

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 my partner Rich Friedman, who is the Chairman of the Merchant Banking Division at Goldman Sachs.

And Rich, I'm really looking forward to this talk to hear your perspectives and insights in what is clearly an unprecedented time in the global markets. So thanks for being here.

RICH FRIEDMAN: Thanks Alison. I'm glad to be here.

ALISON MASS: So, can you take us back to the beginning of 2020 and talk about how you approached opportunities early in the pandemic, January in China, March in the US and Europe?

RICH FRIEDMAN: In the early part of the year we were still focused more on, you know, a fair amount of growth investments in the digital space. This is something that we've been really focused on for three or four years, feeling like we needed to be at the cutting edge of the whole growth investing strategy. And yet, what we were also doing is we were in the process of doing a lot of harvesting. Because what we had been discussing for almost 18 months or two years or even a little longer was awaiting the most anticipated recession in history, but not knowing what would cause it and when it would come. So we have actually been in a fairly sizable selling mode of a lot of our bigger positions because we didn't know what was going to cause it, but we knew that, ultimately, trees don't grow to the sky. That the world changes. But yet we really couldn't, you know, figure out what was going to cause, you know, any kind of recession because it's hard to have a recession with full employment. So, none of what we were observing in China was actually altering what we were doing.

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

RICH FRIEDMAN: Number one is we're going to have low interest rates for a long time. And you know, it's really no one knows, but I think the signals from the Fed is that we're talking about upwards of four to five years. Which in the investment world is a full cycle. So you have to think about, okay, we're in a world that could be, if you will, deflationary or very low interest rates. And I know there's going to be a lot of debate about whether the increase in fiscal policy and all the money supply is going to lead to an inflationary period. But it's hard for me

to see that from where we are. Because the other trends that are accelerating are all around the digital transformation that started a long time ago. And all of the digital related trend strategies are, in effect, deflationary. You know? I.e., we all have our cell phones and our cell phones have put, you know, cameras out of business. They've put recording devices out of business. You know? They're deflationary in the sense that they're capturing more of our market share and taking away from other things that we do.

And the consumer behavioral change, I think, is just being accelerated, whether it's accelerated five years, seven years, ten years. It doesn't matter. It's been accelerated. And that has profound changes in markets. And I think most of what the populous sees is, you know, the Amazons of the world and the e-commerce of the world that's transforming, or the Ubers, the things that, you know, we sort of took for granted doing other things, versus, you know, going into retail stores. But the economic transformation that's going on for the infrastructure to support a safe e-commerce is a much different sort of landscape. So it's a huge investment opportunity dealing with security, dealing with money transfers, dealing with everyday ways of consumer behavior.

The other area from a sector standpoint that we feel is very investable and secularly in a great place, broadly defined, is the healthcare industry. Obviously, there's going to be a lot of investment and, you know, transactional activity and revenue that's going to come out of COVID from vaccines to treatments and things like that. But I would say that's-- it's a large microcosm of what's going on in science and discovery with this convergence of technology and biology. So, I think that this is something that we've been very big in for the last five to seven years. It's a big area of emphasis.

We've also had a point of view now for probably four or five years that on the energy side, which is where we've seen through major parts of history, inflationary trends, the opposite going on. And that is also going to be deflationary, which is very, very low energy prices. The switch from, you know, oil and gas to renewables. And that's something that we've been very active in for a long, long period of time in terms of, you know, wind and solar and other forms of renewables.

ALISON MASS: Okay, so Rich, at Goldman Sachs you've been more than just an investor, you've been a firm-wide leader for many decades. And from that perspective, what are some of the

investments that have been unique in that Goldman Sachs may have been the only one of the peer organizations, institutionally, globally, who could have not only made it a highly successful investment, but it was accomplishing a greater goal?

RICH FRIEDMAN: You know, I do think about the YES network. This is something that we teamed up with the New York Yankees and have now created the most successful regional sports network that exists.

You know, another one I think about, which it was fascinating and had other benefits, as you were sort of asking, is we invested and bought 20 percent of the stake in this company called Dong Energy. And that was the Danish Oil and Natural Gas company. And it was basically the state-owned company in Denmark. So, with Dong Energy, what we did was we supported the change from black to green, was the whole-- that was the narrative that was going on. That was the whole strategy. To go from oil and gas to renewables. And that change took about three or four years to really sell off all of the old oil fields that they had investments in. And they had some other things, assets that were thrown in there as aglomeration of a state-owned company. And we dramatically grew the offshore wind business.

So we roll the clock forward and we're out of the investment today. The company Ørsted has a market value of, I think, over \$65 billion. It is the world leader in offshore wind. It is a critical technology and capability that they have that they're going to bring to other countries as well, such as Japan, India, United States, as this big migration of, you know, basically black to green is going on on a global basis.

ALISON MASS: So, if you think back on 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 well or a deal that ended up not going so well?

RICH FRIEDMAN: So, I'd say that the biggest lessons, you know, do come from, number one, realizing that investing is hard. And that being able to predict the future is really difficult. And that when the trends become sort of overwhelming because so many things are happening and, you know, there's all these deals that are happening and you could feel like you're being left behind because others are doing things and you don't understand the valuations, you have to have-- you know, you have to keep your own self conviction and views and not get caught up in frenzies because we've seen cycles of frenzies go on. So, you have to

sort of stay true to your investment strategies and to stay with what you're good at and not try to be something that you're not.

You have to listen. You have to have great people who-- you can't be the only one who has the, you know, the greatest ideas or the right judgment. You need to have a collaborative group. And I our investment committees, I've always espoused the view that it's okay to disagree, but you can't be disagreeable.

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

RICH FRIEDMAN: You know, I think what you find when you go into the investing business is that it's very-- and we're very collaborative at Goldman Sachs, but you find that you have to do a lot more on your own. What young people have to really do is put a perspective on that and realize that, you know, in order for them to, you know, have a successful, broad career in investing is, you know, you have to have a very broad knowledge base. On the other hand you also have to have a deep expertise in something. And you know, but it has to be something that's of interest because how could you spend your whole living existence going deep on something that you're not excited about? And you find the areas of interest and focus and try to get a big stiff tailwind behind you and just work really hard and be optimistic.

ALISON MASS: Rich, thank you so much for sharing all your insights with us. And stay safe and stay healthy.

RICH FRIEDMAN: Thank you, Alison.

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