

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.

My guest today is David Mussafer, who is the Managing Partner and Co-Chairman of the Executive Committee at Advent. And David, I'm really excited to have you join us today to discuss your investment outlook at this unprecedented moment in the global markets. So, thank you so much for being here.

DAVID MUSSAFER: Well, thank you for having me Alison. I was excited to spend time with you.

ALISON MASS: So, to start can you tell us how you approached opportunities early in the pandemic, in January in China and in February/March as it spread to the US and Europe?

DAVID MUSSAFER: The thought process was very different in January. And then February and March. But we made decisions along the way. So, we had a really robust pipeline of things we were looking at, deals that we were considering. And so, some of our really exciting new deals were birthed during that time.

ALISON MASS: So where are you focused now? And what do you think of the long-term implications for investing?

DAVID MUSSAFER: When we came into this crisis, we really said we've got to step back. Because this is a very different-- the nature of this crisis is so different than anything we've seen. It's not a traditional slow down where you can look at the trends from a capital spending standpoint or the typical impact of the economic rebound. And so, what we've tried to do is think about investments in a slightly different framework. We've stepped back and said we're going to look for businesses that we believe can be long-term winners. That we have the capital structure in place to make sure that irrespective of the shocks that may occur, and we're not through this, we're going to be dealing with this for another nine months or a year as we're working through the global restart of world economies, that we're looking for businesses, again, that are on their front foot as relate to shifts that are occurring.

So, you know, a lot of people have said this, this pulled forward trends that were already happening. So, weak companies became weaker. Technology shifts became more acute. And so, these are the things that are going through our mind, which is how is the company positioned to be a long-term winner in that

environment and in that scenario?

ALISON MASS: So David, if you think back on your career, what would you say is the greatest investing lesson that you've learned from a particular deal, whether it was a deal that went well, or sometimes we learn out best lessons from deals that don't go particularly well?

DAVID MUSSAFER: Okay. Here you go. These are deal toys. I keep these right next to my desk. These are the worst investments I've ever made. We've learned more from the deals that go completely off the tracks than any of your home run winners. The first three deals I did at Advent back in the early '90s, I don't think we had any idea what we were doing. And they were all winners. And we made a ton of money in these early buyouts. And it wasn't until I did this one, the Mop and Broom deal in the mid '90s when everything went wrong. And you really learned so much more.

ALISON MASS: So, on the O-Cedar deal, what was the particular lesson that you learned?

DAVID MUSSAFER: You learn so much. It's a terrible industry. So, people do not care about their brand of mop and broom. I was so excited about this as a young dealmaker. I'd come home and I'd bring a sample to my wife and I'd say, "Look at this brand-new mop and this brand-new broom." And she'd say, "Hey, don't bring me any more of these. I'm sure you're excited about your deals." But I should have registered that the consumer doesn't care about the brand. They walk in, they buy a broom. They want it to work. They don't care about the brand. In a lot of things, so, brands matter. But categories matter too. And so, you know, there are a lot of things that you learn. The deal wasn't constructed well. We overpaid. We put two companies together. There were a lot of things.

But when things don't go well, you know, nobody looks good when you lose money. So, but appreciating that those are the situations where you learn a lot.

ALISON MASS: So, what do you think differentiates a really good investor from an average investor? And how do you look at your investment professionals who are younger and evaluate them?

DAVID MUSSAFER: You know, one of the things that I think you see from some of the young pros that are really on the fast track and doing a great job in our business is that they really

are early in their careers, begin to learn the difference between a great company and a great investment. And so, early on it's hard for people to disseminate that difference. So, you look at, you know, people try to convince you why something is a great company. And it's like, look, I get it. So, Snowflake is a great company. Today it's worth 70 billion. Is it a great investment today? I don't know. That is what I think the great young pros really quickly in their career begin to build some of those skills and muscles to help you, at the investment committee, see through their eyes why something is a great investment, not just a great company.

ALISON MASS: All right, so I'd like to get your point of view of the S & P 500. Do you think it will be higher or lower than it is a year from now?

DAVID MUSSAFER: Oh my God. My kids would be cold and hungry if I had to do that for a living. So, I'll say higher because I'm an optimist.

ALISON MASS: I like the optimism.

So, finally, what advice would you have for someone starting out in investing today that you wish someone had given you when you were starting out in your career?

DAVID MUSSAFER: A couple of things. One, don't invest in the mop and broom industry. So, terrible industry. I would share that. I would say, you know, focus on management. So, so much of your work is grinding, trying to look between the lines, and do extremely complex diligence and looking at all the numbers. But the management teams that you're able to attract are going to make you look good. They're going to help you succeed.

And you know, leave room, celebrate them, spend your time trying to find the best in the world. There's a difference in a manager, just like there's a difference in a good company. People that have been at a good company and succeeded, doesn't necessarily translate to being successful in a private equity portfolio company. So, helping to find people that are proven, that have done it inside of that private equity experience are gold. And I think, just in general, you know, we don't necessarily spend enough time analyzing that intangible element of our deal. So, we're trying to spend more time on that with professionalizing our assessments, but also, you know, I think just recognizing that while you're junior in your career, trying to build those relationships with the senior management team is

really valuable. And respecting and appreciating that they have a really hard job. And we can, at times, look past them and view it as our success. But keeping yourself open to really appreciating all that your teams are doing for you, I think, will pay big dividends throughout your career.

ALISON MASS: That's great advice, David. So, I really appreciate you sharing your insights with us. And stay safe and stay healthy.

DAVID MUSSAFER: Well, great to see you. Thanks, Alison. This was fun. So, I hope to see you live and in person some time soon.

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