Alison Mass: Welcome to our continuing series of special episodes of Talks at GS where we're going to be speaking with some of the world's greatest investors. Today my guest for this episode is Julian Salisbury, who is my partner and global co-head of the asset management division at Goldman Sachs. So Julian, I'm really excited to have you with us today to hear your perspectives on what is clearly an unprecedented moment in the global markets. So thank you so much for being here.

Julian Salisbury: My pleasure. Thanks for inviting me.

Alison Mass: So to start, how did you approach opportunities early in the pandemic, January in China and February/March in the US and Europe?

Julian Salisbury: Well, it's really interesting because normally I would say, you know, the benefits of having a global multi asset class business is you're seeing interesting trends emerging around the world, and they can inform your view and help you form opinions and investment opportunities in other markets. In this case, it was a bit of a head fake because we were watching what was going on in China, and they had a slowdown running into Chinese New Year. By February, frankly, some of the economic indicators were starting to come back. I mean, we were seeing companies coming back to normal almost by the end of February. Of course that's not what actually played out.

I would say, you know, as the full economic consequences started to really roll through by early/late March, I would say there were three focus areas -- liquidity, liquidity, and liquidity. I mean, whenever you have a problem, the first challenge is to make sure I survive to the other side, and then I can debate, you know, what I want the business to look like exactly. But surviving to the other side is the first point, so having companies focus on liquidity was paramount. And that's across the portfolio. And then agility in terms of making that liquidity last by adapting and changing your business model.

And then I would say it was, you know, really defense was the, you know, first, second, and third order of priority through March and April.

Alison Mass: So where are you focused now? And what do you think are the long-term implications for investing?

Julian Salisbury: I would say in order of secession it was really credit was where the initial opportunities were followed by growth equity. And growth rather than private equity because these opportunities were businesses that were less impacted and in some cases benefiting from what was taking place in the economy. And they were also less reliant on leverage to make the transactions work. Then private equity. And real estate was frankly a bit of a laggard. And it's really only been in the last month or two where we started to see the interest level emerging in terms of investing in that asset class.

We quickly set about raising what we call our Strategic Solutions Fund, which is a $14 billion fund which is really to provide liquidity which could be in the form of junior debt, preferred equity, structured equity, but a primary provider of liquidity and recapitalization -- capital essentially -- to help companies fix and heal their balance sheets. And, you know, we raised that capital over the course of six months from a standing start without a single in-person meeting, interestingly. And we started to deploy that capital, really helping corporates, private equity portfolio companies and helping them recapitalize themselves to fix their balance sheets so that they can, you know, live to fight another day.

Alison Mass: You spent a lot of years living and investing in emerging markets, and how do you think those experiences shape your investment outlook?

Julian Salisbury: One of the interesting things about emerging markets is getting the balance right between having a local team who really knows what they're doing. They know who the players are. They know who you can do business, who you can't do business. They understand the politics. They understand the economics of the region. You want to have a team that's strong and really on top of the local issues. So I think getting that balance right between having a strong local team that can really find and prosecute interesting transactions with a kind of global overlay that can tell them, you know what, for example, they may have the best possible deal to do in that market but it's, like, twice the price of better deals in other markets so you should just, like, do nothing. And that's hard to tell them to do nothing.

Or in other cases, they may be told actually that's some of the best risk we're seeing globally. You should lean in.

Alison Mass: So Julian, if you think back through your career, what would you say is the greatest investing lesson that you learned from a particular deal, whether it was a deal that went really well or a deal that ended up not going so well?

Julian Salisbury: I always think you learn more from your mistakes than from the things that go well. I would say when things go well there's less of a tendency to go back and analyze why you made so much money. Obviously it's just because you were smart, right, and made a great call. I think when things go wrong you quickly roll up your sleeves and dig in. So I would say you always learn more from your mistakes than from when things go well.

I mean, there are a few companies that spring to mind, but there was one in particular where it was -- imagine buying a car from a magazine without actually popping the hood to make sure there was an engine in it. That's what buying control of companies through debt can be like. In the case of this particular company, you know, we took ownership and, like, three days later, you know, one of the key suppliers changed their payment terms such that all of a sudden there was a massive working capital outflow and leverage was one and a half terms higher than we actually thought it was, you know, just a few days earlier.

And as we got into that business, you know, it's a living, breathing organism. So we managed to gradually over many years start to turn around and fix this business. Sold subsidiaries to raise capital to fix other businesses. Invest in capex. And then a few years later we refinanced this company, and there was a prospectus produced for this company and a road show. And some other banks ran this process for us. And I showed up and looked at the presentation materials and how this company being presented, it sounded wonderful. It sounded like a great business. Might have even wanted to invest in it.

So I think what that really taught me at a pretty early stage in my career is, you know, don't believe a lot of what you read. Don't believe a lot of what management tells you. And you need many -- not one -- but many alternative ways of verifying facts about a business to determine how good an investment it really is rather than just relying on, you know, consultant reports and adjusted pro forma financial statements that, you know, can tell a pretty story.

Alison Mass: On a personal level, what do you think has been the key to your success as an investor?

Julian Salisbury: A lot of it's hard work and really grilling and drilling down into businesses and, you know, to keep peeling back the onion and to be very inquisitive and not accept the first answer, the second answer. Trust but verify and then verify again.

I think the other thing is getting the balance right between being deep and being able to look across multiple industries and multiple asset classes. And, you know, I think when you start out investing it's important to go quite deep in one area because you develop -- you get the feel. You start to be able to pick values between -- you know, I started out having the cable and telecom sector. You look at your first cable company, and you learn a bunch. And then you look at the second one, and it's a little bit easier. And then you look at the third and fourth and the fifth one. And then after a period of time you start to be able to pick and choose good relative value between, you know, half a dozen different companies in that sector.

And then you look at your first industrial deal and you have no idea how to think about industrial companies. And then you can gradually, like, layer on different industries, different regions, and build up just like a Rolodex of experiences and ideas.

Alison Mass: So my final question is: What advice would you have for someone starting out in investing today that you really wish someone had given you when you first started your career?

Julian Salisbury: I would say don't be afraid to ask what seem like dumb questions. Don't be afraid to question and challenge people because there are a lot of people out there who talk who don't really understand what they're talking about. Most issues somebody should be able to explain to you in a way that you understand. And if they can't explain it to you in a way that they understand they often don't actually understand it very well themselves.

Alison Mass: So Julian, I really appreciate you sharing all your insights with us. This was a great discussion. And stay healthy and stay safe.