

Video Transcript

CIO Virtual Roundtable: Top Questions from our Clients July 2026

Reframing the Investment Calculus

Released on 25 June 2026

Hello everyone, and welcome to our Mid-Year CIO Virtual Roundtable discussion. Now, following the publication of our Mid-Year Investment Outlook, we talked to many clients around the world and received many interesting questions.

And I thought the best way to address them is by inviting our regional CIOs. So welcome Patrick, Desmond, Georgios, Jonathan, and José.

Now, as you probably know, our Mid-Year Investment Outlook was titled “Where Capital Meets the Future,” which reflects quite an optimistic tone around innovation and a huge capital investment. But it also refers to that profound change and the uncertainty that accompanies it.

So, in the client questions, we've grouped them around both those opportunities and those risks.

So, we'll talk about six topics today.

Firstly, around the AI opportunity set. Then looking at what could go wrong with AI. Thirdly, thinking about whether other sectors could benefit. Then we're going into the macro side with inflation and rates, and how to position for that outlook. We will turn to Asia, where clients are asking about China's position in respect to AI. And then lastly, how we can build resilient portfolios.

But before we dive into the discussion, we also did a poll on LinkedIn, over the last week. And you expressed your views and your degree of optimism around AI. And the results are very interesting because they show both some worries around valuations, and inflation and rates, but then also some clients saying that the biggest risk is actually to be underinvested in AI. And we have very much seen that same dichotomy in client meetings.

Let's dive into the first question with you, Desmond.

I would like to start with the opportunity around AI. Many clients are very positive, but they don't really know where to start across this ecosystem. So, what's your view around this?

Well, our view is clear, Willem, and that is to be looking at the entire AI ecosystem. Jensen Huang has used his famous five-layer cake theory to talk about the global AI ecosystem, and it contains a few things. You have the energy as the foundation. Then of course, the chips and then chips will be housed in the infrastructure and on top of that, we build models that consume tokens. And finally we have applications that we use to generate user results.

Hardware is driving obviously the current excitement due to massive CapEx and also clear shortages. It is only the foundation. History tends to show that “picks and shovels” do well initially, but the big winners often can come from adoption that creates entirely new demand and new industries.

The other aspect is, of course, risk management. We want to have diversification in AI exposure, and this is achieved through positioning across various industries, such as AI, Communication Services and Financials. Hardware is capital intensive, cyclical, and competitive. Concerns could emerge because of overbuild, supply chain strains, and geopolitical uncertainties. However, successful enablers and adopters can offer higher margin, network effects, and potentially data moats. That's why we should be looking at the entire ecosystem.

Willem, I think one of the biggest misconceptions investors can make is thinking that the AI is only about a handful of technology companies. AI is creating opportunities across an entire ecosystem. Semiconductors, cloud computing, and data centres remain essential, but the opportunity is much broader than just the Technology sector. Every AI model requires power, connectivity, security, and automation, and that's why we continue to see attractive opportunities for smart grids, electricity production, energy infrastructure, industrial automation, cybersecurity, and digital infrastructure.

We've translated this into our High Conviction themes, including, of course, the Booming AI Ecosystem, but also Aerospace and Security, Energy and Resource Security, and the North American Re-Industrialisation theme. All of these areas are key enablers or adopters of AI.

We also think investors should look globally. While Asia remains important to semiconductor manufacturing and AI supply chains, North America is driving more spending and returns on AI re-industrialisation and infrastructure investment.

The key point is that AI is becoming an economy-wide investment theme. Rather than trying to identify a single winner, we prefer diversified exposure across the full ecosystem, from infrastructure and enablers to the companies that will ultimately use AI to improve earnings and productivity.

So, José has just inspired everybody with that broad range of opportunities and our optimistic take. But we also need to address clients' worries: What could go wrong with the AI trade. So, Jonathan, can you kick us off on that one?

When people think about what may go wrong, they naturally turn to the dotcom bubble that burst at the turn of the century. And you can draw parallels between now and the dotcom bubble. One of them is just the sheer scale of the ramp up in investment. Another is during the dotcom bubble, you started to get very strong earnings growth extrapolated quite far into the future.

And we're seeing this as well. But actually valuations are still looking reasonable. And when you start looking at that earnings growth, it's hard to see where it's really going to start collapsing from here. I mean the mega-cap tech names are very profitable, for example. Their return on equity is very good, generally producing a lot of cash, generally not too leveraged.

So, going back to that valuations argument, when you see that compared to the dotcom bubble, they're a little over a third, if you're looking at the Mag 6. It then becomes less worrying. To argue that the market is expensive, you have to assume that this earnings boost is cyclical rather than structural. And to us it's very clearly structural.

So, I think when you put it all together and you look at the different comparisons between the turn of the century and now, I think what you see is more profitability, lower valuations, and sentiment that is more rational, because of course investors are looking back to the dotcom bubble, and they're asking all these questions. And I think as well a demand that is structural and certainly hard to see fading away anytime soon. And I think even if you just took the models where they are now and banked what you've got, I think you're going to see a lot of good productivity growth and a lot of strong take up there.

So, I think definitely for now, we're in a much better place than we were in the turn of the century. Jonathan, I agree with your points on the fundamentals. One point that clients asked us a lot about is the mega IPOs in the US. But we are not too worried about that because we look at the IPO amount, it can be around 250 billion USD this year.

And we expect there will be very strong inflows to the equity market. So those IPOs will be taken up nicely. So for example, if you look at first five months of this year, there were already 380 billion USD inflows to US equity ETFs. And then we can also look at corporate buybacks.

The total amount of corporate buybacks should be around 800 billion or so year-to-date basis. And so as a result net equity supply will not be too much for the market. If we even include the secondary offering, the total equity supply in the US equity markets should be around 1% of the total market capitalisation.

This is compared to a 1.5% average for the last three decades. So, although the mega IPOs this year have been eye catching, don't forget the equity market has gone up a lot already. So, the total size of equity offering compared to the market capitalisation is only normal. So, we're talking a lot about AI, and of course, the markets as well are largely driven by AI sentiment. But clients still want some diversification across sectors as well. And maybe some sectors that are not necessarily only driven by that one factor.

So, José, do you see signs of broadening out.

Yeah, we do, and we're already beginning to see that happen in the markets. The first phase of this AI revolution was about building AI. Investors rewarded the companies making the chips, building the infrastructure, and developing the models that made today's AI revolution possible. The next phase is about adoption.

As AI becomes integrated across the economy, the beneficiaries should become much broader. Industrial companies can improve productivity through automation. Financial firms can use AI to enhance efficiency and customer service.

Healthcare companies can accelerate research development and improve operations. Even traditional sectors can benefit as AI becomes embedded in everyday business processes. We also continue to see opportunities in the infrastructure supporting this growth, including data centres, power generation, electrical equipment and cybersecurity.

Importantly, we think this is a global story. Our view is that AI remains one of the most compelling investment themes today, and the next winners, Willem, probably have not been incorporated yet. Jonathan and Patrick talked about the risks to AI coming from the sector itself or coming from the theme, but it could also come from the macro side, especially from inflation and rates.

And indeed, that was one of the big concerns from clients in our poll. So, clients are asking, are we in a high-for-longer environment, and how could that influence markets, Georgios?

Well, inflation and the cost of living have been a real headache for the economy. And the recent focus in terms of AI, that requires massive investments, will certainly add to some short term price pressures, even though the longer term effect is still likely to be deflationary, in our view.

On the geopolitical front, recent events point towards a gradual normalisation of oil prices, but nevertheless, we're still left with a stickier inflation outlook. And as a result, central banks have either had to adjust their language or take some action.

However, these should be limited in terms of scope and ultimately reversed, by next year. And that's because they need to find a delicate balance between the risks to growth and inflation. When it comes to the Federal Reserve, we think that the market has already priced in a relatively tight outlook in terms of interest rates.

So, we don't think that the Federal Reserve will be able to do much more than that. As a result, we think that there should be a relative ceiling in terms of yields, interest rate volatility should be kept in check, and that should ultimately provide some support for risk assets.

So, maybe higher-for-longer, but also still a comforting message from you, Georgios. So, Jonathan, what does that then mean in terms of bond markets and other markets?

So, that yield is pretty good and pretty high and in many cases higher than it was when we were seeing the peak of the rate cycle in developed markets. So, I think it's good that you can lock in a decent real yield, so that's yield accounting for inflation. So, that's an important part of the portfolio.

We're preferring to do it in investment grade. Particularly, we're looking at quality over, say, high yield. And that's because we want to lock in that decent yield. But we also see a lot of resilience and very strong company balance sheets in the investment grade space, you get less of those fiscal concerns. So that's one area. And then also we're looking at emerging market debt.

With emerging market debt, you get a bit of that diversification, out of the US dollar, which is important to some clients. And then also you're getting a good real yield again, so that's great for producing income. Say if you're looking at Latin America for example, you're getting very nice yields there.

So, what does it mean for the broader equity market? Well, before we were in a situation where if you had very strong rises in yields, that could be very bad for equity, and particularly for those growth stocks, and I'm talking when we had very low rates.

But now yes, you still have that relationship, but it's more of a short term one, because what you've also got is this big structural growth driver. You've now got this big engine of AI, which is hopefully going to lift productivity as well in the medium and longer term.

So, while you might get a bit more volatility in some of these more growth stocks, this is not going to be something that is likely to persist, and you've got to follow that trend. And that trend we think is ultimately higher. So in a nutshell, strong growth ultimately leading to strong earnings. And that's the bigger driving force. So it still can be supportive of equity markets, but you may get a bit of volatility.

Now Desmond, during our Asia Investment Outlook roadshow, one question that came up a lot was the relative position of China versus the US in the AI area and how that impacts also the kind of opportunities for investors?

Well Willem, indeed, investors like to compare and we get that question a lot. We are of the view that while both countries are all-in on AI in terms of government support, the focus varies a bit. The US continues to have a lead in developing the most powerful models, capable of cracking more sophisticated problems. You can see the latest political decision around foreign access to top models, which is reflective of the country's lead in that capability. Of course, this is also supported by availability of more advanced chips. But China is benefiting from its abundance of electricity and also infrastructure, which means it can build data centres more efficiently. Token cost is arguably cheaper in China, and that has led to an exponential growth to AI consumption. Daily token usage has surged from 2 trillion in the second half of 2024 to 140 trillion in March this year. For day-to-day tasks and general workflows, the latest Chinese models are sufficiently potent and they evolve rather quickly themselves. The other aspect I want to mention about China is the marriage between AI and manufacturing scale, and China's industrial supply chains, for example in EVs, renewable equipments, robotics, they're riding the global re-industrialisation and energy transition. The manufacturing production rates and scale top its leading competitors. These are potentially positioning China well in the upcoming race in physical AI. Patrick, do you have anything to add on China?

Desmond, indeed, as you said, China's AI performance has been very strong in the stock market. But I want to add that there are some areas of the Chinese economy that are more mixed, for example, real estate and consumption. So, if you look at the Chinese equity market, the return dispersion has been significant. On the top end, you have seen that the semiconductor sector and other AI-related stocks have performed really well.

But at the same time, if you look at the internet sector, the share price performance has been rather sluggish. This is because the earnings growth there has been challenged by competition. For example, the businesses such as food delivery platforms have seen really keen price competition. And of course, the weakness in consumer spending is not helping as well. So, within Chinese equities, our strategy is that we stay positive on the tech sector, especially those companies with innovations in semiconductors, the power sector, data centre supply chains, and the physical AI cohorts that you just mentioned, Desmond. But at the same time, we also like those manufacturing companies with competitive edge in the global markets. And then on the defensive end, we also like the high-dividend, high-quality stocks in the Chinese equity market.

Now, you talked about geographical diversification just now, José talked about the sectoral diversification, but of course we also want asset class diversification, as indeed we are in an uncertain and changeable world.

But with that rate outlook Georgios that you talked about, clients are asking whether diversification works and how they can achieve it. Can you elaborate?

That's a valid question, Willem, especially if you look at the month of March where essentially you saw a rise in oil prices that lifted bond yields, but at the same time weighed on equity sentiment and also dragged gold prices lower. For us, that's a reminder that no single asset can be a perfect diversifier at all times. And that's why we recommend a multi-asset approach and we recommend to "diversify our diversifiers."

Now some clients have looked at performance this year and are worried that this has been quite concentrated on the equity market. Well, if you look at earnings growth, on the other hand, that has been quite the opposite. Earnings growth has been very broad. And the fact that a lot of sectors but also stocks have lagged that upswing that we've seen in equity markets suggest that there should be room for a lot of different sectors and names to catch up to that performance. Now, from a cross-asset diversification perspective, if we start by looking at fixed income, we talked about how quality bonds at the current elevated yields can help generate a healthy income stream that can also serve well in order to smoothen portfolio returns. When it comes to hedge funds, we see them as attractive because they can seize episodic volatility but can also protect on the downside, especially when you have such a rapid shift in terms of market headlines. And finally, private markets, they continue to offer an interesting way to broaden out the opportunity set. And if you look at the recent wave of IPO activity, that has also helped unlock some liquidity.

So, with that, we've covered all of the questions. We've looked at the great opportunity around AI, but we've also been fair. We've addressed the risks coming from AI, the risks coming from the macro side and how to tackle them, and how to build resilient portfolios. We do that through our four priorities, which I will reiterate.

The first one is investing in the AI-led future because there is a great opportunity there and we want to capture it.

Secondly, we want to benefit from governments' focus on security and energy independence. Now, that allows us to broaden our exposure beyond AI and into other sectors as well.

Thirdly, we want to build portfolio resilience with multi-asset strategies because we are aware that we will have volatility, whether it be macro related or coming from the news flow around AI, which of course will not be a straight line.

And lastly, we want to tap into Asia's innovation and income because we want that geographical diversification, but within Asia, we also want that barbell strategy of both growth and stability through income.

With that, we've come to the end of our CIO Roundtable. Thank you very much, Patrick, Desmond, José, Jonathan and Georgios. And thank you all for watching.