Carolyn Jones:

Welcome to PNC C-Speak, The Language of Executives. I'm Carolyn Jones, market president and publisher of the Boston Business Journal. We're excited to bring you a special episode of PNC C-Speak, Money, Markets, and Momentum, decisions leaders are making now.

This episode is from a live event held in early May that PNC and the BBJ did featuring Amanda Agati, chief investment officer of PNC, and two prominent business leaders, Katherine Craven, the executive vice president for administration and finance at Babson College, and Yvonne Hao, the chief operating officer and general partner at Flagship Pioneering.

Good afternoon, everyone. So now without further ado, please join me in welcoming Jon Bernstein, regional president for New England of PNC Bank, and a good friend. Jon.

Jon Bernstein:

Thank you, Carolyn. As Carolyn said, good afternoon, everybody. Welcome. Glad to have you here today. I'm Jon Bernstein, the regional president for PNC Bank in New England. Welcome to Money, Markets, and Momentum, wonderfully coinciding with PNC's Women in Business Week.

At PNC, we believe money is every woman's business and are thrilled today to bring four dynamic women leaders onto this stage. I want to thank the incredible Boston leaders, Yvonne Hao and Katherine Craven for joining us today and to hear their expert insights that they will bring to this conversation. I'm also thrilled to have my friend and co-host of the PNC C-Speak, partner in crime at times, Carolyn Jones, the publisher of the Boston Business Journal who will moderate the panel and do an excellent job at it.

And it's also my pleasure to have here with us today and introduce our opening speaker, Amanda Agati, PNC's chief investment officer. Amanda's job is a really challenging one. In this age of accelerating volatility, she's able to bring a clear disciplined view of the markets to help leaders make informed decisions. And she has to do this live all the time. Lisa and RC speak, I'm recorded and we have to record it a couple times. But Amanda is really able to help leaders make real world decisions and her perspective today will set the table for the conversation ahead. Amanda, please.

Amanda Agati:

All right. So I'm under strict orders to cover all the things that are top of mind for me as it relates to the markets and the economy in ... I think it's 12 minutes or less. So you're going to get a lot of hot takes from me, but I do hope that this just gives you a sprinkling of things that are on my mind and when we get to the Q&A session that you can certainly ask me anything you want. I don't think I've ever pled the fifth. So this is a challenge for all of you. So we'll see.

Let's get into it. As the team is putting together the investment and economic outlook every year, it's my esteemed task to pick the song, the album, the musical genre, to try and make sense of what on earth investors are likely to endure in any given year. Sometimes it's easy. Sometimes it's a really challenging task. I never delegate it. I do ask for requests. But for the most part, we've been doing this for the last 12 years, I picked the song. Sometimes I get it right and sometimes I don't. But I think this year I've gotten it right for you.

So this is the first year in 12 years that you're getting a three-part harmony. Most years I just pick a song or an album, but got to keep it fresh, got to keep mixing it up. And for 2026, I'm repeating a song from last year. Blasphemy, how dare I repeat a song? I vowed I would never do that. But last year's song reference was the 1967 psychedelic rock vibe, Purple Haze by none other than Jimi Hendrix. Why? The punchline is the purple haze of policy uncertainty is pretty much the best metaphor I could come up with to describe what all is swirling around right now.

So we're bringing it back this year. You could argue that maybe it's a deep purple reference this year, a little bit of smoke on the water, although we're not going to get dark about it. But the purple haze is still very much in effect. So in that way, the song remains the same. Does anybody know that one? This is the interactive portion of the session. Led Zeppelin, are we good? Are you with me? Okay. Had to get a Led Zeppelin reference in there.

So a lot of the key themes that were in place last year from a policy uncertainty perspective are very much in focus this year. That's why I think those two songs together really make a lot of sense in terms of setting the stage. The third song, we haven't gotten to it yet, although maybe the market has already gotten there, is a Mr. Blue Sky reference. Does anybody know that one? ELO. ELO fans? Okay.

So the idea behind that is as we track through the year, we're going to trudge through all of this purple haze of policy uncertainty. Investors are really going to have to work for the returns that they generate this year. But by the time we get to the election, or more importantly past the election, we will have clarity, to some degree with lots of asterisks and caveats around that, about the outcome of the election and what the path forward holds. And so I do think it's an important pivot point.

So Mr. Blue Sky is really a reflection of a stat that I think is important. Since 1938, there has never been a 12-month period following a midterm election cycle where the S&P 500 has posted negative returns. We're tracking in a pretty positive direction this year, despite the purple haze of policy uncertainty. I think we'll talk during the panel discussion a little bit about what some of the single most important signals or forces may be for the market. So I'll hold back on giving you thoughts on why the markets are fully green today. Has anybody been checking their tickers? It's like a very green, a vibrant green day, which is unusual. So I think this year can be a positive, strong performing year. But I think we're also setting the stage for a lot of momentum. Whereas momentum that 2027 is going to be a strong year as well.

So in thinking about the purple haze of policy uncertainty, what are some of the things that are top of mind for me this year? We have a lot of uncertainty around fiscal policy. Again, I don't have enough time to go through all the details. I think everybody gets that we're in a weird spot as it relates to fiscal policy. It's obviously a midterm election year. That counts as policy uncertainty. The market is really trying to figure out who's going to control Washington and it's usually a binary outcome. So how do we position around a binary outcome?

I'm going to throw monetary policy in on a technicality. I think there's a lot of purple haze as it relates to monetary policy. But at where it stands today, it's pretty supportive of the market at current levels, even though we're not expecting material Fed action. In fact, the right answer from our perspective is just sitting on pause.

So the Fed maybe is out of the way, at least in the short run here, and notoriously the Fed tries to stay out of the way of election cycles. So I think there's only a couple months left where the Fed has any shot at taking any action at all. But the data doesn't suggest that they need to take action. The market has repriced away any shot at policy action. So it still counts as purple haze because we don't know exactly who's going to ultimately chair the Fed and for how long. But I think that one is fading a little bit relative to last year, which is good.

And then of course, the geopolitical conflicts that continue to swirl. The market is focused on pricing in a path to peace. I don't know that we actually are close to a path to peace, not to bring the vibe down at all. But I think the reality is it ain't over till it's over. Anybody know that one? Lenny Kravitz? All I do is talk in song references, okay? And when I only have three minutes left, that's what you're going to get.

So the other song reference that I think is relevant here is, are you going to go my way? So Lenny gets two nods here in this conversation that we're going to have. And it's really as it relates to the ceasefire, the negotiation around the peace talks. Who's going to ultimately win? And what does it mean for the path forward? We've been paying very close attention to what's going on in the Middle East. It's important in terms of the market's path forward. Market says, "Nothing to see here." That's very flippant. That's not how we really feel, but the market is pricing in ... We're going to move right past it.

There are two instances in history where we've had geopolitical conflicts in the Middle East and they have catalyzed meaningful market corrections to the point where the market collapsed and stayed down for an extended period of time. Both of them, the common denominator is around energy infrastructure, energy policy being weaponized. And so we've been saying for a while, is this the third exception to the rule?

So far it has not been. But we've seen policymakers go to the brink and come back, go to the brink and come back. And so the market is moving on, but I think there's still a real concern around escalation from here. We saw a little bit of it on Monday. I thought, "Oh my God, I'm going to have to change my entire story for all of you today." Thankfully, things settled down a little bit. But it ain't over till it's over.

And so if we were having this conversation in June, still talking about the purple haze of geopolitical conflicts, I think it changes the backdrop completely. So I think having this conversation today, and in particular in Boston, is so well-timed because of the purple haze that continues to swirl, but also because of the base of institutional capital, life sciences, innovation, R&D, and certainly the education leadership that's here. We have the right people in the room to have the hard conversations. And it's really important for us to have strong voices and have an impact.

All of this stuff matters. Not only as it relates to the market, but to the economy's path forward. There's a lot of resilience in both the economy based on where we are today. There's a lot of resilience in terms of the market. Again, we can talk about what some of the underlying fundamentals are that help reinforce my positive view of the path forward. But I do think it's going to continue to be very choppy, very purple hazy for the foreseeable future. And so this is a time for decision makers to lean in, right? You can't be a passive bystander in this kind of an environment. And so I'm looking forward to my panelists joining and a robust conversation. So thanks all for joining us.

Carolyn Jones:

Thank you, Amanda, so much. This is going to be a wonderful conversation.

Thrilled to have with us Yvonne Hao, who is the chief operating officer and general partner at Flagship Pioneering and Katherine Craven, who is the executive vice president for administration and finance at Babson College. You will find their bios are in the QR code right on your agenda there just in case you ... You'll learn a lot more about them as we have a conversation, but if you want to check.

Welcome. Thank you so much for joining us. You guys are in for a treat. And Amanda, thank you so much for getting us kicked off. I wonder if we can just start off with a question. Maybe I'll start Katherine down on your way and come back to you, Amanda. So just share with the audience a little bit about how you got to where you are, like your origin story around finance, if you will. And what pivotal moments shaped your career? And then we'll dive into the rest of our conversation.

Katherine Craven:

Great. Thank you, and thanks for having me here today.

I'm Katherine Craven. I started my career fresh out of college as a budget analyst at the House Ways and Means Committee, and I did 10 state budgets rising through the ranks there. And by the end of my 10 years, I had vast knowledge of all of these different line items of the budget, how your state budget works, how your state taxpayer dollars are allocated. And from there, I went on to be a first deputy treasurer under Treasurer Steve Grossman. So I understood cash management and all these things. But I was the executive director of the University of Massachusetts Building Authority, and now I've been at Babson College where I'm the executive vice president for administration and finance since 2014.

Carolyn Jones:

Thank you so much. You've had quite the amazing journey.

Yvonne, tell us a little bit about your journey.

Yvonne Hao:

Wow. I'm definitely not as impressive as Katherine. That is quite the journey. To continue the song theme, I'm very inspired by Amanda. I was trying to think of what song could my career. People always ask me, "How did you plan out this amazing career that you've had in business and the public sector and finance?" And the answer is probably I haven't. So maybe the best song is Road to Nowhere, Talking Heads. I've just been on this path and I've been extraordinarily lucky. I'm a child of immigrants, and so I went to college and my parents said, "You should be a doctor because we know what that does and it's very safe and secure." Turns out I didn't love medicine, so I got into med school and then thought this is not for me.

Then I didn't know what to do, so I was like, "Oh, I'll be a professor." So I'm good at school and so I thought I was going to be a professor. Then I realized it's very lonely to write papers. No offense to anyone who's a professor. So then I thought, oh, maybe I'll try this business thing. I can make some money, pay my parents back for college. And I started my career in business at McKinsey, and then that led to Honeywell where I ran a division that led to Bain Capital where I learned a lot about more the financing and capital markets and liquidity. And then I ended up going to a small startup called PillPack, really inspired because my mother-in-law was diagnosed with Alzheimer's. And we were struggling with the disease and I really believe in the mission.

We got very lucky. We sold to Amazon. So was at Amazon for a while in tech. And then I've done a lot of other things. And then one day I got a very random phone call, a number I didn't recognize, picked it up and it turns out it was ... She says, "Hi, this is Maura Healey." And I thought this must be a prank call. Or maybe it's one of those dial for dollars, they're just going to ask me for money.

Carolyn Jones:

Robocall.

Yvonne Hao:

Yeah, robocall. And so I said, "Hello?" And she said, "Yeah, is this Yvonne Hao? This is Maura Healey. I just got elected governor." And turned out it was her. And so she had gotten elected and wanted to have someone in her cabinet with business background. And so I had lunch with her the next day and then I ended up in state government for the last two and a half years, which was incredible privilege. I learned so much, including the amazing work that Katherine and many people like her do for our state.

And then I left and then somehow I had gotten to know this guy Noubar Afeyan when I was in state government and he's the founder of Flagship Pioneering. People oftentimes think we're a venture capital firm. We are not a venture capital firm. We are a firm that invests in science. And then when that science works, we take these big leaps and risks. And when that science works, we form companies. So we've started over 120 companies. Probably the most famous one is Moderna.

But right now today we have 40 plus companies that I work with and each one of them is ... I always have the imposter syndrome. But I have learned a lot along the way about how to think about investing and really ... And the governor, I talked a lot about it, about this concept. When I first joined state government, I was like, "Gov, we got to talk about ROI. How do we maximize return on every taxpayer dollar?" But that's something I though a lot about throughout my career.

Carolyn Jones:

Yeah, that's great. I love it. Gov, we've got to talk, right? Amanda.

Amanda Agati:

I have to follow those two. Oh my God.

Carolyn Jones:

You do.

Amanda Agati:

My story is boring. I'm an investor from day one. And if I have to pick a musical reference, which I mean, why not? I've already given you so many. My mantra for life is Don't Stop Believing. Do you know that one? Journey? Don't stop believing in that someday maybe I'll figure out what I want to do when I grow up. How about that?

Carolyn Jones:

I like that.

Amanda Agati:

With a caveat. So I started in investment banking with a company called Legg Mason. Does anybody know that one? It has since been acquired by Ben Franklin. But the story of my career is Legg Mason, PNC, Legg Mason, PNC. Again, I can't figure out what I want to do. When I grow up now, Legg Mason's gone, so I don't have to worry about that decision anymore.

Investment banking, then equity research analyst, primarily on the buy side as a generalist. I think that's the most critical point in my career that I started getting my hands in a lot of different things, covering a lot of different sectors and industries. Really getting a fundamental understanding of the interconnectedness of the markets, the economy, et cetera. And so that was a really important training ground for me, equity research. And so I was picking stocks for portfolios, but I was also picking stocks for the mutual funds like Mason Value Trust, Opportunity Trust, et cetera. Bill Miller days, if anybody remembers the Bill Miller days.

And so after that, I started to get bored. Maybe that's a hallmark of my career path. Every so often I start to get bored and try to figure out what the-

Carolyn Jones:

Should I stay or should I go?

Amanda Agati:

... next thing is. Yes. Thank you. Oh my God. We are so on the same page. It's amazing. Let's take it on the road.

And so I talked to my friends at PNC and they were looking for someone to join the investment strategy team. So it's taking all that diverse kind of learning and exposure to the markets and applying it in a multi-asset portfolio context. And so I joined and then fast-forward a whole bunch of moves and I became the chief investment strategist for PNC. And then about five years ago when my predecessor who was CIO chose to retire, I was a part of his leadership team and I had the honor of taking over for him. So I've been CIO for about the last five years, hardest five years.

Carolyn Jones:

Those have been-

Amanda Agati:

Oh boy. Talk about training ground.

Carolyn Jones:

Those have been some interesting five years. So Amanda, I'm just going to keep the first. You talked about the purple haze of policy uncertainty hanging over the markets right now. And so with rate volatility elevated, the bond markets repricing aggressively, what's the single most important signal investors should be weighing right now?

Amanda Agati:

Do I have to pick one or can I pick two?

Carolyn Jones:

You can pick two. You can do anything you want.

Amanda Agati:

I'm going to pick two [inaudible 00:18:14].

Carolyn Jones:

Because you're in charge.

Amanda Agati:

So I'll give you a signal on the equity side, but then I'll give you a signal on the fixed income side.

So in equities, there's so many things that you could pay attention to. But if there's only one thing that matters in terms of the path forward, it's earnings growth. And so I think we didn't have a chance to talk about this quickly in the opening, but the earnings growth story is a fundamental pillar of strength and resilience this year that is underappreciated by the market and investors. We're in the middle of Q1 earnings season. This is the third quarter in a row of really strong positive revisions. You don't ever see three quarters in a row of positive revisions unless you're coming out of a recession or a recovery. So very unique strength in terms of the growth trajectory.

All of that being said, it's strong enough to pull up expectations for the full year to now 20% earnings growth on the S&P 500. That is darn good enough to keep the market rally engaged, especially if the purple haze starts to abate or lift a little bit. So that's the equity market signal. Forget about valuations, just focus on the path for earnings. It's not one for one, but it is a really important driver of the path forward.

On the fixed income side, I always say the bond market is the adult in the room. It's always governing how far policymakers can go. And so in this environment, the bond market is saying Houston or maybe Washington, we have a problem. So the shape of the yield curve is actually an important signal. It's gotten very flat. It's steepened at the very short end, but from 10 to 30 years, it's exceedingly flat. AKA investors aren't getting paid to lock in long duration yields. And so the bond market is not giving policymakers a lot of room. It's also very much a reflection of deficits and debt levels.

We don't have a good answer for that. We're not going to solve it today, though I would love to solve it today. That'd be amazing. But I think that's important in terms of where we go from here, both in terms of fiscal policy, spending, the tax bill from last year, tariffs. There's a whole laundry list of things that we could talk about as it relates to the impact on deficits and debt levels. You have to pay close attention to the shape of the yield curve. Rates are floating higher even though the Fed is not doing anything. The bond market is pricing in an inflation scare, not a recession scare. I think that's an important signal for investors.

Carolyn Jones:

Great. Thank you for that. And as we ask all these questions, I want anybody feel free to just jump in as we go. You don't have to wait to be asked.

Yvonne Hao:

I'm curious, do you think the earnings growth is ... How much of that is driven by AI? Do you think AI is going to contribute more to it and accelerate it or not?

Amanda Agati:

It's a great question. I would say about ... We've been doing the math on this for a while. Everybody wants to know what earnings growth looks like with and without the top seven or ten names.

Carolyn Jones:

You want the answer.

Amanda Agati:

And I think it's about ... It's a moving target. But I think about the difference between including the top 10 and excluding them is about 400 basis points in terms of growth. So hopefully that frames it a little bit.

There's no question that AI continues to be in the driver's seat. We've been paying very close attention to Q1 earning season. Investors are not so much concerned about AI in general. In the moment, investors are concerned about the CapEx budgets. And so as a function of this earning season, pretty much every player is going for it, technical term, pushing it up, billions and billions of additional CapEx spend. And so that has created some anxiety.

I actually asked the AI that we have at PNC for a song reference, and it gave me a Radiohead song, Paranoid Android. I was like, that's perfect-

Carolyn Jones:

Oh, that's a good one. Yeah, definitely.

Amanda Agati:

... in terms of investor sentiment. We're believers in AI for sure. We think it's early innings. There's a long runway left, but I think there's some investor skepticism right now about the CapEx cycle.

Carolyn Jones:

Yeah. So speaking of the CapEx, Katherine, when you're making long-term capital decisions for the college, how closely are you tracking the signals that Amanda just described? And how do you weigh market conditions against mission-driven priorities?

Katherine Craven:

I'm listening with rapt attention about the yield curve because ... And what Amanda just said about pushing out, I've been urging all of our private higher eds are governed by boards of trustees. And in my case at Babson College, everybody's a business graduate. And so they all have very strong opinions about exactly the things that Amanda's talking about.

So I've been urging ... I think we're in the middle of one of our biggest booms of construction at $239 million over two years for a small college. We have about 4,000 students total. And so I'm building a new conference center, I'm renovating a major dorm for 500 students. We're keeping all these sort of balls in the air and I'm pushing towards a bond deal.

Now, Roger Babson, who was our founder in 1919, had put together a work progress administration program for people out of work. And that included chiseling his mother's sayings onto boulders up in Gloucester where he was from and on our campus in Wellesley. And one of them is, "Keep out of debt." So imagine me-

Carolyn Jones:

That's a good one.

Katherine Craven:

... I introduced myself with $11 billion into my bill. I'm like the guy with a hammer. Everything looks like a nail.

So I'm dying to do debt because I see these rates. And again, when I started, 6% was like, "Oh, you can never do better than 6% on a tax-exempt bond." I issued one in 2022 at two point something and it's like free money. God, this is like heaven. We're looking at going out this fall with some more debt, but it's because we have revenue producing. And I think what Governor Healey's been doing to stimulate construction environment when even the state, everybody's borrowing at lower rates is really stimulative to the construction environment in Massachusetts.

And so that's something that not only do I look at from my little pedestrian Babson College selfishness, but also what's going on at the statewide level. And I see that push that the governor's trying to do as well there because rates are so low.

Carolyn Jones:

Yeah, absolutely.

Yvonne, when capital gets more expensive, like we're saying, a rate expectation shift, how does that change the way that Flagship evaluates launching new companies and growing existing ones in the ecosystem there?

Yvonne Hao:

Yeah, no, for sure. So we constantly are monitoring the market for many reasons. For borrowing, for debt, looking at equity markets, for IPOs and for equity investments.

And it's interesting, one of the things I think that's really important is to do two things that sound like they're the opposite. So we're constantly looking at every company that's coming up and what the environment is and how likely are they to raise money or to borrow to keep funding investments in R&D and everything else. We also always are looking much longer term.

So if you think about life sciences, so Moderna I think was founded 20 years ago. And it takes a long time to play out for FDA approval and all the different clinical trials and everything else. And so we try to monitor everything closely so that we can stay on top of the current needs. But we don't try to get kind of whiplashed by every quarter and every cycle because you have to keep the long-term eye on the prize.

And so when we look at our companies right now, when we're starting them, we're looking at fundamentally, what's the problem we're solving? Is this a big enough problem and is it hard? And do we have a novel approach? If it's something that's easy, it's just going to be something that everyone else is doing, we don't do that at Flagship. We only work on super big questions.

The question that started Moderna was, what if your body could make its own medicines? And that's how we started Moderna. So we are looking at very long-term, very big questions, very big markets. But then we can't have the companies go out of business. And so as they grow, we are constantly thinking about if the markets are dead right now, how do we get partnerships? How do we go talk to big pharma and do partnerships with them and do R&D collaborations? If we think that's really expensive right now, how do we figure out how to be scrappier and find different places and different ways to use technology to accelerate the trials without as much cost? So we're constantly doing both short-term and long-term.

Carolyn Jones:

Yeah, absolutely. So Katherine, you're chair of the Massachusetts Board of Education. So you see the intersection of public funding and economic policy firsthand in that role. So what are you hearing from school districts and public institutions about how current conditions are affecting their planning? And Amanda, you might be able to speak to that as well.

Katherine Craven:

The State Board of Education, which I have the privilege of chairing. I was appointed to the board by Governor Patrick and appointed to be the chair by Governor Baker, and again, reaffirmed to the chair by Governor Healey. And basically probably because not only do I have five kids that have gone to Massachusetts public schools, one who has down syndrome, so I'm a special ed mom. And what I'm hearing is resources. That's what the governor's hearing, Governor Healey's hearing, we need more resources.

But the math doesn't work from my perspective. Because we're down 5% statewide on enrollment since 2020. COVID massively disrupted the education system, and we just haven't even begun to think of how. We know that performance is down. We know that those kids lost time in school and that meant less reading, less math instruction. But we also see that we've had 45,000 less kids in our Massachusetts public schools than we did in 2020. So that's kind of crazy.

But at the same time, the Massachusetts legislature and the governor have committed up to $7.36 billion this year, up from 5.5 billion just five years ago. So we're going up 36% in taxpayer supportive schools, but we're down 5% on enrollment. And so the question of, yeah, we understand there are fiscal crunches. I hear it every month at our board of ed meetings. Some superintendent or some school committee chair will come in and say, "We need more money."

Carolyn Jones:

Any thoughts on any of that?

Amanda Agati:

My angle is the investor angle. So I think my answer to the question is around, how do you position the capital pools to support the funding and the resources and all that sort of thing? I think institutions broadly are facing this dynamic where returns are waning. So even though I'm saying, "Oh, this is going to be a good year. I think next year's going to be a good year." We've put up some pretty record-breaking years in terms of market returns. It's not sustainable. We're pulling forward a lot of that returns.

My team does a lot of work around our 10-year capital market assumption. So what is a return profile for the multi-asset universe? And so given where we are from a valuation perspective, not bubbly, not frothy, but elevated. How about that? I'll leave that for maybe a question at the end to talk about. It creates this dynamic where returns cannot continue to push higher and higher, even with an earnings growth backdrop that's pretty strong.

And so the net effect of that is I think institutions are trying to take on more risk to reach for additional returns, so they're moving beyond their typical or normal risk box or risk category. I think it also explains a lot about why there's such a huge push into private markets and alternatives at this barbell. What are bonds going to do for you? I mean, it's balanced and insurance policy and portfolios. But it hasn't done much for investors. And so the nature and dynamic of the capital pools we're advising around is changing a lot because resources are scarce and inflation is ever present and the cost of all the things just continues to rise.

And so I think it puts institutions in a really difficult spot from a portfolio positioning standpoint. And it's okay as long as the market continues to forge a path higher. But the downside of that is a lot more volatility in capital pools. That's a tough backdrop for institutions.

Carolyn Jones:

No, that's great. Thank you. So Yvonne, as you mentioned, and as we all know, you served as the Secretary of Economic Development before you jumped off to go to Flagship. So from both the public and the private side, what do you think, from your perspective, does Boston's ecosystem need from policymakers to stay competitive as the capital conditions tighten?

Yvonne Hao:

Yeah, no, this is something I thought a lot about in the role, and I continue to think about from here in Flagship.

We've been extraordinarily lucky and extraordinarily successful as a state in so many ways. And one of the things I was very curious about when I came into state government was to understand how did we become the leader in life sciences, for example. And so I spent time with Governor Patrick and looked at the big, bold move he took in 2008, which was right on the back of the recession. He made a big statement to say, "We're going to put a billion dollars into becoming the leader in life sciences." And at that time, Kendall Square was a bunch of parking lots. We had all the raw ingredients. We had universities, we had hospitals, we had a lot of the science, and we had investors. But we didn't have the kind of collaboration.

And making that investment from the state really catalyzed and gave us momentum to then now become the clear global leader in life sciences. And so as we think now about the point in time where we're at, I think it's the moment to do that again. This is not a time to rest on your laurels. It is wildly competitive across states and across countries. And I think the uncertainty in DC does not help our state. And so when I was in the government with Governor Healey's support, we worked on an economic development plan and then we passed this economic development bill with the legislature. Which is another $4 billion of investment in all the areas that we should be leading in here.

So another billion dollars for life sciences, a billion dollars for climate related technologies, and then another $2 billion for robotics and quantum and AI and small businesses and all kinds of other investments. And now under my successor, my good friend, Eric Paley, Secretary Paley, they've also now filed a bill.

But I think this is a time for the city and state government and all of our private sector and universities to work together. Next week we're going to be hosting at Flagship a gathering for Mayor Wu talk about the innovation economy. And I would say ... I'll use two songs. I was thinking about some songs when we were talking earlier.

Carolyn Jones:

Oh, nice. Okay. Add to the playlist.

Yvonne Hao:

I think two things are true. And so at Flagship, we talk all the time about paranoid optimism. Again, two things that sound like they're opposites, just like being short term and long term. But I think we need to have some paranoia because our state is under threat in a lot of ways. So I would say Queen, Under Pressure. So we are under pressure and we should be vigilant and we should be relentlessly paranoid.

On the other hand, we can't just be negative. And I think of that song ... I don't remember who sings it. But that song Right Here Right Now, there's no other place I'd rather be. Right here right now in Massachusetts in Boston, there's no other place I'd rather be because science does not care who's in DC. Science doesn't care what the stock market is today. Science is going to happen. And we are so well positioned with educators, with hospitals, with our whole ecosystem of venture capitalists and all of the entrepreneurs and the government, state and city. We are so well positioned to capitalize on that science and to solve the next biggest problems and to drive a ton of economic growth. So I think we have to have a good healthy balance and this is the time for us to work together again.

Carolyn Jones:

Absolutely.

This is a question for each of you from your unique perspective, in some ways shared perspective. So Amanda, as you said, you advise individual and institutional investors. And Katherine, you manage a college endowment and public finance. And Yvonne, you allocate capital to early stage companies. So each of you are deploying capital in different ways and perhaps in some similar ways. So what key things do you consider as you look ahead day to day? Whoever wants to take that first.

Katherine Craven:

I would say durability of the investment. And I feel like that's something that we can be very ahead of the curve, especially in higher education. We can pretend we know a lot more about something than we do and we invest in it. And it turns out 10 years ago it was coding. Everybody was coming to Babson saying, "Entrepreneurship is a thing of the past. You guys should get into coding, just diversify."

And so the question of someone with our value proposition for entrepreneurship and entrepreneurial leadership and scholarship in that area to change. And so thankfully AI came along later on and disproved all these people that were saying, "You guys are a one trick pony." To us, entrepreneurship and entrepreneurial leadership and thinking is everything. And you employ it every day when you go to the grocery store, when you go to work, every time you do something, you're thinking, problem solving. And we think that's durable. And so that's why I think as a fundamentalist on where we put our resources, it's on things that are durable and not just femoral.

Yvonne Hao:

I think that's great advice. I guess I've been a CEO, a CFO, a COO, an investor, a board member, a secretary.

Carolyn Jones:

Just a few things. Underachiever.

Yvonne Hao:

And I'm on our allocation committee at Flagship and I've been through lots of crises. I was a CEO of a company at Bain Capital during the great recession of '08 and I was secretary when Silicon Valley Bank failed. And I think when you live in these purple haze type times, I think the thing to do is to stay calm and to focus on the things you can control.

And then I think one of the things is to be, here you go, yo, here you go, list the scenarios. We try to stay calm and then focus on the things you can control and then map out the scenarios so that you can respond to them and be nimble. But not get super anxious over things you can't control. I think that's a very important thing, especially in the purple haze times.

Amanda Agati:

That's so great. So hard to follow both of you as it relates to that.

I think I would just say the hardest part of my job in this environment is distinguishing the news versus the noise. And trying to help our clients and our investors take the long view and figure out what really matters in this moment. As much as I'd like to say that picking the song is the hardest part of my job, this is the hardest part. Because in a 24/7 news cycle, it's just continuous. It's coming from all over the place. There's spin everywhere. It's so hard to know what's real and what isn't.

And so I spend a ton of time trying to figure that out. And trying to get the team to communicate in a way that when we comment on something, it's because it really does matter. And if it's the sounds of silence, that's a signal. That it doesn't actually matter in terms of the path forward. We don't always get it right, but I think that's the hardest part of the job and the most amount of time that I'm spending with our clients and investors, just making sure they understand the long view. The entry point matters. In the very short run, you want to know if the market's with you or against you. So some of that entry point stuff does matter.

But it's just been so noisy and for so long, really post-pandemic. Even in the midst of the pandemic, but post-pandemic. This is not just this year or last year. I just think it's really challenging for investors to stay focused on the long view. And then when things aren't working great to not abandon that decision. That's also very challenging.

Yvonne Hao:

You know one of the things I think is interesting is that I think there's a lot of the thinking over the last many years has been like, "Oh, once we get through this, we're going to be okay. Once we get through the pandemic, we're going to be okay. And then once we get through this election ..." and I love the blue sky aspiration.

But I think this is the new normal. Just the pace of all the changes around the world, all the volatility, multiple wars, climate change, technology. I think this is the new normal. And so what this does reward is durability. It rewards separating noise from truth. It rewards focusing on things you can control. But I think this is the kind of the new normal, unfortunately, or fortunately.

Amanda Agati:

We need a Metallica reference, I feel like with that.

Yvonne Hao:

Yes.

Carolyn Jones:

You did say Sounds of Silence, so you had a song in there. I don't know if you knew that.

Amanda Agati:

There you go.

Carolyn Jones:

Simon and Garfunkel there.

Amanda Agati:

They just happened to come back.

Carolyn Jones:

Definitely.

So Yvonne, you mentioned PillPack and you led that sale to Amazon, operated inside of Bain's portfolio for a number of years. So for CEOs right now, and this could apply to all of you actually, what's some advice you can share about how they should look at things? All of these things.

Yvonne Hao:

One thing that we've been talking a lot about with our CEOs is that one of the things I think that is really important, especially when there's so much complexity and there's so much noise is really being able to tell your story. So what is the thing you're working on? Why is it important? Where are you at? And just really being able to convey that story and to have the ability to sell the story.

And I think sometimes we get overwhelmed by complexity and then the story gets lost. And one of the things that we did so well at PillPack was we just ... And I think someone from PillPack is here in the audience. I don't know. Yay, Yulia. Yeah, I saw your email. So yay. So at PillPack, we had a very complex business. We had a gajillion different medications, there's all these insurance policies and things. But every day when you walked in, Yulia can contest to it. We had signs up about the customers. And we were maniacally focused on everything we did every day was about the customer. And that's how we sold the story. And that's also why Amazon wanted to buy us. And actually many other people wanted to buy us because they said, "You guys are focused on really creating the best experience for customers."

So I think being able to tell the story and conveying that and focusing on that is really important for CEOs right now.

Katherine Craven:

Secretary Hao, you just mentioned focus and I think you just described relentless focus and every great business leader talks about that as the core. And so the question if it's that easy to do, why do so many people fall aside? And I see it in higher ed all the time. We lose sight of the students. We get involved in things that are extraneous or nice to haves or things like that. But when we lose focus of our core mission, whether it's K through 12 or higher ed, that's a big problem.

And so the student ROI, especially at Babson is something we look at all the time. Which is why we're ranked number two in The Wall Street Journal for two years in a row. It's a big deal for a 4,000 student school to be up there-

Carolyn Jones:

Absolutely.

Katherine Craven:

... with Princeton and Stanford. And it's because we're starting to measure output and not just inputs. And I think parents are doing that as well. And just my indications for the next class of 2030 that's coming in for Babson's undergraduate is it's off the charts, amazing yield. We are seeing this.

And so it's proof that if you offer something that has ROI, parents and students will come for that. And I think there's a lot of stories like ours out there. And if you read about higher ed, you're starting to see there's a winnowing as budget crises come up across higher ed of things that are not good ROI for their investment.

Carolyn Jones:

Amanda, any thoughts on.

Amanda Agati:

No, I'm letting them have the last word. That was great.

Carolyn Jones:

All right. Perfect.

We are hosting this during Women in Business Week for PNC. Who does so many amazing things in general, but many amazing things for women in business for sure. So each of you leads in spaces that really are still underrepresented by women in all ways. So what's one thing, or could be more than one, that you'd want women leaders in this room and others to understand about navigating financial uncertainty? Amanda, you want to take that first?

Amanda Agati:

About navigating financial uncertainty. I mean, there's so many things, but specific to that, I think I would just say ask for help. Ask all the questions. There's no question that's too small or too dumb. And I think sometimes there's this hesitation or there's this expectation that you should know all the things. All I do is investment stuff. I have no hobbies. I have a few songs. But sometimes I know something about the market, but I have spent decades on this stuff.

I think for women in business and women who are really trying to understand what's going on, you're not expected to know all these things. Even I don't know all the things. So ask the questions, find somebody that you really trust. I think that maybe is more important than asking the questions is find someone that you vibe with. That's a technical term. It's really important. Because if you don't vibe with somebody, none of the rest of it matters. So trust is really important. Connectivity is really important. Asking all the questions and stay close. You got to stay engaged in it. You don't have to be in the 24/7 news cycle, but you do have to be conversant at some point in some of these things to understand what's news and noise. So none of that's rocket science, but those are some thoughts that maybe are helpful.

Carolyn Jones:

Absolutely.

Yvonne Hao:

I 100% agree with that. Just being curious and being open to admitting when you don't know something and asking other people to explain it to you. I am doing that all the time now about, what's mRNA? And how does that differ from tiRNA and siRNA?

And not being afraid. I think a lot of times, especially when I was younger, I was very focused on always thinking that I had all the answers and trying to appear perfect all the time. And then as you get older, you realize nobody ... Everyone's just making up as we go. And so you will learn so much more and have so much more fun if you start asking for help.

Carolyn Jones:

Yeah, absolutely. Katherine.

Katherine Craven:

This is such great advice to follow on because I've always subscribed to if I can't explain what I'm doing to a taxpayer and in my case now to tuition payer, then I shouldn't be doing it. So if I can't articulate what the ROI is to one of the parties that's an investor in us, I shouldn't be doing it.

And so I've avoided a lot of problems by keeping to this basic axiom of understanding what you're doing in a world that is filled with jargon, it's filled with people talking past you. And especially as a woman and many times in my case, perpetually pregnant woman for most of the OOs.

Carolyn Jones:

[inaudible 00:43:25] a lot.

Katherine Craven:

It's a lot of kids. And people kind of want to look past you on these things. And I always would make sure that I brought it back to a level of understanding where I could explain it to somebody and be able to execute on a plan.

Carolyn Jones:

Yeah, definitely. Keep it simple and don't be afraid to ask for help for those around you for sure. It does take a village, that's for sure.

We have a couple more questions, but be thinking. I'm going to get to some Q&A if you all have some questions in a couple of minutes. But for all three of you, when you look at some of the decisions that leaders are making right now, it could be in all aspects, business, politics, education. When you look at the decisions leaders are making, where do you see the biggest gap between what the data is telling us and what people are actually doing? Who wants to take that first? Katherine, go ahead.

Katherine Craven:

I think I could probably take it just from my K through 12 hat because the data is actually telling us that we're seeing a decline in a lot of outputs and a lot of performance across the state and in certain populations. Last year was the first year where we didn't have an equity gap between underrepresented folks and not underrepresented folks. And that's because everybody was down. And so that's something in Massachusetts we should really be concerned about because that's a bad trend for us.

So the trend, even though we love to be in ... As Secretary Hao said, we love to be in Massachusetts, we're the home of the first public school, we're the home of the first private higher education institutions. We have to not rest on our laurels. And so I feel like that's the trend that we're not talking about. And it's not an embarrassment to get together as a community and say, "How do we lift this up? How do we do better?" And so it's not always good news. And I think we have to embrace that.

Yvonne Hao:

I think about this moment in time right now as I'm so old. So I remember in 1995 when people were like, "Oh my God, there's this thing called the internet. It's like the worldwide web. And you can send a letter to each other on your computer and then you can search for things, whatever." It was this exciting thing.

And then we saw how that played out and now the internet is everything, literally everything. We buy our shoes, we buy our prescriptions, we buy ... It's changed like Zoom. Every single thing has changed in our lives, how we live, how we work. Now here we're in 2026 and we know there's this thing called AI and there's LLMs and we can talk to ChatGPT. But we're at the very dawn, the very, very early beginnings of this. And I think the AI is going to be way more powerful, has way more transformative ability than the internet does. And it's going to play out and change everything about how we live and work.

And having gone through this already, being alive when the internet was happening, what should we do now so that we can learn from the lessons of the internet and this time use AI just for all the good ways to benefit people and to make the world a better place and to protect ourselves and not have some of the bad things happen with the internet around cyber bullying and all the different negative social media things. And so we all know this is happening. Many of us remember 1995 was now and many of us now remember 1995.

And so I think the question is rather than be passive and let the same movie play out, what can we be doing now proactively? And every one of us plays a part of ... And I say to people all the time and I need to do more myself is we should be actively playing and educating ourselves and thinking about how we use this for good. And how we are very vigilant about protecting ourselves against some of the bad things.

Carolyn Jones:

Really well said. Amanda.

Amanda Agati:

I'm going to go in a completely different direction again because I have my investment hat on. And I would just say the purple haze of uncertainty just gives, I think, investors, leaders, so many mixed signals. You can choose your own adventure as it relates to what the path forward holds.

I'm giving you my idea of what the path forward holds, but it could be another set of those circumstances entirely. And so I think too often in recent times I've seen folks get really anchored to whatever their narrative or story is. Here's the data points that support my point of view. And I'm like, what about all these other data points that don't?

Good example is the consumer. This could be a hot topic here. I don't know. We'll see. So when you look at confidence surveys, they're horrific, right? We feel terrible. Anybody who's filling out a confidence related survey, they're all basically at recessionary type levels. We saw a tiny little uptick, but it's terrible. And yet spending in this country continues at a fairly unabated pace. When you look at retail sales trends, you haven't seen any movement at all. And I don't know about all of you, but when I feel bad, I like a little retail therapy. So maybe there's something to that, but I think they're in this environment, this is a good example of how I think you can have two completely polarizing points of view.

One is confidence surveys are in the toilet, technical term. Therefore, the consumer is going to stop spending and crater the economy. The other side of it is, yeah, maybe we feel bad because there's all this policy uncertainty, but we're still going to spend and we're still going to do all the things. It leads down a path of the K-shaped economy. That's where I'm wondering if this is going to get controversial. But we know the low end consumer is under a ton of pressure. We know that to be the case.

The unfortunate reality is the middle to higher end is where all the spending happens. And so even though we're worried about inflation, even though we're worried about oil prices, even though we're worried about the surveys, we haven't seen any fundamental cracks in behavior. There's been some switching, which I think is natural given the uncertainty and where we are in the cycle. But I just think that's a good example of so many mixed signals, mixed messages. It's hard to know which one is the right one. And so the best course is to be nimble and agile and not anchor to that one point of view and put a plan together that's only anchored on that one point of view. I think you have to have a series of potential scenarios.

Carolyn Jones:

Yeah, that's great advice and be fully aware of all those roadblocks. I have one final question for you, but I think we'll pause for a minute and see if we have any folks in our audience who have questions. If you raise your hand, Megan will bring the microphone over.

Jon Bernstein, first question, not a plant.

Jon Bernstein:

I'll ask questions to you all day. This is amazing. Thank you so much. My questions for all three of you, which is Massachusetts is probably one of the best places in the world to create wealth. We're just not really so good at spreading it around. If each of you could pull one lever, capital allocation, public policy or investor behavior, what would that one lever be to pull value creation for everybody and specifically more inclusive for women over the next 10 years?

Amanda Agati:

I don't know if it's one lever. But I do think this rise in private market interest activity, so much capital chasing, frankly, way too few deals speaks to a little bit of what I think maybe your question is aiming at. And so I would like to see a lot more local private market investment strategies.

So to zoom out for a minute, so PNC's asset management business has about 235 billion in assets under management. It's a lot of capital to allocate. I would love to allocate our private markets opportunity set into local, in my backyard investments to create real meaningful community impact. I think it's a really important part of all institutions and frankly, individuals' multi-asset portfolios. It's one thing to be in private markets, it's another thing to invest in your own backyard.

Yvonne Hao:

You can invest in Flagship. We're here.

Amanda Agati:

I'm ready for you. It's hard to do it at scale though. I think that's a real gap in the private marketplace. There are small local funds. But to attract and for big institutions that are allocating capital, you can't invest and be the whole fund. And so I think there's a gap there that I'd like to see solved for.

Yvonne Hao:

Yeah, I think that's a really insightful answer. I thought about this question all the time. So we're at almost $800 billion GDP. We're a bigger economy than Ireland. So it's a pretty meaningful sized economy. We're the wealthiest state in the country in terms of income per capita. We're also the third or fourth most unequal. So it's a very stark contrast and we should not be proud of being so unequal.

If you double click on the inequality in our state, it's interesting. A lot of it is by education, by race, and a lot of it for us is by geography. If you look at Central and Western Mass, we have a lot of very smart people. We have a ton of colleges and universities. It's a great place to live. The income is less than half what it is in the Boston area. Same thing for education and things.

So I think we spent a lot of time when I was in the state and there's not one single answer. There's probably several. One is education is really important. That is our secret sauce in Massachusetts. We have the best education in the country and getting that education to be spread out equally across our neighborhoods is really important. That is a driver of creating opportunities.

A second thing is childcare. We are the only state that is still investing at this level in childcare to get women in the workforce. That's a particular thing for women. And then the other thing is ... And I don't know if this will happen in my lifetime. If we could get a West East Rail, which started with some investment from President Biden, but then was reversed under this administration, it's just not that far. Really, it's not that far. Worcester's 40 minutes away. His field is two hours away. It's just not that far. And we have great people and it's great quality and we have more affordable housing, all of the things. It's just impossible to get to and it kills me.

I have a soft spot for Western Mass because I went to college there. And when I go visit, there's more Yankees hats than there are Red Hat Sox hats because they have a train that goes up there. So if we could just get more accessibility to other parts of our state. And that's why the Fall River line was really important to New Bedford. There is lots of economic growth opportunities in all parts of our state because we have smart people everywhere. We just need help with transportation. So all of those things.

And then all the economic development investments are really important. I will tell you that it was not an easy bill to pass for anyone who tracked it. We missed a deadline and we had to go into special session and it was a lot of work that passed because there were a lot of questions like, "Oh, we're already so good. We already have Babson. We have Harvard. We're good. Why don't we have to ... We're fine." We are massively under attack and technology is changing and skillsets are changing. And so getting more investments in our economy is really important, especially right now. So luckily we did get that bill passed and we got to keep the momentum going.

Katherine Craven:

I couldn't agree more with Secretary Hao. Your and Governor Healey's emphasis on ensuring that kids coming out of high school actually have a skill or have a trade or have something.

Our regional vocational schools in Massachusetts, if anybody's not familiar with them, go have lunch there, go find one in your neighborhood because it's amazing what they do with kids. Governor Healey wants to reinvent high school. I remember in 1990 in the gubernatorial race, John Silber, then president of Boston University said, "Eliminate the 12th grade and pump that money into early childhood." And I still think that was probably wise.

But these are the kind of radical ideas on re-imagining what high school is and re-imagining what early childhood education looks like in order to make sure we have that workforce. And then as Secretary Hao says, they have to have a job. So there are places across Massachusetts that have just not progressed since industries flood them a hundred years ago, 50 or 60 years ago. Question is what comes next?

And especially with AI taking on a lot of new ... We see this at Babson, we're worried about that first year job. What does that look like for people? Is AI going to take over these jobs? So how can we all be strategic together about what that looks like for a new economy in Massachusetts because it's moving faster than any of us can.

Carolyn Jones:

Great question, Jon. And you'd mentioned early childhood, I know PNC and Jon and the coalition has done so much work in that space, which is hugely important.

So final question, what's one decision you've made in the last six months that you'd point to as an example of leading through this environment and not just reacting to it?

Yvonne Hao:

So when I told people I was joining Flagship in the fall, they were like, "Why would you ever join life sciences right now? It's the bottom of the industry. This industry sucks. No one's going to ever want to do anything. There's so many empty buildings," all these things. And I said, "I try to focus on the fundamentals and durability, and I believe in the science."

At the end of last year, we had a company that had incredible momentum, really strong science, really good results, trying to cure asthma in a totally different way. And we said, "You know what? We're going to try to take this thing public." And so many people were skeptical. And guess what? We took it public and because of that successful IPO, which happened at the very beginning this year, Generate Bio, it's an AI leading life sciences PO, which is the 10th largest in the history, I think in the last many decades.

But then because of that, now the markets are really picking up. There's now been several other successful life sciences IPOs and there's more on the way. And so I think sometimes you can get very intimidated by what everyone tells you. Or sometimes you can just say, "Hey, we see this opportunity. We have conviction. We know what's real here. Let's just go for it." And sometimes you might fail, but in some cases it works. And once you do that, others might follow. So I think that's ... We're very proud of Generate Bio.

Carolyn Jones:

Absolutely. Great company. Katherine.

Katherine Craven:

The same sort of example for us at Babson at least. And again, I'm a core fundamental focused person. But building a new conference center for us after we've had one, 200 bedrooms, it's like 1980s every time you go to it. And so the question for our trustees, for our president was, is this the right time with all this learning going online, is it an archaic thing to say you're going to build a conference center for physical gatherings like the one we're in right now?

And we're going ahead with this, so it's a beautiful state of the art. You're all invited, my invitation, when it's open next summer to our new Babson Conference Center because we think that there's a mix of in-person and online learning that every adult learner is going to have to do, especially in this environment where you have to keep up, otherwise you fall behind with the latest in business education or the latest in leadership education.

And so what we're finding, we went out to bid. We couldn't get a hotel partner to do this with us because nobody's building hotels. So we're doing it ourselves. And we're pretty convicted about this as well, to your point, that this is going to be a great thing to expand as the demographics of the local market of 18 year olds declines, despite my contributions to that market. That we're going to be seeing adult learners come to Babson and this will be a perpetual sort of place for people to gather as adult learners. So we're thrilled about it.

Carolyn Jones:

Yeah, it's an amazing project to watch. Amanda, final words.

Amanda Agati:

I think I would just say for me, it's been lean in and listen an awful lot. Really since the onset of the pandemic, it's not just in the last six months. We've been throwing out the textbook and the rule book for just about everything that we've faced from a market and economic cycle and from an investment perspective. And so leaning in, listening and being very visible, I think has been the most important thing. Even in the face of the purple haze.

I have to show up and be like, "This is what we know and this is also what we don't know." And I think me saying ... Whether it's on a webinar or with a group like this or in a one-on-one client meeting saying, "We don't know the answer," is so much more powerful than saying, "I got all this stuff figured out." My razzle dazzle with song references, that stuff's fun. But when you show up as your authentic self and you just say, "Look, I know there's a challenge here or we haven't seen this before and here's what we're thinking about." It's not that I don't have thoughts. But prescribing that this is exactly what's going to happen when we're in unprecedented times, I think fails every time.

So for me, it's leaning in, being very visible and listening a lot. Trying to always take the temperature of both the market environment, but also our clients. What do they need? I got to listen very carefully. I may think that I know, but I have really no idea. Until I spend time listening and talking to them and engaging across all of the markets. And that's really, I think, informed a lot of our strategic planning in particular the last few years.

Carolyn Jones:

And that reps up a terrific episode. I'm Carolyn Jones, and this is PNC C-Speak, The Language of Executives. We hope you enjoyed Money, Markets, and Momentum.

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