



GLOBAL ASSET MANAGEMENT IN THE AGE OF PRIVATE MARKETS

Yixiang Zeng 00:02

Good morning. Welcome to our panel discussion. This session will focus on the evolving role of private markets in the future of global asset management. Let's start with a quick question. Each panelist, please introduce yourself before answering the question. If investors in this room could only remember one thing from this discussion a year from now, what should it be, please?

Thijs Aaten 00:33

Thanks, Yixiang. My name's Thijs Aaten. I work for APG. APG manages the savings of Dutch citizens. Roughly one in four of the Dutch citizens has their pension with us. It's a large portfolio, €600 billion, and our main client is the Dutch civil servant pension fund. And then back to your question, what should investors remember? If they only remember one thing of this panel, and then I'd say, especially for the non-Asians, don't think of Asia as just one entity or one large region, cohesive region. It's so different. It's got the most aging population. It's got young populations. You need to take a differentiated approach.

Yixiang Zeng 01:22

Think more broadly.

Thijs Aaten 01:23

Yes.

Yixiang Zeng 01:24

Please.

Mansoor Rashid Al-Khater 01:25

My name is Mansoor Rashid Al-Khater. I'm the CEO of Qatar Financial Centre. It is an onshore licensing platform, to make Qatar a financial and commercial hub, inshallah. We are also providing all the legal structure and the environment that's needed for the international investor to come to Doha. If there's something that we would like to remember, five years from now to the investor here, I think from my side, capital is going to start the conversation and the dialogue. But what makes the difference is the capabilities, because capability is going to

build the market. And when we look at the private market or private investment, it's really very important for us to understand how we need to bring everyone together because there is a commitment that is needed. And that commitment, the question is about who's going to make that commitment as a real lasting value that is needed. And we as Qatar, we need to be the hub where we can—the future of the capital is already evolved.

Yixiang Zeng 02:23

That's interesting, Dr. Anwiti?

Anwiti Bahuguna 02:26

Hi, my name is Anwiti Bahuguna. I'm the global co-CIO of Northern Trust Asset Management. Northern Trust Asset Management is a \$1.7 trillion asset manager globally and is in the top 20 of asset managers. We predominantly manage institutional assets. We are ranked seven in asset management for institutions, ranked fourth for endowments and foundations. We are based globally, but mainly in Chicago. To your very interesting question on what should investors remember for the next five years, I think it's really important to know that the global macro regime has changed, and it's changed predominantly because of what's happening to interest rates at the moment. Since 2022, interest rates have been on an upturn, and that has implications for private assets, and that's the one thing I would like those in the room who are investors and asset owners to remember.

Yixiang Zeng 03:29

Monetary policies. Please, Mathieu.

Mathieu Chabran 03:33

Good morning, everyone. Mathieu Chabran. I'm the co-founder of Tikehau Capital. Tikehau is an alternative asset management platform that we founded in 2004, originally in Paris. Now it's a global platform, \$60 billion AUM. We're publicly listed in France. We're active across private credit, private equity, real assets, and capital market solutions. And maybe as an entrepreneur, the one thing I like investors to remember when I'm being asked this type of question is build a business that you want to own in 20 years and not a business you want to sell in two years. I think that has been one of the driving force of our journey.

Yixiang Zeng 04:15

Muthu.

Muthu Muthiah 04:16

Thank you, Zeng. My name is Muthu Muthiah. I'm the chief investment officer at Children's Healthcare of Atlanta. We're one of the largest freestanding pediatric health-care systems in the United States. We touch the lives of about 500,000 kids every year, and our mission is to make kids better today and healthier tomorrow. The endowment exists in its entirety to serve that mission. It's about \$11 billion today, invested meaningfully in Asia and in private markets. I think maybe one takeaway, at least one takeaway, for us, in general has been that it feels like there's a structural change happening in private markets given the amount of capital that's flooding into both venture and buyouts.

Yixiang Zeng 04:59

Let's start the first topic. The first topic is the big allocation shift. Thijs, pension funds globally are increasing their exposure to private markets. From your experience managing Asian allocations at APG Asset Management Asia, what role do private markets play in your portfolio?

Thijs Aaten 05:18

Well, I'd say that it's not private markets are better than public or those type of considerations. I don't think that that's the case. But you really should think about private markets as an opportunity to expand your universe. If you think about Asia, 86 percent of companies that make more than \$100 million in revenue are not listed, and you would miss out if you do not invest in private markets. In real estate, the vast majority of the opportunities is not listed. And I strongly believe that there's not really a premium to be had because you're investing in something illiquid. If you own an office building, if it's in a REIT or if you hold it privately, it's the same office building, same tenants, same occupancy rate. So, it's not that magically because something is not listed, it therefore generates extra returns. So, you need it, in my view, next to public because public has liquidity advantages. Different asset categories serve different roles. Private equity is very much about generated returns that we need to pay future pensions. Infrastructure usually provides a bit more of a stable cash flow that's very welcome as well, especially for the older part of our participants that need stable income. So, you need different private assets. You need to mix them with public assets as well. They have different roles. Being long term is an advantage. It allows you the opportunity to invest in private assets, but that doesn't imply that liquidity is not important because different ways of making sure that you have sufficient liquidity in your portfolio.

Yixiang Zeng 07:07

Sure. That really depends on what you need. Muthu. Yeah, I know you are like a US institutional endowment obviously, and you invest in multi-assets. How has your allocation framework evolved over the past few years, and what significant changes have been made?

Muthu Muthiah 07:26

Yeah, I think it's evolved quite a bit. So, I joined Children's, in 2022, and it felt like that coincided with a time where the market backdrop was changing also. And we thought it was changing from a world of deglobalization, lower inflation, sorry, globalization, lower inflation, lower rates to one of deglobalization, higher inflation and higher rates. And in that environment, we reevaluated our asset allocation framework and decided that we wanted more dynamism in how we allocate assets. So, we moved from a strategic asset allocation approach that had eight sub-asset-class buckets and targets to those, to more of a total portfolio approach, where we now have two asset classes and allocation. So, we have an allocation to equity-like assets. They're about 70 percent of our portfolio, and fixed income-like assets, which are about 30 percent of our portfolio. And we have guardrails on risk with a liquidity or illiquidity cap of 40 percent and a long-term equity beta target of 0.7. Within that framework, we let everything compete for capital. So, everything that has an equity beta above 0.5 competes for capital in the equity-like book, and everything with an equity beta below 0.5 competes in the fixed income-like book. The fixed income-like book is mostly diversifying hedge funds and credit, and depending on credit spreads, we kind of toggle between those allocations. And then within the equity-like portfolio, we're benchmarked to the MSCI equity. So, we think we need to take risks that aren't in the MSCI equity, and for us, those big buckets of risk are concentration, illiquidity, leverage, and timing, and we express those differently. So, we like to concentrate in markets that have inefficiency and innovation. We take on illiquidity in venture and buyout, for the point that Thijs made in that we believe you need control or influence to actually generate an illiquidity premium. And then leverage and timing is our hedge fund portfolio, and it's expressed through our long-short managers.

Yixiang Zeng 09:35

Mansoor, since institutional investors, right, they are already making a bigger portion for private markets in their portfolio, how should Financial Centre involve? And from Qatar's perspective, how should Qatar respond to this shift?

Mansoor Rashid Al-Khater 09:50

Okay. Thank you. I think from my side, we need to play an active role in turning this investment into a real economic growth as a financial center. And what does this mean as a private investment today based on trust and relationship between investment and managers, between business and lenders, between sponsors of the project and financing partners. So, we as a financial center, we need to make sure that we are sustaining and maintaining and building that relationship to move forward. And when I look at Qatar and what is already happening, I will just take what is already happening in the past just nine months. I'm not going to take—and that's where I would speak to the people around the room here. If you look at Qatar in December 2025, we announced the establishment of Qai in a partnership with Brookfield. That means we are hiring capabilities since we have the capital to make sure that we are developing the AI data center and the computing power as needed to make the difference, and this is where we show that the partnership with an international investor. The second major announcement we made in Davos, where we have announced the partnership with Goldman Sachs with the \$25 billion. That includes also investment on public or private market, but in addition to that, there's also local development of the local market and building the skills and capabilities we need because capabilities is going to be the main differentiator that we're looking into the future. As in Qatar, we have an access to the capital, but we need to make sure there's also capabilities already mobilized to create the ecosystem that we're looking for. The third thing that we have done is just a few weeks ago, which is where we are in Qatar Economic Forum in New York, where we have announced two major thing. One is about Qatar Investment Authority partnership with J.P. Morgan where we have agreed to do \$5 billion into a private market, supporting the development and economic growth and private market, and also \$15 billion invested on a public market. And the last one, which is establishment Doha Investment, which will give a pure focus to the local market development and enhancing the local champions. And one thing, at the Financial Centre, we are there to provide the investment structure and to provide the environment and the stability for the international investor. Qatar is represent a greenfield, and this is a great opportunity for all asset managers and funds and VCs to step and take the opportunities from beginning before the buses start moving. And this is what we are trying to do and making sure that Qatar is going to be part of the capital development and helping businesses, industries, and economic growth to flourish and expand.

Yixiang Zeng 12:29

So, we have heard various angles on asset allocations. Now let me come to Dr. Anwiti. How are these allocation shifts changing the way you think about portfolio construction and investment opportunities?

Anwiti Bahuguna 12:40

Thank you. I think first I want to acknowledge that what I heard is indeed what we are seeing in our own data. So, Northern Trust conducts a survey of asset owners across the globe, and we are seeing this sea change of demand for private assets, private equity, private credit, other forms of alts. And from an asset allocation perspective, the way I think about it is that this sea change in, or this shifting to privates, is happening at the same time where the macroeconomic conditions are changing. So, for example, there's two things I want to think about. One, allocation to private assets when interest rates were zero was a no-brainer. You didn't have to think about it because you were earning nothing or close to nothing in the fixed income asset class. And you could deploy a lot of leverage

because it cost you nothing or close to nothing. Now we are in a space where you have to be very thoughtful about your allocations in the portfolio and not just assume that privates are giving you diversification because there is a new diversifier back in town, and that's your fixed income allocation. So, how to think about private assets when interest rates in the US are around 4 percent and interest rates for the first time in Japan are over 3 percent? So, how do we think about allocation where there is now a real cost of capital? So, in portfolio construction, that macro regime has to be kept in the back of your mind as you think about allocating to privates. At the same time, you have to very much worry about the crowding doesn't turn into concentration. In other words, what you are owning in different sleeves, your eight different sleeves of asset allocation or 16 or howsoever you have, you have to make sure you're not just getting exposure to one theme. And everyone in the room knows what theme I'm talking about, and that's exposure to AI. You're getting that in equities, you're getting that in private equity, you're getting that in infrastructure, you're getting that in credit, you're getting that in private credit. So, when you're thinking about your risk exposure, are you looking at just your standard risk measures, or are you looking through what your actual exposure in the portfolio is? So, that's the two things I think from a portfolio construction point one has to be very mindful of.

Yixiang Zeng 15:19

Do you think investors are allocating too much capital in private markets, or wouldn't they be better off if they're in public markets?

Anwiti Bahuguna 15:26

So, I think that's a very provocative question about either/or, and I'm not going to answer it in an either/or fashion. So, the way I want to think about it, it depends on what your capacity to tolerate illiquidity is. So, for many of our clients who are institutional sovereign wealth clients or they're clients who have a lot of patient, as you say, patient capital. For them, this diversification into privates is absolutely the right thing to do. But what we have noticed in the last three years or so is this enormous demand from retail wealth. And so what we have seen this year is a proliferation of these evergreen funds. There's half a trillion dollars in them already. And at the same time, this is the first year which most of these sort of semi-liquid instruments are at their max redemption levels, and those redemption caps are staying in place. So, depending on who you are, it's great to be in private assets. If you can wait for 25 years, 30 years, you have patience, you have no need for liquidity, there's no need to manage liabilities. But you must know what your liquidity requirements are. If your liquidity requirements require that you need to, you know, dive into something you have allocated to within a year, then you must think about, is this the right vehicle for me? Especially in the context of the macro that I'm talking about, where you can get 8 percent return in high yield and you can liquidate it every day you like.

Yixiang Zeng 17:16

We'll now discuss the topic about private markets versus public markets. Matthieu, you represent private credit. What's your response to Dr. Anwiti's opinions?

Mathieu Chabran 17:27

Well, first of all, I'm going to try to convince you to join us. That's the best sales pitch I've heard, you know, for private assets in a long time. But, the first one I want to pick to respond what you said is, first of all, different investors are at a different time in their allocation to private assets. The adoption, if you will, has been very different in very different part of the world. In the US, tell me if you disagree, but you know, some public pension funds, private pensions, some are well advanced in some part of Asia. You know, they were the front—I mean,

they, they were really the front-runner on the allocating to private credit. You know, for example, I can think of Korea, I can think of Australia, and obviously in the GCC, you know, in the Middle East, you know, it's—you're catching up at a very, very fast pace. In Europe, you know, Thijs, I don't know if you disagree, but you know, there's been some regulatory constraints, and there is, you know, some catch-up to be made. But more importantly, effectively when you are—I mean, five years ago, COVID, interest rates at zero, if not negative in some part of the world, yes, I mean, it's the strongest incentive you can think of to effectively deploy capital into something that will yield a little bit of something. When your base rate is at 5 percent, effectively now the liquidity premium has to be really significant. And as much as there's been a lot of talks about the current stress, or I don't know if it's stress, but the news flow on the fixed-income side, I prefer this. When we started the firm in 2004, if I'm not mistaken, EURIBOR, so for LIBOR, was around 4.5 percent. It went down to negative territories, and now we're back, and if you take the 10 years—longer rates, 5.3, whatever, in the US. I think it's healthy to be able to underwrite financial risks when we effectively have a risk-free rate that says something so that you can effectively come up with the illiquidity premium that you're putting on that, and then you can do, as far as I remember what we learned at school, to do a DCF model and try to come up with the valuation of the assets. So, I think we're at a very interesting time in the market, for as long as what we're going through is not a systemic potential risk on the sovereign side. To effectively reset and relaunch post-COVID and all the accommodating policies, post the GFCs and all the accommodating policies, and to the risk of sounding a little bit nostalgic, I think it's very healthy for what we do to have this environment. And in that context, I agree 100 percent. You need investors who will have an additional engine to performance that is more illiquid but compensated for, that is effectively giving you what a lot of investors are looking for, which is recurring income with the relevant premium. And more importantly, I think that private market will be a major source to financing the gigantic CapEx that will be required, that are required today across various economies. And the megatrends that needs to be financed. Because the public market, I think—and you discussed specifically the high concentration in one certain market—the public market are no longer providing the liquidity that a lot of entrepreneurs or corporates need.

Anwiti Bahuguna 21:11

If I may just add one more point. When I was thinking about managers in the private space, one of the things that I also want audience to know is that there is enormous dispersion in the return from managers in the private space. That dispersion means that your access to managers is really important. You could have a manager with 1 percent return above their public target, and you could have a manager with 6 percent return over their public target. And it is not easy for wealth to get access to the top managers. Whereas, it's much easier for institutions to get access to the top managers because the top managers will chase the institutions. So, as a wealth allocator or a retail allocator, it's important to make sure that you're not using your capital to go after an average-level manager at a time where, once again, fixed income is attractive, and there is illiquidity. Illiquidity concern, manager access, and your alternative assets to alternatives is something you need to keep in mind.

Thijs Aaten 22:31

And let me comment on that as well, because I hear now a couple of times that fixed income is so attractive. And I'm not so sure if I fully agree with that, because it depends very much on what type of fixed income we're talking about. Because, yes, interest rates are higher, but we want to provide for our participants real pensions so that they maintain their purchasing power. And my worry is that in certain fixed income markets, I'm not so sure if fixed income is actually delivering on that, even though rates are maybe at 4 or 5 percent. So, if there's other opportunities—so Matthieu will be really happy because now I'm helping to pitch his product again. But I think it would be good if you think about that consequence. You don't need nominal returns. At least we don't need nominal returns. And if you can find something, even though there's crowding, so you need to be patient, you need

to think about the trends that you want to invest with. But if there's investment opportunities that bring more than just this hurdle of fixed income, where I doubt if it will keep up with inflation, especially in certain regions, I think it's something worth to consider.

Anwiti Bahuguna 23:47

Absolutely. And by fixed income, I don't mean treasuries alone.

Yixiang Zeng 23:51

Thank you very much for all your conversation. Let me come to Muthu. I know you are a US institutional allocator, and how you make a balance between invest in public markets and private markets? I know you are invest in both.

Muthu Muthiah 24:05

Yeah. I think to double up on Matthieu's point, your appetite for privates is really driven by the nature of your capital. And so the nature of our capital is defined by an infinite investment horizon, a variable spend rate, and low dependency of our operating organization on the pool for its day-to-day operations. And if you put all that in a pot, that means we have a pretty healthy appetite for illiquid investments. And so we like illiquids. We also have an inherent bias towards private markets. So, we think fundamentally our job is to find managers that have edge. And we think there's kind of five different edges: behavioral, analytical, relationship, execution, and information. And if you think about public markets, at best, you're probably getting behavioral and analytical edge, and you can make money on that. But within private markets, you can really pull all five of those levers. And so if you're with good managers, you get to exhibit five different types of edge. So, that, to us, gives us an inherent bias to allocate more towards privates. But again, to Anwiti's point, not every private manager is made equally. And a lot of those take those edges and they execute into the fourth quartile, and a lot of those take those edges and execute into the first quartile. So, it's, for us, really a bottoms-up portfolio. So, we don't have a target for privates, we have a cap on privates. It's a 40 percent cap, and again, if we find the right managers, we'll invest. And the way we think about investing is like, given our investment horizon, our aim is to invest in long-duration, high-quality assets that are sourced in efficient markets and benefit from innovation. And we try to figure out where those are and which managers can come up with those. But generally, in public markets, we're buying quality, and in private markets, we're manufacturing quality. So, what's really important to us is, again, the operating nature of the private equity firms and venture capital firms that we invest with.

Yixiang Zeng 26:04

Let's move to the third topic. Where is global capital flowing? Thijs, how much deglobalization and fragmentation of global trade create unique opportunities for those investing in Asia like you?

Thijs Aaten 26:18

Well, the deglobalization theme doesn't, in my view, necessarily imply that we're trading less. It means a shifting of supply chains. It implies that people are—that supply chains are being used as a hedge so that you're not dependent on just one supplier. And that creates demand for lots of infrastructure, logistical type of real estate. Redundancy needs to be built into the system. And that creates demand for capital. And the good thing is we are long capital, and if there's demand, then we can require higher returns on these projects. So, I wouldn't say that deglobalization for an investment portfolio is necessarily a bad thing. Again, you need to think about what's happening in the world, where you want to invest, and I'd say Asia is probably a region that you need to take a slightly deeper look because it's 50 percent of global growth, 50 percent of global GDP, 70 percent of global GDP

growth. It's one of the few regions where, in my view, all of the megatrends more or less are actually happening at the same time. It's urbanization that's still happening, demographics very different per country. It's the energy transition, it's the experience economy. So, all of that is happening in this region. So, I'd say even though we talk about deglobalization, that doesn't imply less trade and that does create lots of opportunities to invest in as well. And I favor Asia in that sense over lots of other regions, not just because the opportunity is so much better, but also to rebalance your portfolio. Because if you look at listed portfolios, if you follow the MSCI World, then you're very exposed to just this one theme, and you can diversify because predicting the future is not that easy.

Yixiang Zeng 28:44

Sure. Let me come to Mansoor. So, as competition for asset managers has become intensified globally, as well as in your region, what can Doha bring to the table, and how should the Qatar Financial Centre translate this into investment opportunities?

Mansoor Rashid Al-Khater 29:01

I think from my side, I hate the word competition, to be honest with you, as a person. For me, I use a competition as a good reference or as a benchmarking point. And if I would like to copy the competition, I would be losing in the long run because I hate to look back. But from my side, I need to set the benchmark, and this is where I'm really thinking the smart financial center or the smart countries in the GCC or the Middle East would start differentiating itself, compare its competitive edge and advantage. And this is what we are trying to do as at Financial Centre. The market is enough to accommodate everyone. And to be honest with you, if I look at the competition that's happening, whether QFC, DIFC, ADGM, or KAFD, it's really a great opportunity for the people around the room because there will be more capital will be allocated, whether to the private or even to the public market. Which is from our side, there is a huge commitment that's already being pushed in the Middle East toward the asset and fund managers. And we, as I said, in Qatar, we have already built a lot of things because we think that the competitive edge for us, we have the capital, we have the economy, and we have the infrastructure. Middle East is already high developed when it comes to infrastructure, but it is not served in terms of the investment similar to the other region. While Middle East can act as a regional hub to serve even the development, I just came from Belt and Road Summit and Qatar Economic Forum, where I have discussed that Middle East can be a big money allocator to the private and to the public and to the asset manager and funds. And we think that this is a great opportunity, especially where the development is happening in the world, which is Africa, is really represent a greenfield market that everyone is already happening, and we can be serving that. Qatar, for example, today, has already put many things for everyone to come. As I said, Qatar is today represent as great greenfield for everyone to be used. We have QIA, which is in partnership globally, and I have already just listed some of the thing. In addition to that, we are looking also to the Fund of Funds program, which is run under QIA, which is the \$3 billion that's already being assigned to the entrepreneurs. And we have already partnered with a lot of venture capitalist funds to come to Qatar. We have Shorooq, we have B Capital, we have Golden Gate, and we are announcing a huge pipeline of many VCs funders already queuing for approval because we start creating a platform with the Web Summit, where just in the last few years, we have more than 8,000 applications of entrepreneurs they submitted to Qatar.

Mansoor Rashid Al-Khater 31:44

So, we need to make sure that we are providing the whole ecosystem that's needed for the entrepreneur to grow, not only in the local market, but the global market. And what we need, we need to bring that capabilities, whether through the private or asset manager, to support those entrepreneurs to grow, because this is what we need. And the other thing, if you look Doha Investment, it's a big opportunity of the \$60 billion that's already being assigned.

Part of it is looking for \$38 billion on the infrastructure, but the \$22 billion is around private market, which is hospitality and real estate. Which mean today there is a big opportunity for everyone to jump, and is no-regret move today to consider. There is enough room for everyone to play. But what we need to do is really we need to make sure, as a QFC today, that's the country and what is already offering for everyone. But when you look at QFC, we created a transparent, reliable, and predictable framework that is trusted by the international investor, and we don't have that many changes on the past 20–25 years in terms of our regulation. QFC created that regulation for international investor. We have a common law, which is mostly trusted by everyone. We have set a lot of incentives directly provided to our asset manager and fund managers. There's almost zero tax when you come to Qatar. Barely in certain occasion or certain situation where we need to do, but in reality, we created that conducive environment to make everyone succeed. And whether you manage from Qatar or you manage in Qatar to support the development or even to put your asset in domicile in Qatar, and you manage in the international and support the global growth in the other market. This is what we're trying to do, and we are looking forward to be a major player into the economic development, especially inshallah, in the near future.

Yixiang Zeng 33:35

That's a brilliant plan. Let it come to Mathieu. Let's talk about private credit. This asset class has become one of the fast-growing asset classes around the world. Where do you see the private credit capital flowing over the next few years? And, what makes some of the jurisdictions stand out? And also, I want to know, will it be a compelling advantage for lenders like you?

Mathieu Chabran 33:59

Yeah. Here again, we need to be specific because when we say private credit has grown, I mean, it all depends on which jurisdiction you're looking at. If you start with the US, because US are always very sophisticated when it comes to that, private credit has been in existence for 40 years, 50 years. The BDCs, the mid-market CLOs, the public or private BDCs, by the way, the asset managers. And only post-GFC, which is 15 years ago now already, but we started developing as a consequence of some regulation that was growing across the world, some alternatives to what was normally the financing market, the banks, or the capital markets if we're sticking to credit trend. And that was new for many parts in Asia, many parts in Europe, many parts in the Middle East, because only the US had already a disintermediated market when it came to credit. Fast-forward these 15 years, the US, they have the largest banks in the world. They've got the largest number of regional banks in the world. They've got all these alternatives that I've just mentioned. And so when we say the private credit market has grown, let's say comma, in the US, and a lot of marginal dollars have come into a market that was already flooded with liquidity, which is not the case in Asia, which is not the case in Middle East, which was not the case in Europe. So, all those regions are catching up, and that's why I see no systemic risk to private credit, and here I'm trying not to be biased, but it's really a matter of the structure of the market that is very different in different parts of the world. And as we just discussed, there are many CapEx requirement funding that can only be financed today by the private market. Let's go back. Banks today, at least speaking about Europe, they're still highly regulated. Highly regulated. It's complicated for banks to lend 100 or 200 million euros or dollars. It's easier to lend 10 billion that they're going to be syndicating or repackaging. Whilst the economy, they need the 200 million dollars in financing. Massive opportunity. The capital markets, highly dysfunctional. We all know that the S&P 500 is skewed towards a few stocks.

Mathieu Chabran 36:36

The headlines of the papers yesterday or two days ago is about financing for chips for some multi-billion, but that is not an economy. That's not what I call an economy. Those are great transformative companies, but it's not an economy. And the economy, if you're being—if the banks cannot lend you because of regulation in many parts of the world, if the capital markets are not open to you in many parts of the world, and only the alternatives, comma, which is no longer called shadow banking, but alternative credit is a great way to find. So, I think there's been a lot of noise more than news the past few months because of the retail part, because of the structure that some people have been using. And I may say mis-selling in some parts of the world in putting some leverage on top of that and what's happening now—it's healthy and credit is the basic of what we all do, and the financial systems. And so I don't think that credit and private credit are going away. They just need to be properly underwritten with the proper alignment of interest, with the proper oversight or regulation if need be. I tend to be liberal, but you need some regulation in some parts, I'm okay with that. And that will be in a 5 percent interest rate world, a huge compounding machine and engine for asset owners.

Anwiti Bahuguna 38:03

If I may add to something Matthieu said. I think what he said was really brilliant in terms of thinking about geopolitics in your earlier question, because that was the one advantage US had. Excellent capital markets, enormous amount of liquidity, and all the global allocators went to US for that. And I think, to that age-old question of some sort of special conditions in US that makes it irreplaceable in the globe, that was essentially this capital and liquidity, Matthieu, that you're talking about. What private credit and private alternatives and equity and all is doing is actually democratizing it across the globe. In other words, areas where you don't have that fluidity in the capital markets, that's now available in the Middle East, that's available in Asia, that's available in India, that's available in Europe, which is heavily regulated. So, that is the one reason I 100 percent agree to invest in private credit and private assets, but not if you need liquidity and not if you don't have access to those managers.

Yixiang Zeng 39:24

Dr. Anwiti, I want to come to you first the investment theme now. So, we're talking about AI productivity. You are arguing that the AI story is not just about excitement, it's more about the real earnings growth and a broader CapEx supercycle. So, how durable do you think this thing is, and what could make investors to reassess it?

Anwiti Bahuguna 39:44

That is a very long question for me to answer so briefly, but I'll break it up to three things, if I may. First, I generally believe that AI demand is real. This is not the tech bubble, this is coming through in real demand. But it's also coming through in earnings. And so, I believe this is a real phenomenon. Second, I think to understand what could go wrong and what investors should watch for, I think it's important to follow the cash flow from the suppliers of AI all the way to the users of AI. So, for example, it's a no-brainer that the semiconductor companies, the ones who are producing the chips, they are huge beneficiaries of what's happening, and you can see that in their earnings. They keep beating, they keep raising expectations, and there's real money there. But after that, you have to move on to the hyperscalers, whose cash flow has gone to zero. They've stopped buying back their stocks and really are just heavily investing in data centers and energy to grow and make it all happen. Third, you have to then think of who buys from the hyperscalers, and these are your frontier labs, your various labs. Their cash flow is deeply negative. They're burning cash. They're borrowing every possible way that they can. And finally, the end user, the enterprises, the big companies that we all work for, they are using those models. So, you have to think through how is cash moving through all this to see that this is real, the demand is real. Everybody in this chain is looking for it. But you're beginning to see now, with negative cash flow in some of these areas, you now need to look for

capital elsewhere. So, who are they going to capital? They're moving it off balance sheet. Shadow banking, as we used to call it. And it's also going into the suppliers now, such as NVIDIA, now helping some of the buyers for these assets. And so a little bit of circular financing. So, I think this is a real earnings phenomena. My crystal ball is not looking 10 years out. My crystal ball is looking a couple of years out, and to me, it seems real. Where could it go wrong? That's where you have to look into the fact that your standard earnings, revenue, backlog of demand, none of these are now not clear signals. These are not clear signals. The signals are getting all mixed up because if you're looking at somebody valuing their backlog that is funded by somebody who's a supplier, whose earning is dependent on the backlog, then you don't really know what's happening in the market. And that's where the risk is to look through, is this for real or there are some stresses building into the system.

Yixiang Zeng 42:56

Thank you, Dr. Anwiti. Muthu, where are you finding the most attractive opportunities in Asia, and what exposure has actually been reduced by you?

Muthu Muthiah 43:05

Yeah. Maybe just to step back a little bit to hit on a couple other comments here on themes. I think we're also—the three themes that we're working with is geopolitical tension, rise of artificial intelligence, and increased market efficiency in private markets and some public markets, too. And I think, for us just to hit the first two quickly, we think that really means a higher demand for commodities. We can express that in public markets, through long-short equity managers, we think higher demand for energy, obviously, we express that through private markets, in the midstream and oilfield services. And then when you come to the market inefficiencies, I think adding on to everything that Thijs said in terms of what's attractive about Asia, the other thing that's attractive about Asia to us is that it's structurally a more inefficient market than the US is. And so that to us, leads us to Asia. And then within Asia, our big focus has really been India, China, and Japan. And I won't spend too much time going into that. I think there's been a lot of people much smarter than me kind of covering that over the last two days here, but that's kind of where our focus has been within Asia.

Yixiang Zeng 44:17

Thank you. Thijs, are there any overlooked opportunities you find interesting actually in Asia right now?

Thijs Aaten 44:24

Well, what's there to add? I'd almost say. But maybe a couple of things. I think that if you look at AI, what I'd like to point out is that these companies earlier in the chain that will get paid because they deliver stuff are usually based in Asia. That's where the chips are produced. So, if you want to stay closer to the money, that's probably something you'd like to do. Another angle you can take is the power infrastructure that's needed for it. But even if demand for AI is maybe a bit less than we'd expect, that infrastructure is still needed for all kinds of other trends and energy transition as well. So, that's, I think, something that you can safely invest in also. But there's also still really great other opportunities that have less to do with AI. We recently did a very interesting deal with Hongkong Land here in Singapore, where we took a number of office buildings from their portfolio, and—what's the interesting part is that maybe the initial thoughts about how to structure that were different from what we needed. So, local presence, being in the region, and then being able to work with your partner to structure it into something what you really need is, I think, an added benefit of being in the region and if you want to do private investments in Asia. And I won't say that Singapore and Hong Kong, that covers everything, and you're always close to everything, but it's a lot closer than Amsterdam. But being in the region then and working with your

partner to create something that is needed and that's very diversifying versus all the AI themes is definitely something I'd say, yes, there's more than enough other opportunities as well, and maybe they're a bit overlooked. And that implies that if it's overlooked, you can probably get a very decent return for the risk that you're taking.

Yixiang Zeng 46:24

Thank you. Mansoor, as AI is reshaping global landscape, investment—

Mansoor Rashid Al-Khater 46:30

—the Middle East usually represents a unique proposition, to be honest with you, compared to the rest of the world. We have the energy that is needed to generate the power. We have enough power, and the price of power is really affordable. So, when you look at the Middle East, the Middle East is really where the demand is going to go because of all the factors that I have said. So, Qatar has already announced Qai, which is really, again, an AI company and a local champion that's going to build a data center, and computing power is needed to support the local economy, not only locally but internationally. But the real question, I will go back to what you have said, is really we need to look at the value chain and the economy of scale that's generated. Because most of the people talking about—it's creating a bubble—in terms of demand. I agree with you, AI is a reality. But in terms of generating the right outcome of AI, it's still the efficiencies and the economy of scale is not generated because it's still the cost of the AI compared to the human is still much more. Unless we reach the level where the cost of the machine and the models that generated the result is going to be beneficial to generate the required efficiencies, then we can say yes, now we have turned AI from just a hype into a reality where everyone can generate the right result. Because which vertical we need to target, what application we need to develop, which language model, what deep learning, machine learning that will help us as enterprises to achieve that result is not yet yield. Maybe a few companies really demonstrated a good success, but it's still for the rest is still something that's in a navigating or exploration journey that we need to take place.

Yixiang Zeng 48:21

Matthieu, for the long-term structural themes, and which one do you find exciting about?

Muthu Muthiah 48:29

You asked Matthieu?

Yixiang Zeng 48:29

Yeah. So, what are the long-term structural themes that you find particularly interesting?

Muthu Muthiah 48:35

You asked me or Matthieu?

Yixiang Zeng 48:37

Oh, Matthieu.

[Crosstalk]

Mathieu Chabran 48:42

Whenever investors can provide liquidity and being paid for that, come back to basics. And so right now any situation where you can be a liquidity provider because there is a dislocation in the market will be welcome. And going back to the private credit, we see, I believe, a huge opportunity in the US in particular to be a liquidity provider on secondary private credit. There's been a lot of capital allocated to the asset class, either in drawdown fund or in semi-liquid. We know that, by definition, those assets are not liquid like private equity 20 years ago. And I believe that the supply-demand is in such imbalance right now that there is a real structural opportunity to allocate to secondary private credit.

Yixiang Zeng 49:23

Thank you very much. So, we are nearly at the end of our session. We have got one last question, and then to go around. If each panelist has got \$100 to invest today, which asset class are you betting on? Please.

Thijs Aaten 49:39

Before I take your \$100, I need to look at your portfolio and see what's in there and what really adds value to add on top of it. But then one theme that, but I think that's already clear from my earlier comments, I think if you look at institutional portfolios, especially maybe more from Western portfolios, I think they're underexposed to Asia. Because this is the region where all the long-term megatrends are coinciding. So, I think that a couple of years from now, people would look back and say, "Oh, why did I miss that? And why didn't I pre-position myself?" Because I'm convinced that the 50 percent of GDP and the 70 percent of GDP growth will also lead to more capital markets, larger public markets, private opportunities, you name it. So, don't overlook Asia.

Yixiang Zeng 50:37

Mansoor, would you like to answer?

Mansoor Rashid Al-Khater 50:39

I would disagree. Don't overlook Middle East. I think Middle East and Africa is going to be where the next growth. Asia has already reached a good level of momentum, but I think Middle East is really where you need to put your next \$100.

Yixiang Zeng 50:51

Dr. Anwiti.

Anwiti Bahuguna 50:54

So, I'll talk about asset class rather than region and get it diplomatically and say that we are still very bullish on equities. Despite the little plug I gave to fixed income, our portfolios are positioned very much so—overweight equities, because global growth is real. Whatever interest rates you're getting in fixed income is great, but equities are still giving you access to the earnings that those global growth is representing.

Yixiang Zeng 51:25

Matthieu.

Mathieu Chabran 51:26

If it's only \$100, and because I have to balance what Bill Winters said in the previous panel, I will go for the French 10-year Treasury. It's a cheap option.

Yixiang Zeng 51:36

Muthu.

Muthu Muthiah 51:36

I think our marginal dollar is probably going to go to commodities, energy, and Asia.

Mathieu Chabran 51:42

Asia and energy, yes.

Yixiang Zeng 51:43

Thank you very much for joining us. Please give our panel speakers a round of applause. Thank you.

Disclaimer: This transcript was reviewed by individuals for accuracy and serves as a reference. However, it may still contain errors or omissions. Please verify any critical information independently.