

Finding the Middle Ground

2019 Summary Report



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About GIC Insights

Established in 2016, GIC Insights is GIC's annual flagship event that gathers a select group of prominent global business leaders to connect with each other and discuss long-term issues pertinent to the international business and investment community. The theme for 2019 was *Finding the Middle Ground*.

Finding the Middle Ground

We are in unprecedented times. Global economic prospects are increasingly uncertain, governments have limited policy ammunition, and populism and protectionist pressures continue to rise. Businesses face changing supply chain dynamics and slowing earnings growth, and investors are dealing with increasing volatility and falling returns. Technology continues to rapidly advance and disrupt, but externalities alongside the possibilities increasingly need to be assessed. Given an increasingly polarised world, finding the middle ground between the key economic powers, growth and inclusiveness, as well as risks and opportunities for investing and technology will be top of mind for all stakeholders. At GIC Insights 2019, we discussed these issues and the implications for investors and businesses.



Foreword

LIM CHOW KIAT, CEO, GIC



Welcome to the fourth edition of GIC Insights.

INSIGHTS THEME: "FINDING THE MIDDLE GROUND"

We are at a turning point. Witness the profound challenges spanning geographies, businesses and capital markets. Starkly, the geopolitical mood has soured. We have seen rising populism, societal divisions, trade protectionism and decline in the ability of governments and markets to deliver broad-based prosperity¹. Greater income inequality, which has reached a 50-year high in OECD² countries, is said to be responsible. In particular, the stagnation of real income in developed Western economies in the last three decades has ushered in voter strife, hollowing out conventional mainstream politics. This, coupled with the corresponding gains by many open trading economies such as those in Asia, has raised geopolitical tensions. Globalisation has borne much of the blame, even though these developments reflect more fundamentally domestic policy failures in coping with technological and economic changes. Is there a "middle ground" that we can settle on? How much can we count on the high inter-dependency in this globalised world?

In these factious times, investors are hard put to find their footing. They face rising uncertainty but falling returns. By some measures³, uncertainty about economic prospects is currently highest on record. Further, policymakers seem to have limited ammunition to reflate economies. Interest rates are already at depressed levels. Negative-yielding bonds are no longer a market oddity. As at mid-August 2019 they accounted for 1/3 of the global tradable bond universe⁴ or a valuation of US\$17 trillion. Does this development, with investors essentially paying a fee for holding less risky assets, portend a deep deflationary spell for the world economy? Yet, faced with potential opportunity costs of missing out on positive returns, investors have also been moving into more risky assets. It is a quandary.

Nevertheless, amidst the spate of worrying developments, there are new investment opportunities. Technology, for one, offers immense investment possibilities as the pace of innovation here is breathtaking. Technological breakthroughs like Artificial Intelligence (AI), 5G, blockchain, the Internet of Things (IoT) and even those that are not yet known today will be disruptive and create

new industries, satisfy unmet needs and solve the problems of tomorrow. This is also where we already find the middle ground, between technology and traditional companies. The convergence of their business models are producing many interesting investment opportunities in the overlaps.

How will GIC seek to deliver on its mission in this complex environment?

GIC'S APPROACH

As Singapore's sovereign wealth fund, GIC's singular mandate is to preserve and enhance the international purchasing power of the reserves under our management over the long term. As we pursue our mission, we also aspire, through our long-term capital and partnerships, to contribute to the communities that we invest in all over the world. Our capital and expertise help to build enterprises and infrastructure in these communities, enhancing their well-being.

Our approach to attaining these goals are shaped by three guideposts.

Our first guidepost is the maxim **Know Thyself**.

This calls on us to keep our eyes resolutely on our mandate, organisational values, strengths and weaknesses. Our mandate to preserve and enhance the real value of the national reserves translates to giving priority to prudence. We emphasise diversification, robustness in constructing our portfolio and the discipline to modulate our risk exposure as valuations are appraised to be unattractive.

Our second guidepost is to **Focus on the Long Term**. This long-term perspective is integral to who we are and how we invest. When GIC was set up in 1981, it was with the explicit instruction to invest for long-term returns for the benefit of both current and future generations of Singaporeans. We invest with a mindset of looking over cycles to assess value and to benefit from harvesting long-term risk premia, capitalising on short-term dislocations, and building lasting relationships with our stakeholders and partners. Importantly, this mindset impels us to look beyond short-term headlines and to position for durable trends such as the rise of the middle-class in Asia, the innovation engine of the US and the sustainability leadership of Europe.

Our third guidepost is to **Build Capabilities and Partnerships**. When faced with uncertainty, it is advisable to have optionality. Tactically, that may be raising some cash as dry powder. The more durable efforts are:

Building capabilities, which means constantly working on getting better at what we do, innovating, and learning. Especially in these times of challenging broad market returns, we need expertise in pro-active sourcing of investments, due diligence and ongoing asset management capabilities. In recent years, we have made good progress in various domains, increasingly becoming a choice solution provider for many investees and partners. There is much more to do, and we will continue to work hard on this.

Building partnerships, which means deepening and expanding our networks of like-minded partners and

investee companies. Many of those who attended GIC Insights have been partners of GIC for a long time, and we look to forge new relationships with more partners.

The journey ahead will be a difficult one, but together we can create more win-win opportunities and by doing so, contribute to the wider communities that we invest in over the long term.

[1] Edelman Trust Barometer 2019; McKinsey Report June 2019: Inequality: A persisting challenge and its implications

[2] OECD Social Inequality Database <http://www.oecd.org/social/inequality.htm>

[3] WUI (World Uncertainty Index) was developed by Hites Ahir (MF), Nicholas Bloom (Stanford University) and Davide Furceri (International Monetary Fund). They construct quarterly indices of economic uncertainty for 143 countries from 1996 onwards using frequency counts of "uncertainty" (and its variants) in the quarterly Economist Intelligence Unit (EIU) country reports. The EIU reports discuss major political and economic developments in each country, along with analysis and forecasts of political, policy and economic conditions. They are created by country-specific teams of analysts and a central EIU editorial team. WUI as at 2Q 2019 based on GDP weighted average from 1996.

[4] Calculated as percentage of total outstanding bonds in Bloomberg Barclays Global Agg Index at 15/8/2019.

Changing World Order



THERE WILL BE MANY RESPONSIBILITIES, AND LIABILITIES, IF THE RMB IS TO BE USED AS A RESERVE CURRENCY. MORE INTERNATIONAL DISCUSSION AND CO-ORDINATION, AS WELL AS NEW FUNCTIONS AND INSTITUTIONS, WILL BE NEEDED TO MOVE INTO SUCH A NEW AGE.

Dr. Zhou Xiaochuan
President
China Society for Finance and Banking



The world economy is undergoing dramatic shifts with China surpassing the US to be the world's largest economy based on purchasing power parity. Rising trade tensions have dampened global trade and investment flows and increased volatility in the financial markets. China's evolution, from being the world's factory to global entrepreneur and innovator, is being met with international security concerns and protectionism at a time when Beijing seeks fresh balance between its growing global role and national aspirations.

*Amid this challenging economic climate, one topic discussed at GIC Insights 2019 was the "Changing World Order". The session was moderated by GIC Chief Economist **Dr. Prakash Kannan**, with panellists **Kevin Warsh**, Shepard Family Distinguished Visiting Fellow in Economics at the Hoover Institution, Stanford University, **Dr. Zhou Xiaochuan**, President of China Society for Finance and Banking, and former People's Bank of China Governor, and **Dr. Weijian Shan**, PAG Chairman and CEO. It also drew from interesting perspectives from the crowd, including **Piyush Gupta**, CEO of DBS Bank, and **Xavier Musca**, Deputy Chief Executive Officer at Crédit Agricole.*

EVOLUTION OF CHINA'S GROWTH STRATEGY

The growth of China's economy over the last 20 years has been remarkable, with China's share of global GDP (in PPP terms) rising from about 7% to 19%. It has overtaken the likes of Japan and the US to become the world's largest economy since 2015.

Accordingly, China's growth model has evolved, starting with exports as a key driver in the early 2000s. Following the Asian Financial Crisis in the late 1990s and China's entrance into the WTO (World Trade Organization) in 2001, manufacturing and exports picked up rapidly. China was able to accumulate significant trade surplus and foreign exchange reserves. China subsequently moved from an export-led towards more domestic demand-based development, with the latter helped by large rural-urban migration flows. Back in 2000, only about a third of the population lived in urbanised areas; fast-forward to today, it is close to 60%. In essence, this

has created huge demand for goods, services and housing as about 350 million people – or roughly the same size as the entire US population – moved into towns and cities over the period.

In recent years, China has taken on a "high-quality development" growth strategy, comprising three focus areas:

1. **Technology:** Using science, Artificial Intelligence and other technology to transform the manufacturing and services sectors,
2. **Environment:** Strongly supporting the Paris Agreement in terms of climate change and other environmental protection, and
3. **Income distribution:** Reducing the income distribution gap through greater efforts to create jobs for those with low or no incomes or living in rural areas, as well as the minorities.

Looking forward, China has significant room for



[ON SCALING A COMPANY IN CHINA]

THE KEY DIFFERENCE WITH CHINA IS THAT THERE ARE 800 MILLION ACTIVE INTERNET USERS – LARGER THAN THE POPULATION OF THE US AND THE EU COMBINED. THAT IS THE POTENTIAL CHINA OFFERS.

Dr. Weijian Shan
Chairman & CEO
PAG Group



internal-based growth. China's savings rate is relatively high at 45% of GDP, as compared to circa 20-30%¹ in the US, Japan, and core Europe, reflecting considerable capital that can be invested. The urbanisation trend will continue to rise to ~70%², in turn driving further robust domestic demand. There is also room for catch-up in the services sector, which at 52% of GDP, remains lower than other developed economies and even other large emerging economies like Russia, Brazil, and India. While the trade war remains a challenge, China's growth will continue to be domestic-led. But China needs further reform, a domestic incentive system, and a strong vision to support this development strategy.

IMPACT OF US-CHINA TRADE WAR

The trade war is widely viewed to be the largest risk in the global economy today, but the actual direct impact on China has been less than expected as exports are no longer a major engine of China's economic growth, falling from 36% of GDP in 2006 to 18% in 2018. China is also paying more attention to the Belt and Road Initiative (BRI) to target other markets to diversify their exports over time. For the US, the loss in exports was about US\$79 billion per year, or 0.4% of the US GDP, but in China the impact has been limited as the tariffs only targeted US commodities, which China could still buy from countries outside of the US. For example, China



Left to right: Kevin Warsh (Hoover Institution), Dr. Zhou Xiaochuan (China Society for Finance and Banking), Dr. Weijian Shan (PAG Group)

imposed a 25% tariff on US lobsters, which saw its exports to China fall by 70%. However, China's import of lobsters doubled and import prices also dropped as China lowered the lobster tariffs from Canada.

The economic impact of the fallout in exports could potentially trigger a US downturn and an end to the trade war. One immutable fact, however, regardless of whether the trade war ends, is that the US-China relationship has become fundamentally different from before.

INCREASED GLOBAL CENTRAL BANK COORDINATION

As the global reserve currency, the role of the dollar has become more consequential over the last 25 years, in both value and invoicing. Hence, any US monetary and fiscal decision will have huge implications on global capital flows and growth. For example, when the US ran massive trade deficits in the 1990s, it led to a swelling of foreign reserves by

“[THE US AND CHINA] MAY DISAGREE FROM TIME TO TIME, BUT THERE HAS TO BE TRUST, BECAUSE THE TRUTH IS THAT THE MONETARY POLICY WE SET IN THE US AND CHINA HAS AN INFLUENCE ON THE REST OF THE WORLD.”

Kevin Warsh

Shepard Family Distinguished Visiting Fellow in Economics
Hoover Institution, Stanford University



other countries, especially those in Asia following the lessons learned from the Asian Financial Crisis. These reserves were recycled back into the US economy, contributing to the real estate bubble, subprime crisis and ultimately the Global Financial Crisis in the late 2000s. Such lessons indicate that more policy discussion and cooperation is needed amongst the world’s leading economies. This would not only help countries avoid framing policies that can be perceived as confrontational by other nations, but also give more credence and impact to monetary policy decisions.



DOLLAR TO REMAIN THE GLOBAL RESERVE CURRENCY

The panel also discussed the replacement of the US Dollar as the world’s reserve currency with a global digital alternative backed by a basket of major currencies. This was recently suggested by [Bank of England Governor Mark Carney](#), who said that such a move would protect emerging economies from swings in the US economy and unlock dollar funds that governments currently stockpile to guard against capital outflows. However, for such a global digital alternative to work, a global central bank would be needed, and there is currently no such authority. There is still some way to go before a consensus in this area can be reached.

Another view was that competition from other major currencies should help drive better decisions as policymakers think more about the long-term consequences and leakages. However, the dollar

would likely remain the global reserve currency, at least over the course of the next generation.

OUTLOOK FOR OTHER KEY ECONOMIES IN THE FACE OF RISING US-CHINA TENSIONS

India

Further afield, India has significant long-term potential but also many challenges. The Indian economy is still not very large at US\$2.7 trillion, about a fifth of China, which means that for every percentage point slowdown in China’s growth, it would have to grow by four or five percentage points at the margin to have a similar impact. India is also going through some really important structural reforms that while beneficial in the long term, will also create headwinds in the short term. For example, the reforms focused on eliminating crony capitalism and corruption resulted in credit contraction. The newly implemented goods and services tax reform resulted in lower purchasing power and weakness in domestic spending. The prospects of these negative headwinds turning around soon are rather limited.

Nonetheless, one potential opportunity India has is in the shift in global supply chains. While other Southeast Asian countries do not have the scale and resources to fully capitalise on this, India’s ability to benefit from this is limited by the reforms needed in land, labour, and manufacturing. These challenges also make it difficult for India to participate in free trade agreements like the Regional Comprehensive Economic Partnership (RCEP). However, over a



Xavier Musca (Crédit Agricole)

10-year horizon, there is still considerable long-term potential for consumption, services, and other domestic sectors.

Europe

Europe's challenges are more internally than externally driven. Based on key economic indicators, consumption and credit flows are positive, and yet inflation and employment are declining. Unlike Asia and the US, Europe went through not one, but two financial crises over the last 10 years. The Euro debt crisis over 2011 to 2013 was a particularly difficult period for Southern Europe. One key concern for Europe was on how to avoid a "Japanification" scenario of low growth and deflation. However, Europe still has two potential positive levers at its disposal:

1. **Structural reforms:** There has been progress in some countries, earlier in Germany, and later in Spain, Portugal, Ireland, and France;
2. **Fiscal policy:** Gross public debt in the Eurozone fell from 92% to 86% between 2014-2019. However, the mobilisation of these reserves is another issue as capacities differ from country to country, while the coordination of fiscal policies and resolution of the immigration policy remain key hurdles.

CONCLUSION

Overall, three investment implications emerged:

1. China has a long runway for domestic consumption-led growth and policymakers will likely continue to encourage this in the coming years.
2. China offers tremendous scale and an unparalleled domestic market for products and services, and companies who are able to tap into and maximise this opportunity will stand to benefit.
3. The US-China relationship will be fundamentally different from before, and companies need to adjust to this new reality.

[1] World Bank <https://data.worldbank.org/indicator/NY.GNS.ICTR.ZS?view=chart>

[2] United Nations Population Division. World Urbanisation Prospects 2018

Innovation 4.0

“OUR VALUE IS NOT JUST AS A TECHNOLOGY LEADER, BUT AS AN ECOSYSTEM BUILDER IN A NUMBER OF INDUSTRIES WITH AI AS THE CENTERPIECE.”

Professor Tang Xiao’ou

Founder
SenseTime



From AI (Artificial Intelligence) to IA (Industrial Automation), technological innovation is transforming industries and changing the global competitive landscape. They are meeting the rapidly evolving and differentiated needs of consumers, while making traditional industries more efficient and sustainable.

*At GIC Insights 2019, we heard from **Professor Tang Xiao’ou**, Founder of SenseTime, one of China’s leading AI companies, and **Jean-Pascal Tricoire**, Chairman and CEO of French energy multinational Schneider Electric, on their digitally enabled but highly divergent paths to leadership.*

TECHNOLOGY AT THE CORE

From driverless cars to robots in factories, new technology innovations driven by AI and IA are transforming industries and lifestyles in ways unimagined before.

At the vanguard of these technological innovations are SenseTime and Schneider, two companies with very similar goals – new solutions and efficiency improvements – but highly distinct backgrounds. SenseTime is a five-year-old Chinese unicorn contributing to the rising tide of AI while Schneider is a 183-year-old company with its legacy in energy distribution. This article describes their unique paths to leadership and how traditional incumbents and young disruptors can potentially collaborate.

THE FUTURE OF AI

In just five years, SenseTime has emerged to become “the world’s most valuable start-up” with 3,500 staff and offices in Hong Kong, Shanghai, Tokyo, the Middle East, and Singapore. In part, SenseTime’s rapid rise can be attributed to timing. It came into being at a time when China was already at the technological frontiers of electronics, machinery,

automobiles, and high-speed railways, and driving the development of next-generation technologies, including robotics, AI, supercomputers, and virtual reality. As computer scientist-investor Lee Kai-Fu noted before, when the Chinese ecosystem focuses on one industry, ‘they can truly shake the world.’ Today, AI is embedded in everyday Chinese life, in applications from traffic management and safety, to even kitchen processes and hygiene standards compliance.

In building its AI business, SenseTime cites four factors as being key to its success:

1. **Talent:** Securing talent in quantity and quality is key to AI and innovation, and a competitive advantage. To encourage a good flow of talent over the long term, SenseTime created an AI education platform across all levels. This ranges from publishing textbooks that stimulate interest in programming, mathematics, physics and science from primary to high school students, to providing central supercomputing resources for schools. At the college level, they have formed a Global AI Academic Alliance with the Massachusetts Institute of Technology (MIT).

2. **Data:** AI relies heavily on the availability and quality of data. By working with many traditional companies right from the beginning, they were able to collect a lot of data, which was subsequently used for training and honing their algorithms.
3. **Computing power:** SenseTime owns some of the world's most powerful supercomputers, allowing their researchers to test out their ideas and bring new solutions to market more quickly than their peers.
4. **Industry partners:** AI alone cannot do anything. It has to work in tandem with other traditional industries to have impact. SenseTime aims to work with the best or biggest players in each industry, who will have deep industry knowledge and data. For example, in autonomous driving, working with an established car manufacturer gives SenseTime access to invaluable data from millions of vehicles which they do not have on their own. In addition, by having exposure to different partners and industries, there are opportunities to further strengthen the ecosystem by cross-selling relevant products and services and come up with new business models.

INDUSTRY 4.0 – A DIGITAL TRANSFORMATION JOURNEY

Then there is Schneider, a 183-year-old incumbent, who now deploys technologies such as AI, Big Data and the Internet of Things (IoT), to help traditional industries like energy and manufacturing operate

more efficiently and sustainably. This includes using cloud-based solutions which allow customers to track and respond to energy use in real time. Today, digital business accounts for 50% of Schneider's revenue. Schneider's transition to a global leader in energy management in IA took 15 years. Chairman and CEO Jean-Pascal Tricoire shared three key strategies:

1. **Identifying climate change as a major issue to be resolved globally**

Schneider identified climate change as a major issue that would compel corporations, especially those in the energy sector, to embrace sustainability as a strategic priority. The growing demand for carbon neutrality has since changed the profile of the company. Schneider has invested heavily in digitisation and IoT, with the goal to combat climate change and reduce CO2 emissions by up to 50%

2. **Opting for open, inter-operable architecture instead of proprietary systems**

This ultimately took the form of integrated solutions, which leverages on advancements around IoT, mobility, sensing, cloud, analytics and cybersecurity, to deliver innovation across all levels of the industrial process.

3. **Investing in China**

Schneider used to be fairly transatlantic, operating primarily between Europe and the US. In the 1990s, despite low levels of urbanisation, industrialisation, and digitisation in China then, the company invested heavily in the country's



Left to right: Mark Ong (GIC), Professor Tang Xiaobu (SenseTime), Jean-Pascal Tricoire (Schneider Electric)

potential. Today, China is Schneider's largest market, and where it has their highest headcount of 28,000 staff.

Schneider's transformation journey has not been without challenges. They have had to deal with different energy networks and standards in each country, the need to enhance security and build trust in their systems, and re-skilling employees to meet the changing digital demands of the future. Having a forward-looking, collaborative, and strategic approach underpinned their success.

BRINGING INCUMBENTS AND START-UPS TOGETHER

One common thread that stood out was the companies' clear vision and awareness of what they stood for and how they define their longer-term objectives.

First, SenseTime saw its role as being a business foremost, and not a research institute. Accordingly, it has been judicious in the way it has managed its funds, and has had its eyes set on long-term viability and profitability for its investors. For Schneider, it understood that its customers were turning to them not for their technology, but their ability to convert their use of technology into tangible benefits in energy and time savings, as well as increased productivity.

Second, both companies have an acute awareness of their value, as well as what others bring to the

table. SenseTime recognises that while it has the technology, it lacks the scale and the years of experience that many industry veterans would have. Similarly, Schneider recognises that its value is in being able to 'connect the world' and collect massive amounts of data, which can be analysed to better inform decision-making for its customers. This process may be enhanced by AI technology at every level. Incumbents and start-ups can therefore have very complementary positionings.

Third, both are focused on the long term. For SenseTime, they understood the need to build a strong eco-system for long-term financial viability. For Schneider, they recognised the importance of balancing the need to change which could affect short-term profitability, and managing shareholders' expectations while the change is going on.

CONCLUSION

Ultimately, companies who embrace AI and IA can extract major long-term business benefits from productivity and sustainability gains, gain a strong early-mover advantage in industry knowledge, talent and experience, and consequently position themselves well for longevity.

[1] Source: Forbes <https://www.forbes.com/sites/bernardmarr/2019/06/17/meet-the-worlds-most-valuable-ai-startup-chinas-sensetime/#51225da0309f>



DATA MAKES NO SENSE WITHOUT ALGORITHMS. AI IS A MAJOR CATALYST FOR GIVING SENSE TO COLLECTED DATA.



Jean-Pascal Tricoire
Chairman & CEO
Schneider Electric

Navigating Uncertainty



THE TOP OPPORTUNITY IS TO BE AN INVESTOR WHO TODAY PUTS AN EMPHASIS ON SAFETY. THEY WILL BE DISTINGUISHED IN THE FUTURE AS SOMEONE WHO INVESTED WELL TODAY BUT IS READY FOR NEGATIVE DEVELOPMENTS.

Howard Marks

Co-Chairman

Oaktree Capital Management



The economic, political and investing environments of today are much more complex and uncertain, given the mature business cycles in key economies, continued populist and geopolitical pressures, and limited government policy tools. The rise of financial risks due to high corporate and non-banking leverage, crypto-currencies, and weakening credit quality and tightening liquidity add to the complexity.

*GIC Insights 2019 brought together titans of the investment world, including Oaktree Capital Co-Chairman **Howard Marks**, BlackRock Asia-Pacific Chair **Dr. Geraldine Buckingham**, and Norges Bank Investment Management CEO **Yngve Slyngstad** to discuss the path ahead in a session moderated by **Kevin Bong**, Director of Economics and Investment Strategy at GIC. We unpack their key insights below.*

UNCHARTED WATERS

The global economy is in unfamiliar territory – a market cycle that is long in the tooth, exceptionally low and even negative interest rates, heightened trade and geopolitical tensions, a breakdown in public trust, and rapid technological change. Globalisation, a key driver of growth and returns in the past half century, appears to have slowed and is at risk of unwinding. Inequality has provided a platform for populism to rear its ugly head. The risks and opportunities of a Green Revolution and continued technological disruption further widen the range of possible outcomes. Investors have to prepare themselves for any one of multiple, disparate futures.

GLOBALISATION: UNCERTAINTY AND THE PATH AHEAD

Globalisation has arguably done much good for the world. It has opened up new markets, and encouraged greater cross-border trade, investment and movement of labour. This has in turn allowed for greater competition and greater economies of scale,

ultimately leading to greater growth. However, while the returns from globalisation growth are evident, the distribution of these returns has become increasingly contentious. Inequality in wealth, income, and opportunity has become increasingly pronounced, and social pressures are likely to continue rising as jobs are disrupted by technological advances and automation, and as populations age with inadequate retirement savings. While globalisation may be associated with some of the symptoms, it is often cited as the root cause and subject to significant backlash.

That said, the case for continued globalisation remains strong, driven by three factors: continued urbanisation, technological advances, and a generational shift in leaders:

1. **Continued urbanisation:** By 2050, around two-thirds of the world population is projected to live in urban areas. The UN estimates that India, China, and Nigeria will account for 35% of that growth, adding 416 million, 255 million, and 189 million urban dwellers respectively.¹ As more people live in cities, they will engage



TECHNOLOGY HAS CREATED OPPORTUNITIES FOR ASIA IN ACCESSING POPULATIONS AND EDUCATING ON TOPICS PREVIOUSLY INACCESSIBLE. WE NEED TO LEAN INTO CHANGE AND SEE TECHNOLOGY AS AN OPPORTUNITY, MORE THAN JUST DISRUPTION.



Dr. Geraldine Buckingham

Chair, Asia-Pacific
BlackRock



in more “international” lifestyles, and adopt a correspondingly positive attitude towards globalisation. We already see this in the continuous increases in foreign visitor flows, especially from emerging markets such as China.

2. **Technological advances:** Technology has enabled cross-border interactions across markets and businesses, and the creation of a global market. For many emerging economies, it has allowed the leapfrogging of business and social models to take place, including faster and more holistic integration with the rest of the world.
3. **Globalised leadership:** The rising talent of today – and leaders of tomorrow – will have grown up in a highly globalised world, and are more likely to view economic, social and political openness more favorably.

Asia has been a significant beneficiary of globalisation in terms of economic growth and the financial deepening and development of capital markets. The region has learnt a lot through past crises, and has expended considerable effort in building greater resilience. The next test of its markets and policy responses will likely cement Asia’s place in the global financial markets.

THE GREEN REVOLUTION: PROMPTING AN INVESTMENT RETHINK

A second key source of uncertainty and also growth is the “green agenda”, or sustainability’s evolving

and increasing role in the business environment. Companies are increasingly called upon – or naturally coming round to the idea – to focus more on stakeholder value, instead of just shareholder value. Today, many of the world’s largest companies are owned in meaningful proportion by financial institutions and pension funds whose stakeholders tend to form a large part of the population. As such, as more of these stakeholders become more aware of the value and scarcity of natural capital, they will prompt a rethink in the key performance metrics for their portfolio companies.

While different parts of the world are at different stages of the sustainability revolution – with Europe leading, followed by North America, and then Asia – we are starting to see capital movement along this trend. Investors are keen to understand the impact of Environmental, Social, and Governance (ESG) considerations on their investment decisions, and portfolio risk and performance, while companies are mindful of its influence in attracting and retaining socially conscious millennial employees.

Challenges remain, however. For one, investors and policy-makers alike are finding difficulty in pricing the associated risks and externalities accurately. Second, while terminology and the available data sets are improving, they are still not clearly defined. There is thus a need to co-ordinate and develop a set of international measurable standards so as to encourage more companies to adopt ESG initiatives.



“WHEN WE THINK ABOUT RISK, IT IS THE LONGER TERM TRENDS, WITH REGARDS TO PRICING, TECHNOLOGICAL DEVELOPMENT, AND HOW THE WORLD ECONOMY IS PUT TOGETHER, THAT ARE IMPORTANT FOR US TO THINK ABOUT.”

Yngve Slyngstad

CEO

Norges Bank Investment Management

MAINTAINING OPTIONALITY WITH TECHNOLOGICAL DISRUPTION

Finally, rapid advances in technology will continue to create great opportunities and challenges. An example that has gained prominence in recent years is Distributed Ledger Technology (DLT) – more commonly known as “blockchain”. While the technology’s transformative potential is clear, it has yet to gain broad social acceptance due to governance and regulatory concerns. Regulators will have to formulate solutions that address key issues around the privacy of data, expandability of results, accountability for decisions, and the acceptability of outcomes.

Importantly, blockchain cannot be seen as the solution to every issue. Instead, its impact is optimised under certain conditions, where there:

1. Are multiple parties involved,
2. Is no natural trusted central party, and
3. Is a need for a detailed ledger of transactions and transfer of ownership.

Accordingly, one area where blockchain would have a strong use case is cross-border payments, as there is currently no global central bank. Transferring money between countries is laborious, costly and inefficient, and an interbank transfer may take up to two to three days.

Crypto-tokens, on the other hand, have different properties depending on their respective use cases,

which can vary from an Initial Coin Offering (ICO) to payments. Recent developments, such as Libra by social media company Facebook, offer the prospect of a stablecoin pegged to a basket of currencies. However, this continues to be a work-in-progress as the full mechanics and issues, such as the supply of the coins and impact on currencies excluded from the basket, are yet to be ironed out.

In an era of accelerating technological change, the broader lesson for investors is to maintain optionality by being involved in all of these technologies, being clear of their use cases, and being nimble enough to move when conditions change.

MOVING FORWARD: A MORE COMPLEX ANCHOR

Ultimately, for investors, the core principle should still be to find good businesses at reasonable prices. However, as the drivers of uncertainty continue to persist, so will the definition of a good business evolve. Where investing used to focus on looking after shareholders, investors today have to also take into account wider sociopolitical issues, ESG considerations, and an ever-evolving technology environment. So while the principle has remained unchanged, its execution and application have become significantly more complex.

[1] 2018 Revision of World Urbanization Prospects, Population Division, United Nations Department of Economic and Social Affairs.

Participants

GIC Insights' value comes not from our conduct of the event, but the generous sharing by our speakers and participants, as well as the relationships forged over the course of the event.

We extend our appreciation to all our participants who attended GIC Insights 2019 in the following pages.

Participants

	COMPANY	NAME	TITLE
A	Affinity Equity Partners	Tang Kok Yew	Founding Chairman & Managing Partner
	AIA Group	Ng Keng Hooi	Group Chief Executive & President
	Alibaba Group	Daniel Zhang	Executive Chairman & Chief Executive Officer
	Alibaba Group	Hong Xu	Vice-President & Chief of Staff, CEO Office
	Atlas Merchant Capital	Bob Diamond	Founder & Chief Executive Officer
	Avanda Investment Management	Ng Kok Song	Founding Partner & Chairman
	Avanda Investment Management	Sung Cheng Chih	Founding Partner & Chief Executive Officer
B	Baring Private Equity Asia	Jean Eric Salata	Founding Partner & Chief Executive Officer
	BBAM	Steve Zissis	Chief Executive Officer
	BGH Capital	Ben Gray	Founding Partner
	Bharti Enterprises	Sunil Bharti Mittal	Chairman
	BlackRock	Geraldine Buckingham	Chair, Asia Pacific
	Blackstone	Tony James	Executive Vice-Chairman
	Blackstone Singapore	Gautam Banerjee	Chairman
	BNY Mellon	David Cruikshank	Chairman, Asia Pacific
	Boston Scientific	Warren Wang	Senior Vice-President & President, Asia Pacific
	Boyu Capital	Alvin Jiang	Co-Founder & Managing Partner

	Bridgewater Associates	Carsten Stendevad	Senior Fellow
	Brookfield Infrastructure Group	Sam Pollock	Chief Executive Officer
C	Canada Pension Plan Investment Board	David Denison	Former President & Chief Executive Officer
	Canada Pension Plan Investment Board	Deborah Orida	Senior Managing Director & Global Head, Active Equities
	CapitalLand	Lee Chee Koon	President & Group Chief Executive Officer
	Carlyle Asia	X.D. Yang	Managing Director & Co-Head
	Cenova	Wu Jun	Founder & Chairman
	Centurium Capital	David Li	Chairman
	Cerberus Capital Management	Frank Bruno	Co-Chief Executive Officer
	China Pacific Insurance (Group) Co.	Mingchao Wang	Director of Board Office
	China Society for Finance and Banking	Zhou Xiaochuan	President, China Society for Finance and Banking Former Governor, People's Bank of China
	China Vanke	Jiusheng Zhu	Group Chief Executive Officer
	Cinema XXI	Hans Gunadi	President & Chief Executive Officer
	Cinema XXI	Arif Suherman	Executive Director & Chief Operating Officer
	CITIC Capital	Yichen Zhang	Chairman & Chief Executive Officer
	Credit Agricole SA	Xavier Musca	Deputy Chief Executive Officer
	CStone Pharmaceuticals	Richard Yeh	Chief Financial Officer
	CVC Capital Partners	Sigit Prasetya	Chairman, Asia
D	D. E. Shaw & Co.	Alexis Halaby	Managing Director
	DBS Group Holdings	Peter Seah	Chairman
	DBS	Piyush Gupta	Group Chief Executive Officer

E	Eastspring Investments	Seck Wai Kwong	Chief Executive Officer
	Emirates NBD	Surya Subramanian	Group Chief Financial Officer
	Emtek Group	Alvin Sariaatmadja	Chief Executive Officer
	EQT Partners	Thomas von Koch	Chairman, EQT Asia & Deputy Managing Partner
F	FCLTGlobal	Alison Loat	Senior Managing Director
	Flexport	Huey Lin	Asia President
	Foreign and Commonwealth Office	Kara Owen	British High Commissioner to the Republic of Singapore
	Fullerton Fund Management	Ho Tian Yee	Chairman
	Future Fund	Raff Arndt	Chief Investment Officer
G	GIC	Tony Tan Keng Yam	Special Advisor
	GIC	S Dhanabalan	Board Director
	Global Infrastructure Partners	Bayo Ogunlesi	Chairman & Managing Partner
	GLP	Ming Mei	Co-Founder & Chief Executive Officer
	GMP	Francisco Montoro	Chief Executive Officer
	Goldman Sachs	John Waldron	President & Chief Operating Officer
	Grandjoy	Zhou Zheng	Chairman
	GSO	Dwight Scott	President & Senior Managing Director
H	H2O Asset Management	Bruno Crastes	Chief Executive Officer
	Hahn & Co.	Scott Hahn	President & Chief Executive Officer
	Hansoh Pharmaceutical Group Company	Y. Sun	Executive Director
	Happy Life Technology Inc.	Rujing Gong	Founder & Chairwoman

	Hellman & Friedman	Patrick Healy	Chief Executive Officer
	Hillhouse Capital Management	Lei Zhang	Founder & Chief Executive Officer
	Hoover Institution, Stanford University	Kevin Warsh	Shepard Family Distinguished Visiting Fellow in Economics
	HOPU Investments	Fang Fenglei	Chairman
	HOPU Investments	Lau Teck Sien	Chief Executive Officer
	Huazhu	Ji Qi	Founder
I	I Squared Capital	Sadek Wahba	Managing Partner
	IHH Healthcare Berhad	Tan See Leng	Managing Director & Chief Executive Officer
	Insight Partners	Deven Parekh	Managing Director
J	JAB Consumer Fund	Philip von Wulffen	Managing Partner
K	K Raheja Corp	Ravi Raheja	Group President
	KKR	Ming Lu	Head, Asia Pacific
	Kobalt	Willard Ahdriz	Founder & Chief Executive Officer
	Kotak Mahindra	Uday Kotak	Managing Director & Chief Executive Officer
L	Lansdowne Partners	Peter Davies	Senior Partner
	Lee Kuan Yew School of Public Policy	Lim Siong Guan	Professor
	LIXIL Group Corporation	Yoichiro Ushioda	Chairman of the Board
	Lone Star Funds	John Grayken	Founder & Chairman
M	Macquarie	Martin Stanley	Head, Asset Management
	Magellan Financial Group	Hamish Douglass	Chairman & Chief Investment Officer
	Ministry of Finance (Singapore)	Tan Ching Yee	Permanent Secretary (Finance)

	Ministry of Finance (Singapore)	Lim Zhi Jian	Director (Reserves & Investment)
	Mizuho Financial Group	Tatsufumi Sakai	Group Chief Executive Officer
	Mizuho Financial Group	Hidekatsu Take	Head of Asia Oceania & Managing Executive Officer
	Monetary Authority of Singapore	Ravi Menon	Managing Director
	Monetary Authority of Singapore	Jacqueline Loh	Deputy Managing Director, Markets & Development
	Monetary Authority of Singapore	Chia Der Jiun	Deputy Managing Director, Corporate Development
	Myriad	Carl Huttenlocher	Founder & Chief Investment Officer
N	Nippon Paint South-East Asia Group	Wee Siew Kim	President & Group Chief Executive Officer
	Norges Bank Investment Management	Yngve Slyngstad	Chief Executive Officer
	Northern Trust	Peter Cherecwich	President, Corporate & Institutional Services
	NorthWest	Paul Dalla Lana	Chairman & Chief Executive Officer
	NorthWest	Craig Mitchell	Chief Executive Officer, Northwest Aust & NZ
O	Oaktree Capital Management	Howard Marks	Co-Chairman
	Oaktree Capital Management	Max Wong	Managing Director
	OCBC Bank	Samuel Tsien	Group Chief Executive Officer
	OCBC Bank	Lam Kun Kin	Senior Executive Vice-President & Head, Global Treasury & Investment Banking
	OCP	Victor van Bommel	Chief Executive Officer
P	Pacific Century Group	Richard Li	Chairman & Chief Executive
	PAG	Weijian Shan	Chairman & Chief Executive Officer
	PAG	Chris Gradel	Founder & Chief Investment Officer, Absolute Returns

PAG Asia Capital	David Wong	Partner
Pavilion Capital	Tow Heng Tan	Chief Executive Officer
Prime Minister's Office (Singapore)	Jeffrey Siow	Principal Private Secretary to the Prime Minister
Prime Minister's Office (Singapore)	Sanjay Nanwani	Deputy Principal Private Secretary to the Prime Minister
Prime Minister's Office (Singapore)	Wong Kang Jet	Principal Private Secretary to the Deputy Prime Minister
Prime Minister's Office (Singapore)	Kwek Poh Heok	Deputy Principal Private Secretary to the Deputy Prime Minister
Prime Minister's Office (Singapore)	Ang Wee Keong	Special Assistant to Senior Minister Teo Chee Hean
Prime Minister's Office (Singapore)	Kwa Chin Lum	Special Assistant to Senior Minister Tharman Shanmugaratnam
PrimePartners Group	Hsieh Fu Hua	Co-Founder & Advisor
PSP Investments	Neil Cunningham	President & Chief Executive Officer
PT Pakuwon Jati Tbk	Alexander Tedja	Chairman
PT Triputra Agro Persada	Arif Rachmat	Group Chief Executive Officer
R Republic of Singapore	Lee Hsien Loong	Prime Minister
Republic of Singapore	Heng Swee Keat	Deputy Prime Minister and Minister for Finance
Republic of Singapore	Tharman Shanmugaratnam	Senior Minister and Coordinating Minister for Social Policies
Republic of Singapore	Teo Chee Hean	Senior Minister and Coordinating Minister for National Security
Republic of Singapore	Chan Chun Sing	Minister for Trade & Industry
Republic of Singapore	Lawrence Wong	Minister for National Development and Second Minister for Finance
Republic of Singapore	Lim Hng Kiang	Special Advisor to Ministry of Trade & Industry
RRJ Capital	Richard Ong	Co-Chairman & Co-Chief Executive Officer

S	Scentre	Peter Allen	Chief Executive Officer
	Schneider Electric	Jean-Pascal Tricoire	Chairman & Chief Executive Officer
	Sembcorp Industries	Ang Kong Hua	Chairman
	SenseTime	Tang Xiao'ou	Founder
	SenseTime	Bing Xu	Co-Founder & Board Member
	SenseTime	Jeff Shi	President, APAC Business Group & Global Head of Strategy
	SenseTime	Yang Qiumei	Chief Advisor
	Shunwei Capital	Koh Tuck Lye	Founding Partner & Chief Executive Officer
	Silver Lake Partners	Kenneth Hao	Managing Partner & Managing Director
	Singapore Exchange	Chew Choon Seng	Former Chairman
	Singapore Exchange	Loh Boon Chye	Chief Executive Officer
	SK D&D	Steve Ham	Chief Executive Officer
	Sumitomo Mitsui Financial Group	Takeshi Kunibe	Chairman of the Board
	Sumitomo Mitsui Trust Bank	Yukihiro Kitano	Deputy President
	Sumitomo Mitsui Bank Corporation	Masaaki Sasai	Managing Executive Officer, Co-Head of Asia Pacific Division
T	Tencent Investment	Zhaohui Li	Managing Partner
	The Blackstone Group	Ed Huang	Senior Managing Director
	The Orogen Group	Vikram Pandit	Chairman & Chief Executive Officer
	Thoma Bravo	Orlando Bravo	Co-Founder & Managing Partner
	Tishman Speyer	Jerry Speyer	Chairman
	TPG Capital	Jim Coulter	Founding Partner & Co-Chief Executive Officer

	TPG Capital	Timothy Dattels	Managing Partner
	TPG Capital	Ganen Sarvananthan	Co-Managing Partner
	Trian Partners	Ed Garden	Chief Investment Officer & Founding Partner
U	UK Department for International Trade	Natalie Black	Her Majesty's Trade Commissioner for Asia Pacific
	Unite Group	Richard Smith	Chief Executive
	United Overseas Bank	Frederick Chin	Managing Director & Head, Group Wholesale Banking & Markets
V	Värde Partners	Ilfryn Carstairs	Co-Chief Investment Officer
	Verisure	Austin Lally	Group Chief Executive Officer
	VietJet	Nguyen Thanh Hung	Vice-Chairman
W	Warburg Pincus	Chip Kaye	Co-Chief Executive Officer
	Warburg Pincus	Jeffrey Perlman	Managing Director & Head of Southeast Asia
	Wellington Management	Phillip Perelmuter	Head, Wellington Management International
	Westbourne Capital	David Ridley	Founder & Managing Director
	Winton	David Harding	Founder & Chief Executive Officer



GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. A disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. GIC has investments in over 40 countries and has been investing in emerging markets for more than two decades. Headquartered in Singapore, GIC employs more than 1,500 people across 10 offices in key financial cities worldwide.



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