EFG Investment Summit

12–13 January, 2026

EFG Investment Summit 2026

Moz Afzal, Chief Investment Officer

Daniel Murray, Deputy Chief Investment Officer

The annual **EFG Investment Summit** was held on 12 and 13 January 2026. It was a pleasure to kick off the year and welcome our global clients and colleagues to Raffles London at the Old War Office, a fitting location given its legacy of housing great leadership and strategy.

This year's theme was **"Wealth in Motion: Navigating the new global financial landscape".** We view the movement of wealth across geographies and generations as a key trend shaping our business. Guest speaker Dr. Claire Madden guided us through the different generation mindsets in addition to the discussion around the level of digital input into wealth management decisions and how to balance with human guidance.

A further highly relevant topic discussed at the Summit was US politics and global relations. We were delighted to welcome guest speaker, Marc Gustafson to share his insights from his time in the White House Situation Room, as well as former BBC News North America editor Jon Sopel for another engaging take on global affairs. Furthermore, the importance and prevalence of artificial intelligence was evident across many of the presentations. Of course, the Summit would not be complete without both internal and external viewpoints covering the global market outlook and we are delighted to provide a summary of these sessions in this document.

We would like to thank everyone for their participation in the Investment Summit and hope that you find this summary a useful reference point that sparks conversation.

Scan here to visit our Investment Summit hub where you will find a selection of the session recordings.

The *Changing Fed* in the US

Don Rissmiller
Strategas

The *Changing Fed* in the US

Don Rissmiller, Chief Economist, Strategas

Don examined the evolving challenges facing the Federal Reserve amid a complex macroeconomic and political backdrop. US monetary policy is currently being set in an unusually constrained environment, with the Fed's dual mandate increasingly difficult to balance. Unemployment has been trending higher, whilst inflation remains sticky, leaving policymakers "starting out in a tough spot."

> 87% of the time a large inflation shock is followed by a second wave

The Fed has also had to contend with a number of other shocks. These include the delayed employment effects of a US government shutdown, fiscal layoffs that only appeared in labour data months later, and a sharp rise in tariffs. Average US tariff rates have climbed into the 10–15% range, a level not seen in a generation. Don argued these **tariffs are likely to persist regardless of legal challenges, representing a structural inflationary headwind that monetary policy must take as given.**

On inflation, 87% of the time a large inflation shock is followed by a second wave, looking at an international sample. Nevertheless, indicators currently do not point to an imminent resurgence. Producer prices, the job quits rate, housing rents, oil prices, and long-term inflation expectations all point to sticky but contained inflation rather than a second wave, giving the Fed a potential "window of benign inflation" into early 2026.

In contrast, **Don argued that the labour market presents greater downside risk.** Reduced immigration and ageing demographics are lowering the labour supply. In this context, productivity growth becomes critical. A recent 4.9% quarterly productivity reading highlights the potential for private-sector productivity gains to support growth without reigniting inflation. This could "bail out" policymakers, allowing the Fed to navigate toward a neutral stance without destabilising markets.

Concerns over Fed independence have recently been reignited, following criticism from the administration. However, **political pressure on the Fed is nothing new.** What matters is institutional structure. Model estimates suggest that a true loss of central bank independence could raise inflation by as much as 11 percentage points over a four-year term, far more than the estimated impact of tariffs alone. Nevertheless, Don stressed that the "Fed is a unique institution" with a lot of built-in checks and balances, plus long governor terms, making it hard to seize control of.

> a true loss of central bank independence could raise inflation by as much as 11 percentage points over a four-year term

While concerns about a vigilante trade are understandable given high debt levels, Don noted that at this stage issuance skewing, buybacks, regulatory changes, and the Genius Act are still effectively managing long-end yields. This management of the yield curve had been more so as a result of the Treasury rather than the Fed being active.

Final thought: While the risk of a second inflation wave appears limited for now, the labour market remains a concern. Productivity gains could offer a possible path forward. Despite the challenges, prudent policy and structural strengths may allow the Fed to navigate the current environment without destabilising markets.

Global Credit Outlook: Smells Like Animal Spirits

Andrew Sheets
Morgan Stanley

Global Credit Outlook: Smells Like Animal Spirits

Andrew Sheets, Global Head of Corporate Credit Research, Morgan Stanley

Andrew outlined a constructive but increasingly complex outlook for global credit markets, arguing that the cycle is entering a phase of rising "animal spirits" rather than approaching an imminent peak. The environment was likened to periods such as 1997–98 or 2005, which were characterised by growing risk appetite and corporate activity, but not yet the excesses typically seen at the end of a credit cycle.

The macro backdrop remains broadly supportive, with Morgan Stanley expecting global growth to hold up. It sees US growth running just below 2% at the end of 2026, inflation continuing to moderate and interest rates coming down across major economies. What is notable is the unusual alignment of easier monetary, fiscal and regulatory policy, providing significant tailwinds for markets, particularly the US.

Importantly, Andrew challenged the assumption that fewer rate cuts from the Federal Reserve would be negative for credit. If rates remain higher because growth is resilient, this would likely be a benign outcome. "Credit likes things in balance", emphasising that stable policy settings have historically been associated with strong excess returns. By contrast, **the real risk would be a downturn in growth rather than a slower pace of easing.**

> Credit likes things in balance

Artificial intelligence (AI) was discussed both as an opportunity and a source of risk. Morgan Stanley estimates that around $3tn will be spent globally on AI infrastructure by the end of 2028, with an additional $300bn investment in power. **Even if early returns disappoint, hyperscalers are expected to continue spending,** reflecting the strategic importance of AI to the largest technology firms. This implies a sustained increase in credit issuance, potentially from issuers that are less sensitive to pricing, which could reprice parts of the market.

Despite this, corporate behaviour has so far remained relatively restrained. **Merger and acquisition (M&A) activity remains low relative to history, suggesting that the cycle has further to run.** "Cycles usually end with a lot more corporate euphoria and hubris," Andrew noted, adding that markets are not yet at that stage.

Final thought: From an investment perspective, selective exposure to high yield could outperform investment grade in this phase of the cycle. Improving earnings breadth, stronger small- and mid-cap performance and supportive M&A dynamics were listed as potential tailwinds. The overarching message was clear: **risks are rising, but "this looks much more like 2005 than 2007,"** with credit markets becoming more aggressive while remaining fundamentally supported.

Gen Z & Millennial *Money Mindsets*

Dr. Claire Madden
Social Researcher

Gen Z & Millennial *Money Mindsets*

Dr. Claire Madden, Social Researcher

Dr. Claire Madden explored how generational change, technological disruption, and shifting values are fundamentally reshaping the way individuals engage with wealth, investment, and intergenerational transfer. Framed through the lens of "generational imprinting," she highlighted how the social, economic, and technological conditions experienced during formative years influence attitudes to money, risk, trust, and advice.

While an estimated tens of trillions of dollars are expected to move between generations over the next two decades, **many families feel underprepared for this transition.** She highlighted that 70% of wealthy families lose their wealth by the second generation, with 90% losing it by the third generation. This underscores the message that wealth transfer is not merely a financial transaction. Conversations need to be held earlier to make sure values are also transferred to the next generation.

> 70% of wealthy families lose their wealth by the second generation

Each generation takes it own approach to wealth, with Claire guiding us through.

Builders: "Preservers" – focused on capital protection, stability and trusted institutions;

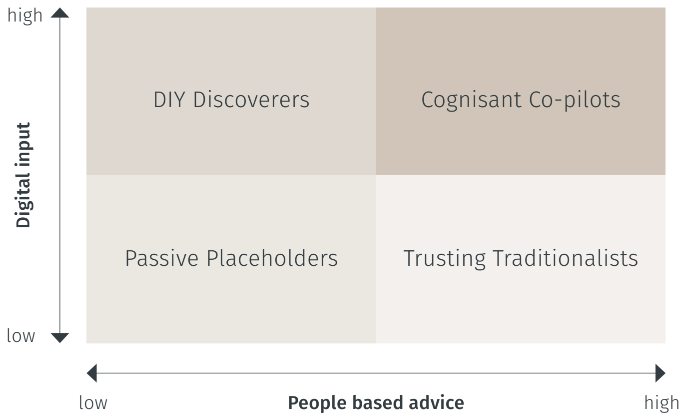
Gen X: "Strategists" – pragmatic, self reliant, balancing risk and control;

Millennials: "Optimisers" – tech-enabled, values driven, experience-focused investors;

Gen Z: "Explorers" – entrepreneurial, short-term, influence-driven, early adopters;

Gen Alpha: "Navigators" – digital-native, AI-assisted, gamified money mindset.

Consumer Investors Matrix



Source: Dr. Claire Madden

Claire introduced the Consumer Investor Matrix which provides a framework to understand the shift away from passive or purely traditional advice models toward a hybrid "co-piloting" approach. **The most engaged investors across both younger generations and sophisticated wealth holders, combine digital tools with human advice, seeking personalisation, and collaboration.**

Further commenting on emerging trends, Claire noted that trust is earned, not inherited. **Gen Z gives just 1.3 seconds to capture their attention online,** and with so much competing for their attention at the same time, it is easy to see why there is fragile loyalty. Another theme is an AI-enabled future with 60% of Gen Z expecting wealth managers to use AI, according to the EY Global Wealth Research Report. Despite this younger and wealthier clients contact advisors more frequently and want to be more hands on.

Final thought: Successful wealth management depends on early engagement, building long-term focused authentic relationships, and aligning financial strategies with personal values.

Panel: The *Future* of Wealth Creation

Evgenia Goti, Francesca Speroni, Nick Atkinson
EFG

Dr. Claire Madden
Social Researcher

Panel: The *Future* of Wealth Creation

Evgenia Goti – EFG Global Head of Wealth Planning, **Francesca Speroni** – EFG Head of UK Private Banking, **Nick Atkinson** – EFG Client Relationship Officer
Dr. Claire Madden, Social Researcher

Francesca Speroni,
Head of UK Private Banking, EFG

EFG Global Head of Wealth Planning, Evgenia Goti hosted a panel discussion joined by Franscesca Speroni, EFG Head of UK Private Banking, Nick Atkinson, EFG Client Relationship Advisor, and Dr. Claire Madden, Social Researcher. The Panel focused on trends, experiences and challenges families face as part of wealth transfer.

Commenting on the role of private banks in the great wealth transfer, Francesca emphasised that private banking is moving away from serving a single client to serving entire families. In addition, she highlighted the move from investment management to providing holistic advice, noting that "we are the executors of values and purpose". Banks are now often acting as intermediaries in emotionally complex decisions. Francesca repeatedly returned to **the importance of bringing "the right people to the table"** and the ability of simplifying complex decisions for families operating across multiple jurisdictions.

Nick Atkinson's discussed real client situations, illustrating what happens when transparency is missing. He described where secrecy over how wealth was structured created conflict following unexpected end of life. **Communication is therefore a key pillar that will help to remove conflict.** Turning to the next generation, Nick cautioned that children who grow up with wealth without financial context often struggle with the responsibility. Therefore, it is important for families to introduce teenage children to advisors and engage, so they gain an understanding of how things work.

> AI isn't going to give comfort

Claire brought a values-driven and generational perspective to the discussion, focusing on why families postpone succession planning in the first place. She noted that founders often remain absorbed in managing wealth avoiding the fact that they won't be around forever. Claire stressed that wealth transfer goes beyond assets, but also to values and purpose. This is a responsibility but also a privilege, encouraging families to experience the "joy of giving while living". **The key takeaway here is to involve young generations early when they are still curious and eager to learn.**

On technology and artificial intelligence, while acknowledging AI's growing role in investment processes, Claire emphasised that it cannot replace human wisdom. Nick echoed this and added that during volatile markets "AI isn't going to give comfort" and that's where the human trust and judgement is needed.

Final thought: Together, the panel conveyed a unified message that successful wealth transfer depends on early, structured communication, education across generations and a balance of technical expertise and human connection.

View From the *White House* Situation Room

Marc Gustafson
Eurasia Group

View From the ***White House*** Situation Room

Marc Gustafson, Director of Analysis, Eurasia Group

Marc shared many engaging insights into his experiences in the White House Situation Room. Serving at the highest levels of US national security across the Obama, Trump and Biden administrations, he has been privy to both the personal and private personas of the Presidents.

Reflecting on the three biggest takeaways from the beginning of the current Trump administration, the first was an unexpectedly strategic focus on the Western hemisphere. Marc noted that around 90% of the meetings during the first six months were focused on Latin or Central America, with a number of Trump's closest advisors having a vested interest. The second was the internal reassessment of China's threat profile, shaping a more measured initial approach to Beijing. Third, the administration was caught off guard by US dependence on critical minerals and rare earths.

Marc outlined the three things to look out for in 2026.

The first was the **US political revolution and institutional** resilience. Will the current norm-breaking political experiment consolidate or falter in 2026? This will depend on whether checks and balances (including courts, states, Congress, and public opinion) can meaningfully constrain this trajectory, or whether institutional erosion becomes normalised. He cautioned that "you might not have short-term consequences, but in the long run this erodes trust in the American system."

The next theme to watch is **energy, power** and the US-China strategic divide. Energy and electricity are seen as the backbone of strategic competition between the US and China. Marc argued that China is "putting all of its eggs in the basket of electricity," racing ahead in areas such as grid buildout, renewables and electric vehicles. Meanwhile, the US is doubling down on becoming a global energy supplier while maintaining leadership in advanced chips and AI. The result is a system that is both competitive and mutually dependent, where each side needs what the other controls. This divergence could increasingly shape leverage, risk, and bargaining power in 2026.

Finally, the **acceleration of drone warfare.** One thing that keeps Marc up at night is the risk of the rapid evolution of drone warfare. We have seen drone swarms in the Middle East, innovative strikes in Ukraine, and covert operations elsewhere. They are cheap, adaptive and difficult to defend against. Furthermore, what makes this threat especially dangerous is that it is no longer confined to major powers; "non-state actors around the world could use the same strategies."

> A world defined by institutional strain, strategic competition, and rapidly evolving security threats

Final thought: Taken together, the lessons from the Trump administration and the risks ahead point to a world defined by institutional strain, strategic competition, and rapidly evolving security threats. How governments manage political norms, energy rivalry, and emerging technologies in 2026 will shape not only stability at home, but the balance of power globally.

Global Affairs with the Chief Political Correspondent

Jon Sopel
Journalist and Broadcaster

Global Affairs with the Chief Political Correspondent

Jon Sopel, Journalist and Broadcaster

Rounding out day one, Jon painted a vivid picture of a world shaped by Donald Trump's return to the centre of global politics. Trump is neither ideologically consistent nor conventionally constrained, and that unpredictability is now a defining feature of both US governance and the international system.

Domestically, Trump is described as a paradoxical figure. While he is frequently accused of authoritarian or fascist tendencies, he has pursued highly interventionist economic policies more commonly associated with the left, such as capping credit card interest rates, restricting banks from buying housing stock, and creating state-backed savings accounts for newborn Americans. **It is not that Trump is incoherent, but that he is unclassifiable.** As Jon puts it, "You think you've got him... and then he goes off and does something that completely befuddles you."

> a "new world disorder," marked by rising protectionism, militarisation, and uncertainty

Still, Trump is not omnipotent with court and election outcomes continuing to matter. The president has seen his approval rating fall, which could be a challenge in the lead up to the midterms. It was noted that in the last election Trump managed to secure 45% of Hispanic votes, however their support has waned over immigration enforcement. Faced with the affordability challenge, this could suggest that he has an uphill task to try and win people over.

Internationally, Trump is portrayed as believing that global politics is governed not by rules or norms, but by strength and power. This was evidenced in the recent Venezuela operation. However, while to many such action may have seemed impulsive from Trump, such an operation would have taken months of careful planning, in a show of American dominance tied to its strategic interests.

The durability of the post-war global order was questioned. **Alliances, particularly NATO and the US-European relationship, were described as increasingly fragile.** Meanwhile Europe is portrayed as economically significant but politically fragmented and slow to respond to security threats. The result is what Jon calls a "new world disorder," marked by rising protectionism, militarisation, and uncertainty.

Final thought: The conclusion is sobering. Trump's power lies not just in what he does, but in the fact that "the reason people don't know what he's going to do next is that Donald Trump doesn't know what he's going to do next." In an interconnected world, that volatility may be a key risk.

Private Markets: Structural trends and opportunities

Rob Seminara
Apollo

Private Markets: Structural trends and opportunities

Rob Seminara, Partner and Head of Europe, Apollo

Despite widespread debate about the age of the credit cycle, Rob sees current market conditions pointing to continued resilience rather than imminent stress. While interest rates have normalised after nearly eight years at or near zero, credit markets have absorbed the shift with limited disruption. Default rates across leveraged loans and high yield have recently declined, and spreads have returned to more sustainable levels. "Credit cycles don't die of old age. They die because something fundamentally changes and we're not seeing that today."

One reason for this durability is the structure of modern private credit. Much of the capital deployed is unlevered, long-dated, and matched to investor liabilities, reducing the risk of forced selling. **High-profile defaults in recent years have drawn attention, but these cases were largely isolated and often mischaracterised.** "There's no systemic risk or blow-up coming," Rob noted, adding that defaults are an inevitable part of any functioning credit market.

> If volatility increases, you'll see a real difference between good managers and bad managers

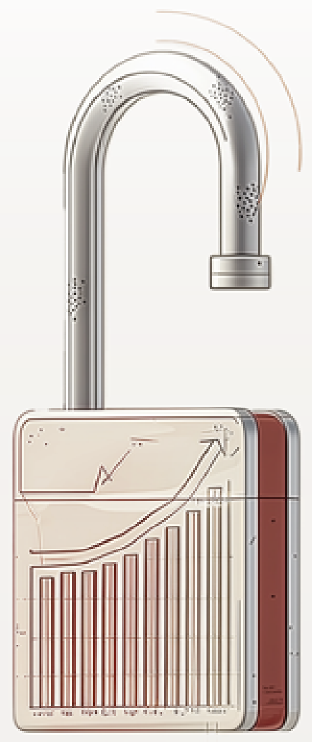
Performance dispersion, however, is expected to widen. **In a more volatile environment, fundamental credit analysis becomes critical.** Years of abundant liquidity allowed weaker underwriting to persist, but tighter conditions are likely to separate disciplined managers from those that merely followed market momentum. "If volatility increases, you'll see a real difference between good managers and bad managers".

Artificial intelligence represents a notable source of long-term capital demand, particularly for infrastructure rather than equity speculation. The emphasis is on lending against data centres, power generation, and transmission assets rather than betting on individual technology winners. Rob highlighted the rapid pace of adoption: electricity took roughly 40 years to reach 40% of the US population, the internet took 10 years, while AI reached that level in about two years. This rapid adoption suggests the world is still early in a multi-decade buildout phase.

Geographically, **Europe is emerging as a particularly compelling opportunity, driven by large-scale investment needs in infrastructure, energy transition, defence, and industrial capacity.** These projects require long-duration capital, often 10 to 20 years, which traditional banks are less equipped to provide. The fragmentation of Europe's capital markets further reinforces the role of private credit as a flexible funding source.

At the same time, investor demand is evolving. While large institutions typically allocate 20–25% of portfolios to private markets, individual investors remain closer to 3%, suggesting significant room for growth. The focus is increasingly on investment grade private credit, offering enhanced yield without taking equity-like risk.

Final thought: In a world of slower growth and greater uncertainty, private credit's appeal lies not in chasing themes, but in providing stable, senior capital where long-term funding is structurally required.



Digital Assets, New Frontiers: eToro's Perspective on Capital in the Digital Age

Don Moczulski
eToro

Digital Assets, New Frontiers: eToro's Perspective on Capital in the Digital Age

Don Moczulski, Managing Director, UK, eToro

Retail investing is undergoing a structural shift, driven less by product innovation alone and more by how individuals want to interact with financial markets. The traditional barriers to participation such as high costs, complex language, and fragmented access, are steadily being replaced by models that prioritise simplicity, transparency, and continuous engagement.

One notable change is how investors think about investing itself. Fractional investing and low minimums have reframed market access as an allocation decision rather than a trading calculation, making participation feel closer to everyday financial behaviour. For eToro over 50% of users have remained on the platform for more than five years, suggesting longer-term engagement rather than purely speculative behaviour.

Demographics also matter. Younger investors often enter markets through crypto assets, drawn by accessibility and familiarity, before gradually expanding into equities and other asset classes. Older investors tend to move in the opposite direction, starting with stocks and later experimenting with crypto once the interface and mechanics feel familiar. **The common thread is not the asset itself, but the consistency of the user experience across markets.**

> a hybrid form of participation that sits between self-directed investing and delegation

Another defining feature of modern retail platforms is visibility. Public portfolios, performance histories, and real-time commentary allow investors to observe how others invest, why they make decisions, and how those decisions play out over time. This has created a hybrid form of participation that sits between self-directed investing and delegation. Rather than handing assets to a traditional manager, users can choose to follow or replicate strategies while retaining visibility and control.

From this transparency has emerged copy-based and theme-based investing. Some investors prefer to mirror individuals with established track records. Dan notes that it "shouldn't be an entirely passive relationship, people still need to research who they are copying". Meanwhile others opt for curated baskets tied to macro themes or sectors. **These approaches reduce the cognitive burden of security selection while keeping investors engaged with market movements.**

Overlaying all of this is a growing role for artificial intelligence. AI tools are increasingly used to help investors navigate information, understand risk, and explore opportunities without requiring deep technical knowledge. Importantly, **this technology is positioned less as a replacement for decision-making and more as a guide,** helping users filter complexity rather than amplifying it.

Final thought: Taken together, these developments point to a broader trend: retail investing is becoming more continuous, more social, and more integrated into everyday financial life.

The *Regional Perspective* with EFG Global Investment Experts

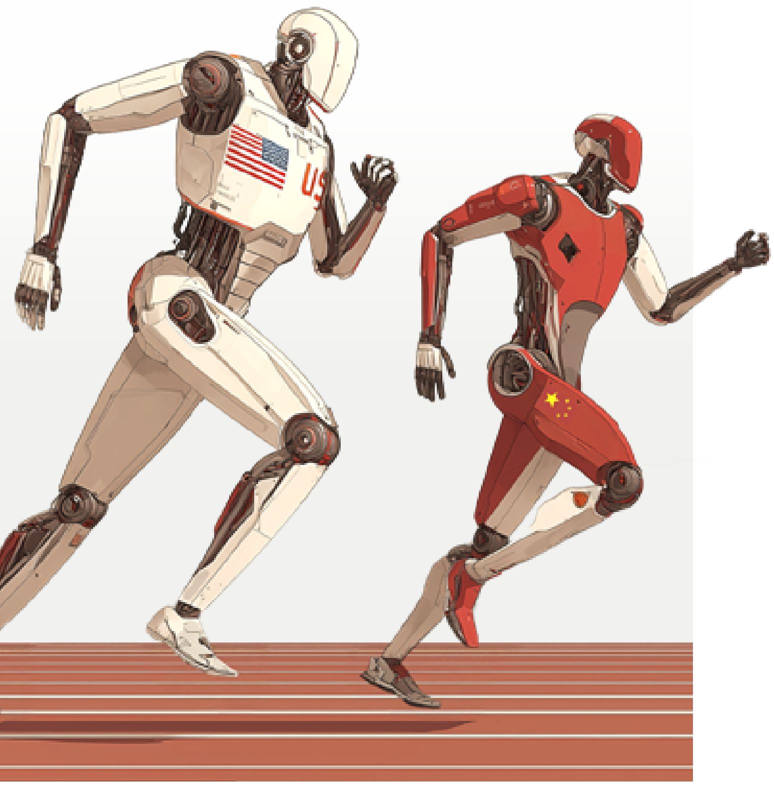
Chris Chan, Luis Ferreira,
Jean-Frederic Warren, Chelsea Wiater
EFG

The Regional Perspective with EFG Global Investment Experts

Chris Chan – Portfolio Manager, EFG, **Luis Ferreira** – Chief Investment Officer (Americas), **Jean-Frederic Warren** – Head of Equity, EFG Advisory, **Chelsea Wiater** – Senior Portfolio Manager, EFG

Despite widespread pessimism, the 2026 outlook presented a strikingly constructive picture of the global economy – one defined by resilience in the US consumer, accelerating technological competition, and compelling opportunities beyond traditional developed markets.

In the US, Chelsea Wiater noted that sentiment and reality continue to diverge. Consumer confidence remains near record lows after years of inflation shocks and tariff volatility. Yet spending tells a very different story, remaining close to its long-term pre-pandemic trend, supported by fiscal stimulus, labour income, and belief in US exceptionalism. Furthermore, new measures, such as tax relief on tipped income and expanded state and local tax deductions, are expected to disproportionately support lower- and middle-income households heading into 2026.



On the US-China AI rivalry, Chris Chan observed that "The US will continue to lead on the research side, but China has really excelled on the engineering side and their ability at scale". **Chinese AI models now operate at roughly one-tenth the cost of comparable US models,** driving rapid global adoption. Remarkably, as of late 2025, around 30% of AI usage, even in the US, was already coming from Chinese models, underscoring how quickly competitive dynamics are shifting.

> ” sentiment and reality continue to diverge

Europe's opportunity lies further down the AI value chain, as highlighted by Jean-Frederic Warren. The explosive growth of data centres, driven by AI workloads, is creating strong demand for electrical infrastructure, cooling systems, and grid modernisation. European industrial leaders are well positioned to benefit from this capital expenditure cycle, making them indirect but potentially meaningful winners in the AI race.

In emerging markets, Latin America and Korea stood out as under appreciated sources of value. **Latin America offers low valuations, high real yields, and diversification at a time of extreme concentration in global equity markets.** As Luis Ferreira noted, even small reallocations from the estimated $7 trillion parked in money market funds could meaningfully reprice these relatively small markets.

Final thought: Healthcare and biotech are entering a renewed growth phase. Faster FDA approvals, looming patent cliffs, and policy-driven pricing pressure are accelerating mergers and acquisitions. In 2025 alone, biotech M&A reached $95 billion across 25 deals, and momentum is expected to build. As Chelsea summarised, "The fastest way to replace lost revenue is to buy an approved drug."

Building a *forever company*

Nathan Furr
INSEAD

Building a *forever company*

FUTURE LEADERS NETWORK

Nathan Furr, Professor of Strategy, INSEAD
and Co-Founder, EFG Future Leaders Network

Why do some companies thrive for decades while others fade as markets shift? According to Nathan's research, the answer lies less in strategy alone and more in leadership behaviour that enable continuous adaptation.

The concept of a "forever company" starts with a simple truth: the world changes. Technologies evolve, customer expectations shift, and competitive landscapes are constantly rewritten. **Companies that endure are those that can change along with their environment** rather than defend yesterday's success.

At the heart of this adaptability is innovation capability—defined not as creativity for its own sake, but as the ability to solve real problems as they evolve. As one venture capitalist famously put it, "No problem, no opportunity. Nobody pays you to solve a non-problem."

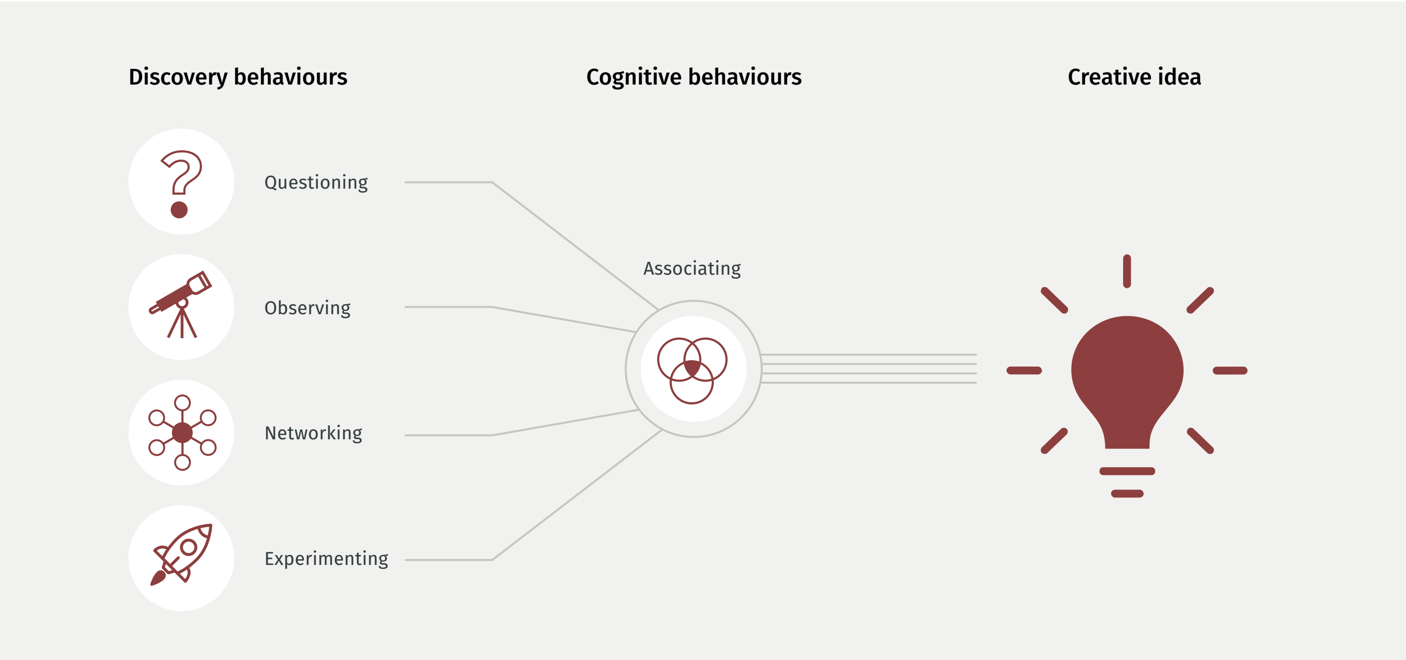
Research presented identifies five behaviours shared by leaders who consistently spot and act on new opportunities (see illustration).

Among these, associating stands out as a critical behaviour. A powerful illustration of this is Jensen Huang, CEO of Nvidia. Early in Nvidia's history, the company was close to bankruptcy. Rather than following industry norms, Huang made a contrarian decision to invest in a hardware emulation tool that allowed engineers to simulate chips before building them. This single connection of linking software-style prototyping with hardware development dramatically accelerated innovation, enabled Nvidia to leapfrog competitors.

Observing is equally key, with Nathan drawing on the learnings from Howard Schultz. As a salesman, he observed unusually high sales of coffee grinders in Seattle and traced them back to a little-known coffee bean retailer called Starbucks. Later, by watching customers and immersing himself in Italian café culture, Schultz identified a deeper unmet need for a social "third place" between home and work. This insight ultimately transformed Starbucks from a bean retailer into a global café brand and reshaped coffee culture worldwide.

Importantly, these behaviours are learnable, not innate. Leaders who practice them are promoted faster, paid more, and are more likely to create breakthrough business models, according to peer-reviewed research.

Final thought: Enduring leadership requires comfort with uncertainty. Growth and breakthroughs are always preceded by uncertainty. Nathan argued that "Uncertainty and possibility are two sides of the same coin." Leaders who reframe uncertainty as opportunity are best positioned to build companies that truly last.



Source: Professor Nathan Furr

The Future of *Equity Capital Markets*

Ed Stanley
PJT Partners

The Future of *Equity Capital Markets*

Ed Stanley, Director – Strategic Advisory, PJT Partners

Ed presented the direction of travel for equity markets over the next five to ten years.

The shift from active to passive investing is now firmly structural rather than cyclical. Since the mid-1990s, active managers' share of equity trading has collapsed, displaced by ETFs. Holding periods have shortened dramatically, liquidity has fragmented, and price discovery increasingly reflects flows rather than fundamental conviction. **Ed cautioned that €5bn was a critical level for companies** – once a company falls below this level there is a sharp drop off in analyst coverage. For sub-scale companies, consolidation is becoming less a strategic option and more a necessity.

A small fraction of companies continues to generate the majority of long-term shareholder returns, reinforcing the market's focus on identifying structural winners. **Markets increasingly reward thematic "purity": businesses with dominant exposure to one or two durable trends command valuation premia.** This is particularly evident in space and defence, where geopolitical fragmentation, security concerns, and long-term government spending commitments have driven sustained inflows and structural re-ratings.

> €5bn was a critical level for companies – once a company falls below this level there is a sharp drop off in analyst coverage.

Growth has increasingly migrated into private markets. Abundant capital, faster monetisation, and a higher tolerance for losses have allowed companies to scale while remaining private for longer. As a result, many of the most thematically pure businesses are unavailable to public investors, shrinking the opportunity set and **raising fundamental questions about the future role of IPOs, particularly outside the US.**

Retail participation is increasingly expressed through leveraged ETFs, prediction markets, tokenised securities, and near-continuous trading. At the same time, **recent market moves suggest growing institutional involvement rather than purely retail-driven speculation.** These dynamics are beginning to influence price formation in ways that extend well beyond traditional equity markets.

Artificial intelligence represents a deflationary and transformative force. Equity markets have already recognised this, with an estimated **$15 trillion of market capitalisation uplift** accruing to perceived AI beneficiaries. Yet while much of the upside has been rapidly priced in, the more consequential impact may lie on the downside. History shows markets de-rate incumbents well before earnings deterioration becomes visible, making early strategic repositioning and consolidation essential.

Final thought: The investment landscape is undergoing structural change, with passive strategies, thematic investing, and private markets reshaping market dynamics . The rise of AI and evolving investor behaviour are accelerating these shifts, making early adaptation and focus on scale and thematic purity increasingly important.

Investment *publications*

Stay updated on investment opportunities, macroeconomic trends, market movements and the global economic outlook with our suite of investment content.

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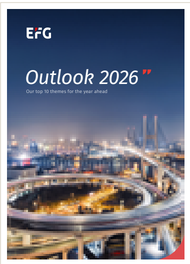


Outlook

Our top 10 themes for the year ahead

Capital Market Assumptions

A view on how we expect asset classes to behave over the next 7-10 years

Core publications

InTime

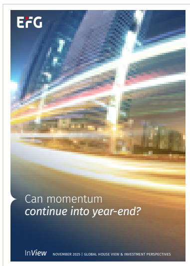
Daily Market Note

Summarising the most important market events from the past 24 hours

InVision

Weekly Macro Note

Outlining the main macroeconomic events from the past week



InView

Global House View

Offering asset allocation guidelines, macro overviews and investment ideas

InFocus

Macro Comment

An analysis of prevailing market events

Podcast: Beyond the Benchmark

Moz Afzal, EFG's Chief Investment Officer, shares his insights on the developments shaping the markets and the global economy, speaking with special guests who have a particular point of view

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