KATIE KOCH: Welcome to our continuing series of Talks at GS where we have the opportunity to speak to some of the world's great investors. My guest for today's episode is Scott Bessent, who is the Founder and CIO of Key Square Group. Before that, he was a CIO of Soros Fund Management. He's one of the best-known macro investors out there, with a tremendous long-term track record and a penchant for taking big bets. Scott, thanks so much for being with us today.

SCOTT BESSENT: Thanks for asking me to do it.

KATIE KOCH: Okay, so let's jump right in. Our first question is that when you were at Soros, you obviously looked across a lot of asset classes, public and private equity, the credit space, hedge funds, et cetera. When you look at the world now, do you see particularly strong opportunities in any one of those?

SCOTT BESSENT: I think, you know, there's always a lot of opportunity. I think we are probably at a big transition point now where the last 30 years are not going to look like the next 30 years. And so, I think long/short it could get very interesting again as we see dispersion and really the-- I don't know how the nifty [PH] ten does. Doesn't have to go down. But there are probably bigger gains elsewhere.

I think that private equity as we know it, leveraging up long duration assets in the US probably isn't that interesting. I am very intrigued by what KKR's doing in Japan. You know, I think there's a big opportunity set there, both in activist investing and private equity. And you know, in macro, look, it's always a matter of timing. But there are a lot of imbalances. There are a lot of policy seats being changed. And when that happens, there are usually some big things that set up.

KATIE KOCH: And so, while we have this very grave situation which, you know, you described as a combination-- could be thought of as a combination of both natural disaster and war. On the other hand we have technological innovation which obviously has some positives and over the last decade, one might argue, had some deflationary pressure. But then we've stimulated so much on the fiscal front that the risk, the balance of risks, could skew towards inflation, that's how you think about it?

SCOTT BESSENT: Sure. And look, I remember I was in college in the early '80s. And the best economists in the world predicted inflation was never going to go down. Henry Kaufman and bonds at

15 percent, nobody was interested. And now the bonds at 70 basis points or, you know, high yield where it is. And the asset managers are hoovering them up. So, just seems to me like the risk/reward isn't very interesting there. And there's a chance of a very convex move the other way.

KATIE KOCH: So, I want to pivot and talk about technology. So Scott, you've covered tech successfully for, and invested in tech successfully for a long time. Where do you think we are now in the tech cycle?

SCOTT BESSENT: I think there are a lot of different tech cycles. And we're not a growth fund or a tech fund, but you know, if we were a thematic equity fund, you know, I would think that a lot of what we've seen in the past five or ten years got accelerated during COVID. You know? I think we will all be not unhappy to do a lot fewer Zoom meetings. You know? So, I think we have to think with tech, how many companies pull forward three years of growth?

And you know, for me, tech is going to be other areas. I think space is becoming a real niche in tech. You know, obviously with this project Warp Speed and the coronavirus vaccine, everything in biomedicine has been sped up. And I think-- my seat as a trustee at Rockefeller. I can see some of the most exiting developments there. And then green tech. Like I think what we think of tech, we might be in the seventh or eighth inning. But you know, the three I just listed, I think we're somewhere in the first to third inning.

KATIE KOCH: We have five stocks, let's say, on how you define it, we have a handful of stocks in the S & P 500. The FANG is up 40 plus percent. And as you've alluded to, actually, the rest of actually down. Do you think the future of technology at large is outside of those companies? Like would you agree with Mark Zuckerberg's Congressional testimony that in ten years the titans will look different?

SCOTT BESSENT: Look, I saw Bill Gates speak at a conference in Sun Valley two or three years ago. And he thought the same thing. In three to five years, the disruption is going to be quite large. The disruptors are going to get disrupted. You know? They'll have some level of an incumbent platform. But the growth will be somewhere else.

And you know, I don't know whether it will be growth that could be monetized. I don't know whether it'll be in blockchain. I don't know whether we're going to moved to a more personalized, the IDs and forms of communication. One thing I am sure of is, and I had this discussion with a very senior person at Google, he said, "Well, our service is free." I said, "No, no, your service is costless. But you are selling my data." And I wouldn't be surprised whether we have a Republican or Democratic administration to see consumers being paid for their data or for each of us to become more pod-like.

KATIE KOCH: Scott, you've made a lot of successful investment decisions over a long career. But when you look back, are there any investments that didn't go the way you wanted to? And what did you learn from those?

SCOTT BESSENT: Lots of them. And all the time. One, you try to make sure they're not your biggest investments. Two, it goes back to having an open mind; that you've got to be brutally honest with yourself in terms of basis creep. And you know, was there some event or something that you don't understand? There are several EM countries right now that look like they are at the end of their rope. The currency looks like great short. But you know, if the inflationary scenario were to come back, you'd get run over by the macro.

So, you know, I would say one of the main things is not getting run over by some big trend that you didn't see. And not trying to be too big too early. Those have been-- I tried to short dotcom in spring of '99. And that was painful. But the thing I have learned is trying not to have too much muscle memory. Don't beat yourself up. And just because it didn't work once, doesn't mean it can't work again.

KATIE KOCH: The industry has obviously changed a lot over the years. What advice would you have for people looking to get into investing now?

SCOTT BESSENT: It's got to be something you really like. Right? I think I'm the luckiest person in the world. I was watching a Zoom yesterday with the fellow who writes the column for *The New York Times*, the Ethicist. And he's a professor at NYU. And he said, "Look, society rewards different people, different ways." So, I get to do what I really like. And seem to have stumbled into being good at it. And society rewards it, compensates you for it. But, you know, I think I would have done this at a different compensation level. I think that's probably the secret of the business.

But if you're in it for the money, it's not worth it. Right? You know. You can do it for a couple years and you're not going to be happy or successful.

KATIE KOCH: Scott, this was a really interesting conversation and we're very grateful to you for making the time for us. Thanks for being here.

SCOTT BESSENT: Thanks for including me in the series.