

Katie Koch: Hi, everyone, and welcome to a special episode of "Talks@GS," where we are getting to know some of the world's greatest investors. My guest for today's episode is Dennis Lynch, who is the head of Counterpoint Global at Morgan Stanley Investment Management, where he oversees over \$100 billion in assets and is one of the most successful long-term investors in public equity markets. Dennis, we're so excited to have you with us today.

Dennis Lynch: Katie, thank you for having me.

Katie Koch: So Dennis, this year clearly we had a major event with the global pandemic. How did that influence the way you were positioned and thinking about markets?

Dennis Lynch: Well, look at Counterpoint Global, we primarily invest in companies and ones we think can be -- that are unique and can be much bigger in the future for fundamental reasons. And so that doesn't change, that general thought process or approach. But obviously the opportunity set shifts really quickly. And I think that, you know, we -- and the volatility we saw during the March, April, May time frame was just unbelievable.

We've been through things like that before, and what it can do is sort of change the opportunity set dramatically in a short window. The challenge here, though, is I think that there are some fundamental changes that come out of this. And it can lead to parts of the market being less attractive or certain kinds of business models being impaired.

Katie Koch: Were you surprised at all about how the pandemic accelerated some of the trends you're invested in and the pull forward of penetration of some of these end markets that you're focused on?

Dennis Lynch: Yeah, I mean, in a few cases, it seemed a little more obvious maybe. And ecommerce is an example because people are stuck at home, and, you know, thank goodness for some of these solutions, frankly. And so there it's a little more obvious. But there are other cases where, you know, it wasn't as obvious. And sort of the intention for companies to move more quickly to digitizing their IT in order to enable remote computing and distributed work essentially and communication.

And then there's another dynamic. Those are kind of trends, but then there's the large companies versus small companies sort of

risk. And, you know, in some cases you think, "Oh, boy, here's a company we really like long term, but they rely upon, you know, small, medium businesses. And what's going to happen to those companies and their end markets?" And so we had a few cases where that was a legitimate and, you know, still is a legitimate concern. But the other variable of greater adoption of their services sort of more than offset sort of that. You know, some of the churn and some of what you saw from that risk.

Katie Koch: And what type of long-term secular growth opportunities are you and the team focused on now?

Dennis Lynch: Well, certainly for many years we focused on areas like Internet advertising, streaming. And within health care, technology solutions like genetic sequencing and robotic surgery. And a lot of those still hold. And we're still very interested in those areas.

I think in the last few years, we've transitioned a bit and broadened some of the portfolio out to own more companies that maybe are lesser known today but that are leaders in software as a service type solutions, as an example, as well as ecommerce, emerging ecommerce leaders in addition to the obvious Amazons of the world.

Katie Koch: You've clearly had this incredible long-term successful track record. And just curious what do you think has given you the edge? Why do you think you personally have been successful in this business?

Dennis Lynch: You know, certainly we've had some luck in terms of personally opportunity I've received in my career and then having things get off to a decent start. I think there's a fair amount of luck there. I've had so much help. I mean, our team has been mostly together for a long time now, you know, 16 years and counting. And, you know, the people that are, you know, like Sam Chainani and Jason Young that are some of the senior portfolio managers. But all of the people we name on the products have just been a huge part of that success. And so that's, you know, so the team.

And the stability of the team, which has been -- we've had a really stable team environment. That's been a huge part of it I think as well because that enables you to hopefully deal a little bit better with the inevitable draw downs, whether it's market wide like '08 or more recently. Or whether it's a specific company that you have a large position in like Facebook

right after they went public in our case. You know, having some stability in your environment is really important.

And, you know, finally there, that's very direct, but obviously help from the larger Morgan Stanley world, you know, is another huge part of things. And I think I mentioned earlier having -- collecting the right clients and making sure that they get what you do is a really big part of things as well.

Katie Koch: You and the team annually take personality tests. Can you just tell us quickly why you do that? And also if we look at your personality test, what's it going to tell us about you?

Dennis Lynch: Yeah, and it's probably more, like, once every couple of years. We won't make it too bureaucratic out dogmatic. And again it is more of the spirit of it. We don't really use it for an assessment. It's more of a communication-building, you know, exercise. Well, hopefully it's a self -- some people think it's just a horoscope, and that's fine, you know? And some people think it's, you know, nails their personality, and that's fine.

But either way we're trying to promote a little self-awareness and good communication. Everyone on our team spends time differently, and so do people in the industry. So for me, my perfect day is reading and large blocks of time where I can do research and, you know, kind of get my head around things and process. I don't love doing a thousand company meetings, but that's because if you kind of look at some of those personality assessments, that's me. Introvert. Like, INTJ is my Myers-Briggs as an example.

And that's I think what I'm -- I think that's where I succeed the most. But there are other people on the team who want to travel and go see every company and that they're very extroverted. And that's great. And they can succeed by doing what they do well given their predispositions, right? So I think it's important to have an identity as a team, but allowing for people to -- putting people in a position to do what they do well and what they're passionate about is the most important thing.

Katie Koch: So I have to tell you, knowing now that you're an introvert, we're really grateful for you for taking the time to do this interview because it must be somewhat painful.

Dennis Lynch: It's okay. I'm just going to collapse afterward.

Katie Koch: Okay. So I wanted to -- you've gotten a lot right, there's no doubt about that. But I wanted you to reflect on something that didn't go your way and what you learned from it.

Dennis Lynch: The one I think that over time when I really -- the one probably lesson I think it has had some consistency in terms of mistakes is just around, you know, whether it's earlier stage situations, companies early in their life cycle, or just generally capital-intensive type business models, not that you can't invest. Because again, be careful not to rule anything out. But, you know, sizing of positioning, knowing that you're in a situation where the company requires external help, you know, almost by definition is something to be wary of because, you know, if you run into a 2008 or a 2020 and suddenly you don't have access to the capital you thought you did.

Having said that, there are some great ideas that start off in that bucket of needing capital, and they wind up being massive home runs. So I think one big lesson is just when you're dealing with situations like that, really thinking about sizing of a position both individually and also in aggregate at the portfolio level. Just thinking about -- because I remember in '99 in particular, so many companies went out of business and much of it was pretty crazy. But even ones that might have had some semblance of a business model, they didn't make it because they, you know, needed capital so quickly.

Katie Koch: So Dennis, you've had a very successful 20 years in this industry, but obviously it's changed a lot over the course of that time period. What advice would you have for someone setting out in this career now?

Dennis Lynch: You know, I think early in your career in the investment world you usually get put into an area that's pretty narrow. And often it's becoming an expert. Like the first job I had was on the sell side, JP Morgan. And it was E&P companies, oil and gas, which, you know, as I said, today it's not a huge focus for us but never say never.

And, you know, so that's the tendency. And I think that to the degree you have -- obviously we all only have so much time during the day or the week. And to the degree you can supplement that experience and that expertise building that's probably inevitable based on your role with other learning to

make sure that you're not just, you know, becoming another expert that may or may not be relevant, you know, ten years later, I think that's, you know, try to create perspective in addition to jumping in and knowing all of that specific information and expertise. That's what I would try to do.

Katie Koch: Dennis, thank you so much for being with us today. Great conversation. It was a lot of fun.

Dennis Lynch: I really appreciate it. Thank you for asking me.

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