2026 GLOBAL CONFERENCE
LEADING IN A NEW ERA

THE NEW ECONOMICS OF PRIVATE CAPITAL

Announcer 00:00

Please welcome the panel on "The New Economics of Private Capital," moderated by Yup S. Kim, senior fellow, Milken Institute.

Yup S. Kim 00:13

All right. All right. Good morning, everyone, and welcome to the conversation on The New Economics of Private Capital. Why don't we kick off with a polling questions from the audience? We're sitting here in 2030 Milken Global Conference and looking at the past five years of returns. Raise your hands if you think private market net returns outperforms their public market equivalents. A show of hands. Wow, not that many. And okay. All right. I think this is going to be a very interesting conversation we have today. All right. We'll start off a little bit unconventionally with a quick lightning round question, and that is: "If you were not a private markets titan, in a different life, what would you have been?" And, to follow on to that, what's one thing about yourself that most people don't know and that you're allowed to share? And so, Mathieu, start with you.

Mathieu Chabran 01:35

I guess I would have liked to be a downhill ski racer.

Yup S. Kim 01:40

Oh. Nice.

Mathieu Chabran 01:42

Then what people don't know is that my very first interview for my very first internship at JP Morgan in Paris, I could not answer what is fixed income. And so I started my career at Merrill Lynch.

[Laughter]

Avi Kalichstein 01:58

My father was a musician, and I would likely have been a musician if I didn't follow this path. I'm not sure I was good enough to do it, but that's probably what I would have tried to do. People don't know, for fun I like to read math textbooks. So I'm interested in something called the Langlands program, which is a kind of grand unified theory of math.

Yup S. Kim 02:21

Wow. Very intense.

Ashley Baum 02:24

I would be designing high-end spa resorts as an architect, is what I would do if I could do anything. I like to frequent them, actually, so a lot of diligence there. Something that people don't know about me, my father is a rare book dealer, so I grew up in a house that literally smelled like old leather books. And that smell takes me back.

Yup S. Kim 02:48

Wow. Very interesting.

Anthony Martino 02:50

So, I would probably, if I wasn't in finance, I'd probably be a sommelier or something in the world of wine, and that is my passion. And the interesting fact is that before I was legal in the United States, I was actually selling wine at the age of 18 in a high-end wine retailer, where they thought it was okay, I guess, to taste me on wine quite a bit as I was selling it. So that was the interesting fact.

Yup S. Kim 03:21

Nice.

Louis Samson 03:22

Okay. For me, if I wasn't in the private capital world, may be boring, but I would be in the public side of things. I really love everything about investing. And so, one fact people don't know about me is I grew up in the French part of Canada and didn't speak English until 19 years old.

Yup S. Kim 03:45

Wow. That's so surprising. All right. Okay, so we'll kick off with the customer's perspective, the LP in the audience ... with Ashley. So, Ashley, in my two decades of just being in private markets, talking to CIOs from all around the world, I've never seen so much neutral to negative sentiment towards private markets. So please share with us, what are some of the discussions going on at TRS, the role of private markets, and what does it really take in today's environment to win capital from Teachers' Retirement? And also, what's one thing a GP will do that's a complete no re-up, right? Just let's kick it off with that.

Ashley Baum 04:30

Sure. Okay. I'll take those in reverse order. I would like to say when I see certain law firms on the other side, I'm kind of like, "Ugh. How much do I really like you? I don't know if that's worth it." So generally, the conversations inside Texas Teachers, so for those that are not aware, Texas Teachers is the sixth-largest pension in the United States. We represent 2.3 million teachers, bus drivers, everything from university professors. We even have the college football coaches, actually, in our plan. And we have been very heavy in what we call the endowment light model—We have less than a 4 percent payout ratio, which means we don't really need to be in fixed income. So, we've been a very large investor in private markets for quite a while. It's about 50 percent of our assets, so over $110 billion in private markets. That's split between private equity, real estate, energy, and then what I run, which is the opportunistic program. The conversations the last three years have really been about whether private markets deserves as high an allocation—as it has had historically. We actually don't think about private markets as a different asset class—Private equity is just equity with less liquidity. And so, we've always thought that. However, we really have seen a very long, sustained period of time, we're now at three years, of the private equity industry overall underperforming the public equity industry. So, as of the end of last month, for example, the private equity benchmark has delivered 8.5-ish percent return over the last three years—Public equity is 19—Depends on exactly which benchmark you're using, but we are underperforming by 50 percent. This is something we actually saw coming, and in 2024, when we did our last strategic asset allocation study, we reduced the size of private markets. Private equity particularly went from 14 percent of the trust to 12, and it's just because we don't see the, let's call it the tailwinds—that we've seen traditionally of private markets—They're not there anymore—Debt is expensive. Financial engineering is not going to get you everywhere. And so, we just felt that it was time to rebalance—and actually push more back into public markets.

Yup S. Kim 06:38

Yep. Thank you, Ashley. All right, over to the GP side. Louis, you mentioned in the prep call that these days, a lot of the pipeline is much more corporate-driven, much more bespoke, and that a lot of the traditional PE activity remains highly muted. Right? If you had to just give a letter grade to the quality of the deal-making environment today, and also just the quality of your overall pipeline, whether it's an A-minus, a B-plus, a C, how would you describe it?

Louis Samson 07:06

I'd probably give it a B-plus ... right now because it is highly concentrated in corporate assets. Corporates are divesting non-core divisions, which is great for firms like ours who specialize in it. But the reality is, as an overall market, it's a lot less populated by sponsor assets than it could be—I think, if you sort of assume a resolution of the conflict in the Middle East relatively quickly and without too much drama, you could very quickly aspire to being an A market, because there's a lot of pent-up demand, there's a lot of assets that are sitting on the sidelines that have been ... Sponsors have been sheepish. Either they haven't really achieved the growth they wanted, their marks are out of position, or in many cases, last year's tariff bout and now the war is bringing uncertainty that makes the regular flow of M&A be a little bit more bespoke and ad hoc.

Yup S. Kim 08:14

Sure. No, all makes sense. Thank you. All right, Anthony, over to you. You sit at the center of capital solutions, debt, equity, secondaries, continuation vehicles, private placements, and in some ways, this has

become the beating center and heart of today's activities in an exit-constrained environment. What are you seeing in terms of the capital solutions that are most in-demand, both on the GP side and the LP side today, and what does that say about the real health about the private markets today?

Anthony Martino 08:50

So, the health of the capital markets, I'll start with the second question first—I think the health of the capital markets is unbelievably healthy. It's more diverse than it's ever been. There's a massive amount of capital across all asset classes, And, although you're reading in the press a lot of dislocation in the private debt market, a lot of that's overblown. We're not seeing any inability to get deals financed, with the one caveat that if there's perceived AI risk right now around a company, people are definitely in a wait and see mode because they don't know who the winners and the losers are going to be yet, and there's perceived asymmetric risk around those deals. But outside of that, I think the markets are more diverse, they're incredibly deep, and they're very healthy today—the private capital markets. In terms of the product set, it's just more diversified today than it's ever been—And it enables GPs and LPs to think about their investments differently. A GP, at one point, their job was to buy great assets and then sell great assets—And that world has changed dramatically—over the last five-plus years, where now, the GPs have to look at how do we maximize value of the GP—how do we maximize value of our portfolio, and how do we maximize the odds of success of our next fundraise? And all of those things are very, very different today than they were five years ago—There's been just a massive amount of change. And so, we see demand for all those products—There are groups that are, the middle market now is doing GP stake sales more than they've ever done before. We're seeing a great demand for that. There's obviously always a demand for debt and equity. But then, you're seeing a continued, just massive amount of growth in the CV and secondary world. And we don't think that's going to really decrease dramatically—It won't be at 20 percent of the M&A volume forever. The M&A market will come back. But all these products have a real place and a need in different situations, and we're seeing demand across all of them.

Yup S. Kim 11:07

Yeah. No, thanks. Thanks, Anthony.

Ashley Baum 11:09

I do love, though, I just want to throw out, I don't know if—ILPA came out, I think it was last week—And they are rebranding continuation vehicles, conflict vehicles—Oh. So, I don't know. I do not think LPs are still 100 percent on board with these for now.

Anthony Martino 11:24

I don't know that all LPs are on board, but they certainly have their place. And they're another means of getting LPs ... The two themes that we're seeing across these products are really a need for liquidity and a need for DPI. And the LPs who aren't getting DPI through a natural sale want liquidity in these instances, and so they are turning to the CV market.

Yup S. Kim 11:48

Yep. All right.

Ashley Baum 11:50

You know I have thoughts, but let's keep going for now.

Yup S. Kim 11:53

We'll keep going. All right, Mathieu, you really bring the European and global perspective to the stage. And while this notion of US exceptionalism driven by AI, all this CapEx spend has really dominated not just the private markets narrative, but the public markets as well. We understand that obviously with capital flows across Europe, Asia, the Middle East, and other parts of North America are quite different. And so, what are global investors really focused on right now, and how would you describe kind of the opportunity set outside of the United States today?

Mathieu Chabran 12:30

Well, it's a broad question, but maybe to put a bit of perspective, I think that maybe starting Liberation Day and then what happened geopolitically, I think it has reset somehow the playbook of the international asset owners and asset allocators—which is maybe different from a Texas pension fund. And what strikes me that two main themes have developed when talking to non-US investors, international investors, are the themes of resilience and sovereignty. If you look at the big themes of the past few years, and to your point about AI and digital, digitalization is the main one here. We've been hearing a lot about that at this conference. It's a main theme. We saw this morning some stats about the amount of capital being invested. But if digitalization is the one big play in the US, I see two others, probably in Europe, certainly in Asia, around defense, for obvious reasons, but also decarbonization. This energy transition that we spoke a lot about a few years ago, less so in the recent past. In the recent weeks, that has become front and center in many part of the world. And so the large asset owners today, after realizing that for decades, they've been investing $0.80 to every dollar into the US for fairly good reasons, growth, depth of the market, you see a behavior of now focusing on the resilience of their own economy—and sovereignty—So, it's not mutually exclusive—but that's certainly something that is happening, and a few of the themes that have been discussed here resonate quite well because that's what we're experiencing with our LP today.

Yup S. Kim 14:27

Sure. No, thank you so much.

Avi Kalichstein 14:28

Maybe I'll just jump in there—Yeah. Our firm has relationships with about 600 GPs and some 2,000-plus LPs around the world. We make investments in GPs and lend to them as well. So, we're constantly kind of at this nexus of information, and I would say the subtle shift that Mathieu is talking about—Maybe a reallocation of some small percentage to Europe—as a kind of rebalancing, has massive capital flow effects on European managers—who tend to be smaller—So, if you take a very, very large denominator—a small percentage effect, and it can really move the needle in terms of European GP growth.

Yup S. Kim 15:09

Right. No, absolutely. And Avi, you describe this market as a tale of two cities. It's the best of times and the worst of times. And you have, on one hand, a lot of GPs who are really struggling with exits, struggling to fundraise. You have, on the other side, GPs who are literally exceeding their hard caps, just in a lightning round way. And so, I'm just curious, what are the winners doing differently today versus those who are struggling, and are we going to see an explosion of zombie funds right out there?

Avi Kalichstein 15:43

So, on the first point, I think we really have entered an age of discernment—where, and I think you see this across private equity, you see it in credit, you see it in real estate, you see it in infrastructure, where LPs, the smart LPs, and most of them are smart, have said, "You know what? The playbook has changed," to Anthony's point—"And we're looking for a firm that has a unique origination capability—or it has specifically hard-to-broach moat around its value creation opportunities." So, the kind of financial engineering of yore is over—And certainly, the rapid rate rises of '22 and onward have left that all behind. But the firms that are doing something that have a special place in investors' portfolios, those firms are thriving and almost as though nothing had happened—So, our business is about finding those, we call them category killers—that are doing something that other people can't replicate. And that's where the capital's being drawn.

Yup S. Kim 16:55

Yeah. No, investing was always meant to be difficult, but—the past 15 years, just the unearned multiple expansion component really helped a lot. And so, that all makes sense. Anthony, over to you. You shared kind of in our discussions that there is now a growing appetite and interest in this concept of direct equity, where you have a lot of family offices and other types of sponsors willing to pay economics for different types of deals in a very passive form. And we all know that even the LP ecosystem, it's maturing and becoming more sophisticated, and they're much more thematic around how they want to deploy capital. And so, just there's a growing appetite and a willingness to pay economics on these direct deals, where historically they would have demanded kind of a fee-free or reduced fee manner. And yeah, can you share more about why is this trend emerging, and why you think this might actually become a very large part of the market?

Anthony Martino 18:03

Yeah, look, I've been raising capital in the private markets for 25 years, and I've never seen a product with this much consistent uptake and interest. You had the convergence of a very mature CV market now, where people are used to paying fee and carry for good transactions—and some may argue for not so good transactions. You have the family office community of institutional family offices have quadrupled into the thousands. I think the quote that I read was 4,500-plus institutional family offices globally that can write significantly sized checks. And then you have just a massive explosion of independent sponsors running around, that have almost become mainstream in being able to buy assets—And those independent sponsors are raising equity on a deal-by-deal basis, and typically raising 95 to 97 percent of the equity per deal. Well, all those things are really just translating into the funded sponsor community, where the funded sponsors, for reasons that you've already alluded to, fundraising cycles are harder. They take longer in some instances. There's many more first-time funds that are smaller. You have funds at the end of life and haven't yet raised their new fund. There's funds that have assets that they've just reached asset allocation limits. And then there are a lot of fund managers that I meet all the time that say, "We've over-delivered on our promise to give our LPs no-fee, no-carry co-investment—opportunities, and we want to pull some of that back." And so, for all of those reasons, the funded sponsor community is saying, "If I can access direct pools of passive capital that will enable me to do deals that I otherwise couldn't do," it's unlocking value—And it's a massive value creator that exists today that, for structural reasons, hasn't existed before—Because, as an example, if a small sponsor owns a business and the perfect acquisition is just too big for their fund, they're not going to do that deal. They're not typically going to bring in another financial sponsor to partner with them because they'll lose control, and they won't get any economics on that capital—So rather than one plus one equals three, they'll sell their asset to another sponsor. In this

situation, if they can buy an equal or bigger asset and still get the economics, and one plus one equals three, you're unlocking value. And the OP community and the family office community sees that and says, "Wow, I can get off-market returns by unlocking this. And yes, I'm willing to pay for performance, but there needs to be alignment"—And so, we're really starting to see this market explode, and I think it's just piggybacking largely off of the CV market that's already there and well-established. And one could argue this is a better use of proceeds because the CV market, you're cashing people out—who have a lot of knowledge of the business. In this situation, you're offering capital to effectuate a transaction that otherwise wouldn't happen or couldn't happen.

Ashley Baum 21:17

I'll just jump in—I think it's a really interesting point. And I think that there's a bias, I think, a lot of times that large institutional LPs are just looking for fee-free co-invest. That is not the approach Texas Teachers has taken, and many of the Canadian peers, many of the sovereign wealth funds. We actually look at co-investment as a way to build portfolios. And I think that's where the family offices are coming into play, and they're looking at it as well. So, for example, our private equity portfolio, we have north of a $30 billion private equity portfolio. With the number of managers we have who all have funds buying 30 to 50 companies, 20 to 30, depends on how concentrated they are, at any given point in time, we have exposure to 5,000 underlying private equity companies. How on earth are we going to beat the market? How on earth are we going to do better than the median fund when you have that type of capital you have to deploy? So, what our answer is, and many people are here, and I think the family offices almost just skipped over funding GPs to do it. So, we are a little resentful, like, "We were there for you guys for all these years." But if you can go and you can look directly, I'm going to write $100 million, $200, $300 million check into this specific company. I'm going to shift my portfolio. I want defense tech. I want AI. I want things that I'm not seeing. It's actually really just a way of, we call it pivoting to best ideas. So, I think not all institutional investors are the same. We do not look at co-investment as a fee reduction mechanism—If I did, I'd just negotiate fees lower. You don't build entire co-investment programs around that—And I was checking this morning just before we came on the panel, TRS in the last 15 years has done 600 individual co-investments, and that's across private credit, private equity, real estate, energy, infrastructure—you name it. We have over 50 people that are dedicated to this. So, I just think the family offices are smart. They've gotten there. And if we have to pay fees to get there, we will. Private equity is generally a zero-zero model. For those that don't know, a lot of other asset classes do charge for co-invest. So, I just wanted to add that on.

Anthony Martino 23:18

Yeah, look, the point is exactly right. This enables groups like that to invest with specific managers, cherry-pick themes, cherry-pick industries, and cherry-pick specific assets where they're able to look at the full diligence package that's been put together with third-party validation, and they can assess really quickly whether or not this is interesting or not. And they're going to look at the expected net return of the fee or carry, and they're going to make a determination there. But somebody simply drawing a line in the sand and saying, "We won't pay carry," makes no sense—Because at the end of the day, what LPs really should be caring about is the net adjusted risk return.

Yup S. Kim 24:00

Yeah. No, absolutely. There's definitely a case to be made that many LP portfolios are over-diversified, right?

Ashley Baum 24:06

Absolutely.

Yup S. Kim 24:07

And also, since World War II, we lived in a pretty benign kind of single world superpower and not too much volatility, largely low rates since the GFC. But, as you go forward, just as long-term investors, as LPs, you need to start compounding your domain expertise on the major forces at play and have a better knowledge in industries. And you can't do that just with the retroactive kind of fund selection approach. And so, I think these developments are all very positive. So, Louis, over to you. Just as you kind of prosecute this market, I'm just curious, what does creativity really mean in the deal-making process today? And just obviously, what does a GP do? You source deals, you select deals, you try to add value to the deals, and consummate additional value at exit through good storytelling. But just curious, what does creativity look like across maybe some of those vectors? And also, does deal-making largely look the same in five years? Every industry out there is experiencing dramatic change. And so, I'm just curious from your perspective, what do you think the deal-making motion looks like?

Louis Samson 25:28

Well, first of all—let's start with that—I think the deal-making environment has changed materially over the last two or three years. Part of it is tariff shocks and war shocks. And during those times, you've had the capital markets mostly constructive, but not all the time. And it has made sellers more hesitant to kind of run your classic hire an investment bank, call 100 people, and run a classic process. Plenty of people do it. The reality is the ratio of hits versus what it used to be in the good old days is very different, and so, creativity is needed. Perhaps not everyone realizes that, but it is needed. And I think it starts with, first of all, the pace at which deals are getting done is a lot slower—It's a lot more bespoke. It's a lot more emphasis on relationship building—And I think just a bit old school way of doing things that has been more successful than necessarily putting people on the clock and hoping to get lucky at the end. If you think of examples of ways we've been able to return $6 billion of capital last year, all of it the old-fashioned way, as I like to call—Nothing against CVs, but none of that in there. And in there are sales to strategics that have been cultivated for years—We entered a deal where we were going to take a company public, ultimately sold it to an already public entity—that's led by David Cote, and rolled a lot of our equity. They rolled a lot of their equity. We raised a big PIPE and kind of gave, first of all, reduced our equity stake in the company from the typical 70 percent to 19 percent, and so we're no overhang—But also, we pre-raised the capital, and therefore, we had the velocity, the long-only guys already lined up. So, I like to say, that was a complicated deal that I'm trying to simplify now, but it essentially had us skip sort of the teenage years of going public where you have to season your company, the market needs to like you, needs to trust you, and you got to switch your IPO investors to long-only guys. All that process was skipped, and that is a heavily structured deal. Give you another example. We sold a business this year, a large deal in Spain, $6.5 billion, a little over $6.5 billion. We sold the business to EQT and Blackstone. The dialogue lasted almost two years—dinners, meetings, very unusual. Through that Liberation Day, different periods of capital markets, temperament. In the summer of 2025, we were able to put in place a portable capital structure and locked in rates at the time where markets were exuberant. We effectively delivered. We had our disagreements over value, and effectively, we delivered the buyers—a large part of the capital stack pre-raised—priced attractively with no banker fees—And that is the kind of creativity that bridges the gap and helps—and ultimately, in order to the benefit of the transactions, everybody gains. We get our deal done, and that's very this time in the cycle, vis-à-vis in 2017, you didn't need to do any of that stuff. You just ran a process. And so, I think paying

attention to sort of the human part of deal-making and really building relationship and giving a chance for people that choose to be in the shadows to sort of step forward and—

Louis Samson 29:26

—have the confidence to do that is really important these days, and blasting 100 bucks from an investment bank doesn't do that.

Yup S. Kim 29:33

Great. No, thanks for those insights. Mathieu, you're very active in the global private credit markets, and obviously, it's gone from a very much a cottage industry to quite large-scale today. When you look at the private credit kind of opportunity set, and there's also a lot of secondaries across private credit as well. Just curious, and there's also been a lot of noise recently on private credit. Everyone's been defending private credit in different situations. And so just curious, how are you kind of differentiating some of the noise from fundamentals, and where are you seeing the greatest opportunities in private credit?

Mathieu Chabran 30:14

Yeah. All right. I think there is the cyclical aspect and the structural aspect. So, on the first part, I will not comment too much on the noise. Maybe, my two cents is that what has been happening the past few weeks is not an asset issue, it's a liability issue—It's the way part of the market has been populated and that should not have been in the first instance. On the structural aspect, here in the US, we've got the largest banks in the world, the more regional banks in the world, the BDCs, public, private, mid-market CLOs, the asset managers who've been doing that for 30 years. And so that's a market on the private credit and not to mention the capital market—the deepest capital market in the world. And when you look at the Q1 issuance of IG debt, high yield debt, leverage loan debt, there's no shortage of financing structurally. And that's why coming back to the cyclical aspect, maybe these marginal dollars that came in—with the wrong liability structure—effectively might have gone and might have financed some companies that, in the first instance, might not have been financed by the other guys. In Europe, just on the structural aspects, you've got banks and capital market—And we've got regulation, much more—So, it's much more expensive for banks to keep part of this financing and it's easier to finance LVMH buying Tiffany's at $15 billion than effectively financing $150 million. And then the capital market, you have to qualify to be able to issue bonds, and that's where the emergence of the direct lenders, the private capital, which is much more recent than it is in the US—is offering an environment which is, I think, fundamentally, and I'm not biased whatsoever, is just to illustrate fundamentally more defensive than where we are here in the US, when we're talking mid-market financing because of these two aspects. So right now, to answer your question, opportunity on the private, on the direct lending, probably Europe over US, now, on the secondaries, given all of the above, and back to what we're saying about secondaries in general and credit in particular, five, six years ago, the market of private credit secondaries started to develop—Two type of players, the credit managers—like us, Apollo, Ares, and then some solution providers were effectively well-established in secondaries. And that was before the noise. And so, I'm expecting, like we experienced in secondary private equities for the two decades, I'm expecting this market to really grow because whatever brings liquidity to a structurally illiquid market, normally LPs should appreciate that.

Avi Kalichstein 33:20

But let me put a point on this. So really to this structural issue, I think there's so much cognitive dissonance today between what we are witnessing in the so-called semi-liquid—the exodus from these evergreen vehicles—and what institutional credit investors are experiencing. So just to wit, and I think this does play into the credit secondaries sort of volumes. Recently, one of our managers was asking their investors if they would like to sell a portfolio of loans that they own at par. These are traditional sort of direct lending assets at par. All of the investors were institutional LPs, not a single seller. They just want to hold them—And this was not a software-laden portfolio, so it wasn't in any distress. But you contrast that to these wealth-oriented vehicles where people are running for the hills, and that's creating a sort of very odd cognitive dissonance between the individual investors and the institutional investors.

Yup S. Kim 34:28

Great. And Avi, back to you. Hunter Point sits kind of at its center of the evolution of a lot of private capital firms and its development, and it does seem the value proposition that you offer seems much more compelling today as many private capital firms navigate the complexities of fundraising, product roadmap development, and all these things. I'm just curious, what are some of the biggest concerns, right? And in turn the value propositions that you offer many of these firms in this environment, and obviously, a lot of the value of a GP stake is predicated upon a firm's ability to grow vertically through AM growth, horizontally through product expansion, but we all know the fundraising environment's very challenged right now, right? And so, are you seeing some kind of bid-ask spreads as you're engaging and transacting and going with your pipeline? So, obviously a lot there, but just comment on some of this.

Avi Kalichstein 35:30

Yeah. There is a lot there. I would say our pipeline, if you will, for GP stakes—potential GP stakes investments, is broader than it is, deeper than it's ever been. And so, we are seeing more and more GPs, including one with whom I met yesterday—whom I never would've expected to approach us—and said, "We don't really need any money, but we need some help." The way I'd characterize this sort of general approach is these are very established, very successful firms that think of it like you understand your own house really, really well. All the problems, all the benefits, but you don't really know anything about your neighborhood. And so, what are others doing? There are financing techniques for GPs—and we're kind of at the forefront of creating some new ones of those that some GPs said, "I never even heard of that"—"Somebody else is doing that? That's kind of cool"—"How can I learn more about it?" We have a slew of strategic value capabilities—that we bring, nothing to do with money—that we bring to help GPs develop. We recently announced a partnership with Sumitomo Mitsui Trust Bank in Japan—to help bring alternative products to Japan, which is a very fertile and growing market that sort of awakened recently to alternatives. And so, being able to bring that kind of capability—to a firm that either hasn't spent much time in Japan or has been unable to break into that market—that's a good example of a sort of non-financial value added. And firms are looking to us for that kind of capability.

Yup S. Kim 37:06

Sure. Absolutely. Yeah, the explosion of LP interest in Japan right now is pretty phenomenal—And Avi, I know you spent some time there.

Avi Kalichstein 37:14

We need a whole other hour for that. But I'd say on the bid-ask spread—it's another good question—And you guys will all have experienced this. Public markets shift, and then it takes a private market some time to digest that shift. And so, what we've witnessed, I think partly because these evergreen vehicles have seen depletions—and redemptions, is the growth prospects of a lot of the public—large public alternative investment managers have people are worried about growth, and those stock prices all tanked, and now we're seeing earnings come out, and maybe that will re-normalize. But we're in a waiting period, to see whether that re-normalizes to where they were before—or resets at a new level. And I think the private markets, the sort of price for private market GPs will be reflected based on that new normal. But we're sort of right now in the middle of a digestion period, and we don't know where it's going to land.

Ashley Baum 38:09

But I think to some of the points the earlier panelists were making, it's capital solutions, it's creativity, it's bringing new things to bear. We have a lot of our managers that are looking to hit the retail market—

One thing we think about is what can we do that other people can't? Or at least, what are we willing to do? So, we're looking to warehouse, for example—Warehousing assets for—our GPs or institutional we've known for many years that want a retail product.

Avi Kalichstein 38:32

Can I give you my card?

Ashley Baum 38:33

Yeah. I probably will get hit by quite a few. But I think it is a time, I think it's very difficult to invest right now. You're not sure where things are going. We're not sure where AI disruption is. What's going to happen to software? We have basically a rejiggering of the global economy. In Europe, are we going to see the re-industrialization of Europe? Are we going to see defense in Europe? If so, there's a ton of capital just waiting to go. And so, I think right now it is difficult, and we are effectively trying to be creative and thoughtful in what can we do in preferred equity structures? What can we do in warehousing? What can we do to loan money to GPs, for example?—Because it is unclear exactly where things are going, so you want optionality—I think, in your portfolio right now.

Yup S. Kim 39:18

Yeah, and I think just the LP mindset shift from one of product provider and product customer to one really about there's a limited amount of alpha out there in the market, and how do we partner together to make each other better and sharper and kind of create win-win situations, I think is so critical. And, Ashley, quick question for you. Clearly, gross returns going forward in private markets is going to be more challenged, right? And in some ways, just the historical approach of LPs backing funds, just the rear view mirror on quartiles, DPIs, DPPI, IRR, in some ways, one can argue it's less relevant, right? As firms kind of enter a new normal, a new economics, a new regime, if you will. Have you guys changed anything you're doing on the underwriting side, on the sourcing side, just as you look to really think about who's going to outperform, right, in the next five to 10 years?

Ashley Baum 40:18

Yeah, we are huge believers in the private markets. And I think everyone would give you the same stat, that over 60 percent of companies exist in the private market. They can raise money at the drop of a hat. Trust me, we get the calls, and we're like, "How many billion, and how soon? Like tomorrow?"—"What?" It's unbelievable the lack of valuation—particularly in chasing some of these large tech names. So, the money is there in private markets, the money is there in private debt. The money is there. I think the key question for us is the market has shifted, and it's exactly what you've shared earlier. I don't know if anyone remembers, but there was a whole theory that we were going to have long-term private equity. Anybody remember that? We do. We just have funds that are turning into continuation vehicles, that are turning into NAV vehicles. And so, it is happening—And so, as an LP, we are spending a lot of time thinking about is that a real exit or a fake exit? How many transaction fees am I losing along the way? How many people are getting paid? What we really would like to do is own something through cycle, right? So, it's participating in it from the early-stage venture all the way through growth equity into crossover rounds and into the public market. That is one company that we can own for the next 15 to 20 years—in all the various permutations. And we might loan money to it, and we might be a preferred equity instrument. And so, we are really breaking down tons of our silos, and just thinking about where does TRS want to be positioned? And so, for us, our capital is shifting much more into evergreen structures, it's shifting much more into direct investments that we want to hold through series of funds, because we don't want to exit, and I think just the markets are developing an option for LPs to choose. "No, actually, I don't want to sell that asset. I want to stay in that one." And I think that's a beautiful thing—Because these are all just companies. It's a question of where's the capital—And what return do you need? So...

Yup S. Kim 42:07

Awesome. All right. We have four minutes left, and so we're going to end with two lightning round questions. And so, the first one is, if you could give yourself a phone call to when you started your finance career, I guess, Louis, when you still didn't speak English What advice would you want to give yourself? You have one minute. What would you tell yourself?

Louis Samson 42:30

I don't know that I have a grandiose message I would give myself. What I would say is, look, if you're lucky enough in the early part of your career to really realize you found your calling—then I think, to take a little bit of a golf analogy, I would say trust your swing. Really trust yourself. If you found the track, really back yourself into your career and staying on the front foot, probably what I would tell myself.

Yup S. Kim 43:03

Awesome. Thank you. All right, Anthony.

Anthony Martino 43:06

Embrace change, and follow the money. At the end of the day, money continues to evolve, and the places it goes, as long as you're around it, there's always going to be room for smart people who aren't afraid of change. Whether that's technological change or just evolution in the marketplace. I think that's really sound advice.

Yup S. Kim 43:31

Absolutely. Thank you. Ashley?

Ashley Baum 43:34

I'd say don't be afraid to be a curious generalist, because the market shifts so much, and I think the traditional, especially with AI tools today, the old model, I think, is dead. You don't need to just be a debt investor or just be an equity investor. And you don't know what you're going to look at tomorrow, so just stay open and be okay being a little bit non-traditional.

Yup S. Kim 43:54

Great. That's good advice.

Avi Kalichstein 43:56

I would say know yourself. If you don't like helping people and working out their problems, you probably should not be a flight attendant. So, understand ... what drives you and what motivates you. I wanted to be an entrepreneur, but that's a risky thing to do in the financial markets, and ... I didn't know that I had the courage, to Louis' point, I didn't know that I had the courage to do that, so I probably would yell at myself looking back 30 years and say, "You can do it."

Yup S. Kim 44:25

Awesome. All right, Mathieu.

Ashley Baum 44:26

But you got there.

Avi Kalichstein 44:27

I got there. It took a little while.

Mathieu Chabran 44:31

I would say be fully aligned with your client, secure long-term capital duration through ... a balance sheet. Be uncomplacent on culture—And I guess, bottom line, build a business that you want to own in 30 years and not to sell in five years.

Yup S. Kim 44:50

Amazing. Okay, I think—

Ashley Baum 44:51

How about yourself? Why don't you answer the question yourself?

Yup S. Kim 44:53

Buy Bitcoin? I don't know. difficult question. All right, I don't think in the history of the Milken Conference any panel ended early, but actually, why don't we do one last question, just very quickly though? What's one piece of advice you would give the audience as they navigate the next five years in private capital investing? Very quick, 15 seconds each. Louis.

Louis Samson 45:26

Piece of advice, investing is not about being the smartest person in the room ... it's really about having a method to your madness, and as much as you can, trust execution—as part of value creation, you should do that. Knowing that, especially in a five-year investment business, it's very hard to know exactly what the weather is going to be in five years.

Anthony Martino 45:50

Invest in relationships, because I agree, the relationships matter more than ever, and don't be dogmatic.

Ashley Baum 46:00

Learn everything you can about debt, because it makes the world go round.

Avi Kalichstein 46:05

Listen to your LPs.

Ashley Baum 46:08

Yes, I love that.

Avi Kalichstein 46:09

I knew you'd like that. You're in partnership with them. LPs are always right. They're telegraphing information to you.

Mathieu Chabran 46:16

And don't follow the herd.

Yup S. Kim 46:17

Okay, awesome. Well, please join me in thanking the panelists today for an amazing conversation. Thank you. Thank you. Thank you, guys. Well done.

[Applause]

Announcer 46:26

We hope you enjoyed the discussion. Please make your way to your next session.

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