

KATIE KOCH: Welcome to our continuing special series of Talks at GS where we get to speak to some of the world's greatest investors. My guest on today's episode is Jean Hynes, who is one of the three managing partners at Wellington Management. She's also one of the most successful healthcare portfolio managers in the world. And she was recently named as the next CEO of Wellington, a position that she will assume in July of 2021

So Jean, let me just start by congratulating you on that elevation and welcoming you to the show.

JEAN HYNES: Thank you very much, Katie. I really appreciate that. And I'm very happy to be here and talk to you today.

KATIE KOCH: Great. Let's jump in. I want to start with the pandemic and just get a sense from you earlier this year how you thought about portfolios in the context of that disruption.

JEAN HYNES: We took an all-hands-on-deck attitude in terms of trying to figure out, you know, what were the implications for the healthcare sector. You know, the healthcare sector was at the center of this crisis. I remember many of my colleagues who followed banks during '08 just kept reminding me of that, that "We helped out in '08. You know, you and your team need to really help out the firm." In a positive way. And so, again, that was our responsibility, not only to our portfolios, but also trying to figure out what this meant for the economy was, you know, just a heavy responsibility during that period.

KATIE KOCH: So let's stick with healthcare. And that certainly speaks to the benefit of Wellington having this deep sector expertise, when that's the locus of the crisis, that obviously helps you guys navigate that. So, sticking on healthcare for a minute, one of the most important things for any investor is to be able to identify those inflection points of change. Where do you think the big change is going to come from in healthcare over the long term, over the next ten years?

JEAN HYNES: When you think about what is driving healthcare, you have two underlying themes, and that is the aging of the population. You know, the world is getting older. And there is really great data to show that as people age their per capita usage of healthcare goes up.

And the same is true for emerging markets. And we're adding about a 100 million people a year to the middle class and emerging markets. And they also consume more healthcare. So, you

have those two underlying trends that have been in place. And they seem to be accelerating in the next decade as the population, more people enter that age where they use more healthcare services. So that would be one.

And that has all kinds of implications for how governments and payers around the world are going to pay for that acceleration. So, you know, making sure we understand how countries will pay and how payers will pay is very important.

And then when you think about the extraordinary time we're in for biomedical innovation, I think when we look back in a decade we're going to see that there is just such a significant change in the standard of care of many diseases based on what is being developed now through the biopharmaceutical industry.

KATIE KOCH: Now Jean, you've actually started at Wellington right out of Wellesley in 1991. You've been covering healthcare, really, for all of that time. When you think about the period of change we're experiencing now in healthcare, how would you compare that relative to the long arc of your career?

JEAN HYNES: I think the rate of change is higher than it's ever been. And particularly in the biopharmaceuticals sector. So that when I think about how I've been successful over that long career, you know, you need to identify where medicine is changing. And we do look out a long period of time. We look out almost five to ten years when we think about our research process. And to be successful over the last 25 years you needed to focus on 15 areas of medicine that were changing.

And now the areas of medicine that are changing are 30 to 50. So, a significant amount of change is happening. That's really exciting. It also makes it much more difficult.

KATIE KOCH: Jean, talk to us about the investment culture at Wellington in your own terms. It's obviously something that's celebrated all over the world. What do you think makes Wellington unique?

JEAN HYNES: Yeah, I think, you know, people may be surprised that we are, you know, we're a \$1.2 trillion firm that's made up of about 50 to 55 different boutiques across all asset classes, equity and fixed income. And I think that's the secret to us, is we have an open, collaborative platform. And that allows a portfolio manager to practice their own philosophy and process, benefit from that open, collaborative platform. But then go back

and practice their own way of investing. And that's one of the secrets to how Wellington's been successful over time.

KATIE KOCH: Jean, what do you think differentiates a great investor from a good investor?

JEAN HYNES: I think what differentiates great investors is insights. So, again, I think you start with insights. And great investors take those insights that they have and combine that with portfolio construction tools. So, again, it's kind of like how do you get the insights into the portfolios in the right position sizes at the right time and be willing to take risk? So, I think great investors are a combination of great researchers who either come up with the insights themselves, are able to leverage others who have great insights, and then put them in the right position sizes. So, I think it's multidimensional skills in terms of having both great research skills as well as great portfolio construction skills.

And in the end, the ability to predict the future with those insights, and have the courage to do it. That's what differentiates great investors.

KATIE KOCH: And that desire and conviction that you can predict the future is a very audacious thing to do. So, I think to your point, courage is obviously incredibly important as well.

Jean, when you look back over your career, what do you think has been the most important factors in driving your personal success?

JEAN HYNES: When I think back over my 25 years, one, number one I think I had the opportunity to work with Ed Owens, who was just a great mentor. And so, when I think about my first five or ten years learning to be a great researcher, which I think it takes a long time to be a great researcher, I just had this incredible mentor to learn under. And allowed me that time to become a great researcher.

And then I think, secondly, I was also given the opportunity to stretch over time. So I had, you know, my first biotech portfolio in the late 1990s. So, clients giving me a chance to try without-- with depth, but, you know, not yet having the portfolio manager experience.

And I think just really always having a growth mindset. You

know? There were periods of time that I was a great researcher. But then stumbled into being stubborn. And then really taking feedback and continually growing. So, I think the key to being a really successful investor is continually evolving your skill sets.

KATIE KOCH: Jean, can you give us an example of where maybe an investment didn't work out that you wanted it to, and what you learned from that moment?

JEAN HYNES: I guess when I think back to things I've learned over time, one would be, you know, there's an example of a stock back in the 2000s where I missed something on the PNL and they had to cut their dividend. You know, I've never done that again. Right? So again, you learn things that you missed that-- so, again, back in the research days when I was a deep researcher, you try to never make mistakes like that again.

I think, over time too, as a healthcare investor, I think having a lot of depth on the individual securities in the subsectors and the innovation is really important. And I've, over time, made mistakes on not paying enough attention to the regulation or the macro markets. And I think I've, over time, been much better, this decade, incorporating, you know, and positioning sizing how I think about Washington and regulations that might impact the healthcare sector or patents, for example, or what might happen, changes that might happen in different countries. So, again, that's something I've learned over time, that you need to incorporate, even if we're very bottom up, very deep on the science, you need to incorporate the bigger picture.

KATIE KOCH: So, Jean, what advice would you have for people starting off in this career now? You said you had four daughters. Some of them might end up in investing. In fact, I know at least one has. So, what advice do you have for her as she set off on this journey?

JEAN HYNES: I talked earlier about getting stretch opportunities. And I think I was able to get those because I did a really good job at every assignment. And the reason I did that, because I was learning, right? So, I think the biggest advice is find opportunities where you're constantly learning. So, it's not about the title or the desk you're sitting in or whether you have an office. It's are you getting assignments that really allow you to really learn and grow? And I think that's critical. And the more you do that and the more you excel at those assignments, then you get the next thing that allows

you to progress in your career.

KATIE KOCH: Terrific. Jean, thank you so much for being with us today. We greatly appreciate it.

JEAN HYNES: Thank you so much, Katie.

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