

Video Transcript

In conversation

HSBC's Annabel Spring talks investing with Marc Rowan

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Annabel Spring

Hi, I'm Annabel Spring. I'm the CEO of Global Private Banking and Wealth for HSBC. And I'm joined today by Marc Rowan, who's the CEO of Apollo Global Management. Apollo Global Management is one of the largest alternatives and retirement services firms in the world, with over \$650 billion under management. Thank you so much for joining me, Marc.

Marc Rowan

Oh, absolute pleasure. Thank you for having me.

Annabel

So, Marc, you helped participate in the founding of the firm back in 1990. So many things have evolved with Apollo since then. Can you just tell us a little bit about the story?

Marc

The story is quite a funny one. For me, this is my 40th year, so I like to say I've seen it all. Maybe not all, but almost all.

But I think we have to go back in time and think about the industry. The industry started as a private equity industry, and it belonged in the alternative bucket of primarily institutional investors.

And we've watched this incredible migration over the past 35, 40 years in our industry, where we now are actually serving the needs of private markets. Debt and equity, infrastructure, real estate and a number of other. And I think we will continue to do it.

Annabel

So, Marc, it'd be remiss of me not to ask you about the US economy. It's been extraordinarily resilient, and it's continued to grow despite higher for longer interest rates.

What do you think investors are thinking at the moment, and what should they be looking at?

Marc

So I look at what's happening in the US and, yes, growth has been very good.

Unemployment is incredibly low, and rates, I'd like to say they're normal. I don't think rates are high. If you've only been working the past 10 or 12 years, rates feel high, but this actually feels quite normal to me.

But if you step back and away from the economic data and just use common sense, three years ago in the US, we passed an infrastructure bill – almost \$2 trillion. Not a single piece of infrastructure has yet been built. Everything is under construction.

We have been reshoring our supply chain for the past five years. We are ramping defence production. We have been the largest recipient of foreign direct investment three years in a row. Think about what the fiscal stimulus is doing to the economy. And these things have not even hit yet.

And if I then look at capital markets, the first quarter of this year: record-high yield, record investment-grade issuance. Equity markets up, house prices up.

It is hard for me to see any sign of financial repression or any reason that we should be cutting rates or thinking about. So our house view is, of course, higher for longer at this point.

Annabel

So I just want to touch on something you talked about there, which was infrastructure, and you talked about that as a driver for the US economy, and some of the themes, whether it was re-onshoring – and I would add demographics, digitisation, all of those, and not least decarbonisation, also an important theme.

Talk a little bit about where you're looking for the opportunities in infrastructure, not just in the US but globally.

Marc

So I think we have to step back, because I do think this is a global story. This is not just a US story.

What are we going to build? Well, we're going to build lots of infrastructure because, particularly in Western Europe and the US, we have ageing infrastructure. We are also going to do a massive amount of energy transition. We are also going to do the next generation of infrastructure for the industrial economy. Data centres, power, artificial intelligence.

Everything I've just mentioned is long term. Long-term capital is not, in my opinion, going to be provided by the banking system. All of this capital is going to come from the investment marketplace. A lot of it will be equity, but the vast, vast majority of this is going to be debt.

We are going through just a really unusual period of time that is going to turbocharge private markets and themes like infrastructure, energy transition and next generations of technology.

Annabel

So huge opportunities in infrastructure. But infrastructure is just one part of the private market universe. Can you talk a little bit about the themes within private markets, and perhaps even a little bit about the democratisation of the private markets as well?

Marc

We are beginning to rethink the whole notion of public and private. We started – I think you and I started – private was risky and public was safe. Forty years ago, that was true. Private was three products: venture capital, private equity and hedge funds. All of which have risk. Public markets. Diversified portfolio of stocks and bonds.

Now, I fast forward 40 years. I no longer think that's the state of the world. I think public is safe and risky. Private is safe and risky. And now we're just talking about differing degrees of liquidity. We are watching the most sophisticated institutions and the most sophisticated family offices really rethink this whole notion of public and private.

The place we're seeing at first is in fixed income. Fixed income historically was an investment-grade activity, 100% public. And we're watching the fixed income rotation begin to become public and private.

This is happening quickly. It's happening now. It's not just private credit, but it is private investment-grade credit as well.

What's the future? I actually think we're going to see equity replacement as well. I think it is our job as an industry, not just to offer our clients levered equity, private equity in a traditional form, but also offer them equity that is private.

What I mean by that is exposure to private markets in equity form, maybe without the same amount of leverage in there, and, therefore, without the same amount of risk or binary outcomes. And I believe this will democratise quickly for investors.

Annabel

So you mentioned a couple of really interesting things there, you know, safety, risk, liquidity, and then you set it against the political, the social, the economic backdrop we have right now, which is fairly uncertain, as you say – optimistic but uncertain. How do you make your investment decisions in that time of uncertainty?

Marc

So it starts with a guiding philosophy. And I like to say there are three things we do. But the primary thing: you never have to know what our investments strategy is because it's always the same. Purchase price matters.

The second is: we're not traditional asset managers. We offer you excess return per unit of risk. And if we are not doing that, we're not doing our job.

And third, for us, we offer you alignment. So we are, of our \$650 billion of assets under management, about half of it is our own capital and half of it is client capital, which of course does not guarantee good outcomes, but it guarantees the same outcome and therefore alignment.

Annabel

So to take us back to the beginning of this discussion, you know, you've led this firm and the firm has dramatically evolved since 1990.

And leadership and management matter through all of that, through evolution, through growth, through change. What are your most important pieces of leadership advice that you've received?

Marc

Well, I always say it's two things. One, you either accept change or change is visited upon you. And the second, and I think the more important one, is don't be defensive. Be curious. Both have been very good in thinking about how to run the firm.

Our industry has gone through tremendous change. We were \$40 billion of AuM in 2008. We were \$650 billion of AuM in 2023. We were the beneficiary of amazing tailwinds. Change.

One was the financial crisis of 2008, which put most financial institutions on defence. We started a new financial institution, Athene, our retirement services company, that's gone from zero to, with its European peer, about \$370 billion today.

And the second was when governments around the world took rates to zero. Institutions who had made promises to retirees, to pensioners, to other insurance counterparties needed more return. And they began to really explore private markets. Those two things powered our business and our industry forward. Those are no longer present.

But the future is not bleak. It's actually quite bright.

It just means on the margin, the growth is going to take place in the investment marketplace. This will propel credit: investment-grade private credit as well as below investment-grade private credit.

I think it's an exciting time to be in our industry, and as long as we accept change, I think we'll be in a good place.

Annabel

Marc, it's been tremendous. Thank you so much.

Marc

Thank you for having me.

Annabel

Such a pleasure.