

**KATIE KOCH:** Welcome to our continuing series of Talks at GS where we have the opportunity to speak to some of the world's greatest investors.

My guest for this episode is Britt Harris, who of course is the President, the CEO and the CIO of UTIMCO, one of the largest endowments in the country. Britt has also consistently been named one of the top investors in the US.

Britt, thank you so much for making the time to join us.

**BRITT HARRIS:** No, I'm thrilled to do it. Thanks for having me.

**KATIE KOCH:** Britt, are we at an important inflection point in terms of economies and markets?

**BRITT HARRIS:** Yes, we are in an important inflection point. Matter of fact, I think we just left an era that has defined my entire career. The era that we just are leaving started in 1980 and it's ending in 2020. This era would have lasted probably five or ten years longer. But it was-- the end was accelerated by the fact that we've had COVID and we've had to, you know, do so much financing here at the end.

And we went from an era, when Reagan came in, and said, "Government is the problem, business is the solution," you know, people get tired after a while of one side or the other. And we went into a period of disinflation, deregulation, lower taxes, all of that. Well, we're clearly now going into a period where government-- people think business is the problem and government is the solution. So, it's going to be a completely different environment.

**KATIE KOCH:** Britt, I would be remiss if I didn't take advantage of talking to a Texas investor a little bit more about energy. So, I want to dig into that for a second. When we made this transition from energy dependence to energy independence over the course of your career, you've pointed out that listed equity energy companies have been, really, the loser. Right? We've gone from 20 percent share of the market to two percent share. But there's obviously been a winner on the back of that transition. Who's won on the back of it?

**BRITT HARRIS:** Well, first of all, the American people have won. That's the main group that's won. Isn't it funny that our biggest problem then was energy dependence. And this group of companies that their prices only rose by two bucks. Remember,

the S & P 100 went up 3300 percent. Frankly, created a miracle. And it became so technologically efficient that they were able to produce so much more. And America took seven, ten percent of market share away from the rest of the world. And our oil prices stayed low and we became energy independent. So, the American people were the winners.

Now we're, you know, seemingly we're going to move into an age of renewables. It's going to be a long road. It's going to be a 30-year road to travel. The spending on global energy in the past has been about 1.7 trillion dollars per year. And about 90 percent of that's gone to traditional energy companies.

The projections are that the worked is going to spend 60 trillion on renewables over the next 30 years. So, 2 trillion dollars on renewables over the next 30 years. When we get out to 2040/2050, the renewables will have taken some market share. But in 2045/2050, hydrocarbons are still going to be around 50 percent of the total. So, they're not-- we're not going to be off of hydrocarbons.

The emissions in this country have gone way, way down over the last ten or 15 years. So, when the renewables come up, now the first thing you've got to realize is the technology is not ready. But we believe it will be ready along the way. So, the first phase is going to be developing the technology and installing the infrastructural base. Right?

The question is whether the first phase of it is positive NPV. You know? When you're installing the base, overall, that's probably not going to be overall positive NPV. Although, there will be portions of it that will probably be very good. The main transition as, you know and everybody knows, is primarily towards to solar. And I would encourage everybody to sort of read up on solar because it's going to be growing.

Wind is pretty big now in the renewables sector. And it's going to stay about the same. The rest of it, as far as the United States, just for regulatory reasons and so on, is not going to be really very relevant. Natural gas will continue to be important. Hydrocarbons will continue to be important.

**KATIE KOCH:** Britt, you've talked a little bit about the millennial population. I'm sure you have some working for you at UTIMCO. And at Goldman Sachs we're really focused on this because there's, of course, 2.3 billion of them. Their spending is going to increase a lot, while baby boomers are going to

shrink. How are you think about their taste and preferences? And does it matter for the way you guys are positioned at UTIMCO?

**BRITT HARRIS:** It matters a lot. It has already affected the way global big decisions are being made. Because it doesn't really matter. You know? You're thinking about, you know, how much money can you manage for them, how much financing can you do for them? That's super important, of course. But it's not important at the ballot box. You know? One man, one vote. One woman, one vote. So, you know, me and my friends go to the ballot box and we all vote, and we still get beat two to one. You know? Even though maybe our wealth is, you know, ten times more than their wealth. Wealth has nothing to do, but this is the good thing with our says, is you know, no matter how high or low you are, you only get one vote.

And so, this is-- you know, we had the baby boomers come in. And we have-- the baby boomers priority system and value system have prevailed, you know, for 40 years. You know? And now we're 40 million. And so the millennials are going to prevail for 40 years. When you look at generations, they're a function of their own history, right?

But just think about the millennials' experience. They've had three economic downturns. The typical millennials is five years behind where their parents were at the same age. They believe. And it's probably true. We started out with no debt in the previous generation. They're starting out with a lot of debt. And they were told to go to college and get a-- look, if you have to take out a loan to do so, you know, a lot of them went to college and then they became baristas with a \$50,000 debt. They have gotten a little bit of a raw deal. And now they're going to be in charge, and they have that background.

**KATIE KOCH:** Britt, you've had a very successful career that spans many decades and a lot of success. But I'm sure along the way there were some things that didn't go the way you wanted them to. Can you give us a sense of what that might have been and a lesson that you learned from that?

**BRITT HARRIS:** The big lesson here we're talking about was actually before I even started managing anybody's money. I was just out of college a couple years. Julia and I were married. And I made a \$10,000 investment in an oil company called Damson. D-A-M-S-O-N.

The story I'm going to tell you, the company was properly named.

Just think about it. I bought it at 12.

**KATIE KOCH:** Well, I haven't heard of it, so that--

**BRITT HARRIS:** I'm about to tell you why. I bought at 12 and it immediately went up to 15. And I thought to myself, Warren Buffett, move over. And then it proceeded to move all the way to zero. The company went bankrupt. And I lost \$10,000 of my money, of Julia's money.

**KATIE KOCH:** Really money.

**BRITT HARRIS:** Real money. And Julia, you know, thankfully she loves me, but she kind of looked at me, like, "Didn't you get a degree in this?" Well, yeah. So, that was a pivotal moment for me. So I lost \$10,000. It was my own money. And I don't know how I did it. But I just-- my reaction was, why did this happen? How did this happen? And the terrible answer and the brutal honest truth was I didn't do the work. I did not do the work to deserve to be successful.

Somebody gave me a tip sheet, and somebody said, "This is a good stock." Okay. I put my \$10,000 and I lost it all. At that moment in time I decided this will never happen again. Not the losses. But the outcome will never again be a situation where I have to admit that I didn't do the work or the people that I'm with didn't do the work. And so, from that day to this day I've had plenty of losses. But I've not had a single one where I had to say to myself, "I did not do the work, or the people that I work with did not do the work." And can you imagine how that \$10,000 has benefited-- I've probably managed over \$500 billion in my life at this point. And for millions and millions of people. And hundreds of thousands of companies and institutions. And that \$10,000 loss is probably the best thing that ever happened to me.

**KATIE KOCH:** Britt, this was a lot of fun. Thank you for making the time for us today.

**BRITT HARRIS:** Well, thank you for having me. It was a lot of fun. I hope it was helpful. Appreciate everything you did.

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