economies? I'd love to hear from Rania, in terms of—as a policymaker—what are the sectors that you see that can transform economies?

Rania Al-Mashat 20:29

I think the energy transition is very important—in the case of Africa, Egypt, and North Africa—solar, wind, and investment in grids. There's plenty of opportunity there. But also—we're not talking about climate finance—but that is a bright spot for investors who want to actually invest in solar, wind, renewables, and also nuclear for electricity generation. That is another area. Other important sectors include services, logistics, and anything that has to do with the consumer. I think those are promising and proving to be important. Alternative supply chains given everything that's happening. Anything related to AI, technology, and R&D in those areas are also positives. But again, governments have a role to play in making sure that the environment is conducive to be able to remove barriers, increase predictability in regulation, and make sure there are opportunities for public-private partnerships to take place, particularly in the infrastructure that is required to capitalize on everything that we're talking about.

Laura Deal Lacey 21:55

Yeah, thank you. Thank you, Rania. So, Kenny and Michael—where do you see the most resilient opportunities? Maybe, Kenny, you can also talk about the United States. I know you do some investments in the US—we haven't talked much about the US economy.

Kenneth Gaw 22:09

Yeah, lately I guess our best ideas in the US have actually been contrarian. Nobody in the US likes offices, but we saw that office prices have come down enough in certain places where there's still growth—that becomes interesting. For example, we bought office buildings in San Francisco and Seattle. These are economies which have growth from tech investment—especially San Francisco, with a lot of AI money going in. So, we can buy office buildings, which are like—we bought a building in San Francisco—it's a campus-style complex. When we bought it, it was 55 percent occupied, and with that 55 percent occupancy, we got a 10 percent cap rate. That means the other 45 percent—whatever you increase in rental—is just gravy, right? Of course, there's a catch. The catch is you cannot get financing for it. But you're getting paid—you're getting paid 10 percent for holding it. And we did a few leases—now it's up to 80 percent. And we've refinanced most of our equity out. In Seattle, we bought a campus in Bellevue, where Microsoft and Amazon are—very tech-driven. I think it was about 80 percent occupancy, and it was a 14 percent cap rate. We underwrote it with no financing, but eventually we did get financing to close the deal. So, you can get that kind of opportunity where you really get paid for taking the risk—but the downside is very limited, because you're basically getting paid for that downside risk. But I want to say that, sitting in Hong Kong, I must say that, for me, the best opportunity right now—at least in the real estate world to invest—is Hong Kong. It is the best risk-to-reward type of trade. Hong Kong has gone through five to six years of downturn since the 2019 government protests and then COVID. Residential prices have gone down 30 to 40 percent. But at that level, it is getting a lot of support—a well-diversified buyer base, from domestic Hong Kong people and new immigrants from China. Prices have gone down as much, but rental rates are at an all-time high. That's because the government has been very successful in bringing in immigration through talent schemes, and also through the student market—the quota for students in universities has gone from 20 percent to now 50 percent. So that's a big jump in the number of students, so you see a lot of demand from that. And in the office sector—I think Michael can probably tell you more. Yeah, it has been very tough. But Central CBD in Hong Kong is now in the low- to mid-single digits in terms of vacancy.

Michael Smith 25:04

Anyone with a lease here—I would encourage to sign quickly, because rents are going up.

Kenneth Gaw 25:16

The best buildings, like IFC, are 1 or 2 percent vacant.

Michael Smith 25:19

One percent vacant—our portfolio is down to about 5 percent. So, it's quite crazy.

Kenneth Gaw 25:22

But on the other hand, here's the interesting part—it's recovering, but it's still distressed, because banks are not lending. Banks are only lending to residential developments. The banks are only lending to the Hongkong Lands and Swires of the world. Most Hong Kong corporates are not getting loans, and many Hong Kong companies in the past have borrowed at what they thought were low LTV. But since prices have dropped 40 to 50 percent, suddenly low LTV becomes high LTV—and with cross-collateralization, so a lot of them need rescue capital. So, there are a lot of very good deals to be done here with private credit backed by real estate collateral or structured equity type of investments where your downside is protected, or just pure, distressed rescue financing to these kinds of corporates. So, I would say, for us around the world, this is one of the best risk-to-reward opportunities.

Michael Smith 26:23

I agree with Kenny. I would just go back to my point—all of us in the room, where are you going to find your talent? Which city in the world do you need to find your best people that you're going to be able to attract, recruit, and keep loyal to your firms? And I think that's a question we all should answer. We believe financial centers such as Hong Kong, Singapore, Shanghai, Tokyo, Seoul, and Sydney have all the qualities that your future workers are going to want to be in. And having that thought, you can't just be the sort of CEO saying, "We're going to be based ourselves here now." If it's data analysts, software engineers, or others, they're going to tell you where they want to be. And you need to think about that when planning your business. It's really, where is the talent going to be, and where do they prefer to live?

Laura Deal Lacey 27:05

Well, we have only a couple of minutes left, so I wanted to talk about the future. We've talked about all the challenges that we're facing—geopolitics, AI, tech. When you look at the horizon five years from now, how do you see the future of cities, the future of employment, the future of talent? If you could just give us an idea—what do you imagine the future to look like? Rania?

Rania Al-Mashat 27:30

In the case of Egypt, for those who know, we used to occupy 4 percent of the land. And over the past 14 years, there's been an expansion into new cities in order to absorb the extra population and also to create development corridors—from the Delta all the way to Sinai and so forth. So, there's been a lot of investment in new cities. And investment in new cities means energy, water, sanitation, entertainment, schools, and human capital development. So, it's been a very ambitious, ongoing effort. We've gone from 4 percent to close to maybe 10 percent of the land with these new cities. So, you know, everything else being equal—or *ceteris paribus*, as economists say, which is very difficult in today's world—this is going to be a very important engine for growth, and also a way to tie together industrial and private sector development along with residential. So, it's a very ambitious, ongoing plan. And this is supposed to create the growth in jobs that I mentioned. And all this also supports the drive for renewables, supports the drive for more private capital coming into some of the key sectors, and increases, as you mentioned in your opening remarks, competitiveness for the economy.

Kenneth Gaw 29:07

Yeah, I think human beings are communal animals. We still like to live close to other people—at least most people do. All these dreams about people just moving to the mountains and beaches—there will be some of that, but I think cities are still where growth is going to be, because people want to be next to each other. And I think, for me, from an investment perspective, the most basic thing is to invest in the living sector—especially the right kind of living sector—and also in energy infrastructure. These are fundamental and core.

Michael Smith 29:43

Just quickly—I think the intertwine between public and private sectors, and having a government that is supportive of the private sector and is agile enough to keep up with it, having low tax bases, having public security—so that if you're walking home at night from your office, you're not going to get mugged—these are all the general things that a city should have. And if that sounds like Hong Kong, it's probably right.

Laura Deal Lacey 30:04

Thank you, I agree with that, Michael. I think the companies and countries that will succeed are going to be able to do agility with strategic patience—and I think that's what it takes. We covered a lot of ground today. We have a second panel coming up on sports. I wanted to end by inviting you all to the Milken Global Conference in Los Angeles, which takes place May 4–7. And then we have our Singapore Summit—our Asia Summit—which is October 7–9. I hope to see you there. Thank you for being here and thank you to the panelists. Thank you.