

Exchanges at Goldman Sachs

**Goldman Sachs Chairman and CEO David Solomon on
the Economy, Investing and Sustainability**

David Solomon, Chairman & CEO, Goldman Sachs

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Allison Nathan, Host

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Allison Nathan: Amid slowing economic growth and rising geopolitical tensions, what's top of mind for companies and investors?

David Solomon: The biggest focus, as you would expect, is on the economic environment, with a particular focus on inflation. With a particular focus on the journey out of the pandemic and how that journey is affecting economic growth and activity.

Allison Nathan: I'm Allison Nathan and this is Exchanges at Goldman Sachs.

[INTRO MUSIC]

Allison Nathan: In this special episode NN Investment Partner CIO Valentijn van Nieuwenhuijzen recently sat down with David Solomon, Chairman and CEO of Goldman Sachs to discuss a range of topics from the state of the global economy and the investment industry to the background of Goldman Sachs' acquisition of NNIP and the growing importance of sustainable investing. We hope you enjoy this special episode.

Valentijn van Nieuwenhuijzen: Welcome David. Really wonderful to have you here today. It's a great privilege to talk to you. It's the first time you've been in the Netherlands since we closed the transaction between Goldman Sachs and NNIP. I hope the Netherlands are treating you well so far. But really great to have you.

David Solomon: Well, thank you, I'm delighted to be here. And excited to be spending time today with the team at NNIP and, obviously, very excited about the acquisition and the path forward.

Valentijn van Nieuwenhuijzen: Very good. The first thing is just a bit about Goldman Sachs. I think everybody knows Goldman Sachs. But Goldman Sachs' presence in

the Netherlands has actually been relatively modest compared to its presence globally. So, just maybe as, you know, next to the name and some of the key things that people will know, what else would you really like to print in people's minds about Goldman Sachs?

David Solomon: Well, Goldman Sachs has been around for 153 years. And the firm is in a handful of principle businesses where we're very, very dedicated to serving our clients. Those business are investment banking, markets, the sales and trading businesses as people know them, asset management, and wealth management. And then also we have a small digital consumer business that we're building.

But I think the key thing that I'm excited about for Goldman Sachs and Goldman Sachs on its journey forward, we have some excellent businesses that we're investing in and we're strengthening. But we have four areas where we see really opportunities to grow and build our platform.

One of them is asset management. And that's one of the reasons why the opportunity to partner with NNIP, and

have NNIP become a part of Goldman Sachs, is something we're very, very excited about. It really significantly strengthens our asset management presence in Europe. It creates some new distribution channels for us. And in particular, NNIP, as you're well aware because you've been part of the leadership that's driven it, has really been a leader in thinking through sustainable investing platforms and how to think about that on a go forward basis. And that's something we've been very focused on. And this acquisition allows us to accelerate it.

So, we're very set on growing the firm. Diversifying the durability of its revenue base. We're going to keep those capital markets businesses. But we're adding some more durable, fee-based businesses across asset and wealth management. And we're excited about the opportunity we see in front of us. And we're going to try to do it in a way where we keep our clients front and center and really serve their interests very, very well.

Valentijn van Nieuwenhuijzen: So, that's very good to hear. I think that's also why there is such an enthusiasm with NNIP and the people of NNIP and the clients of NNIP over this transaction. And we'll touch a bit more on the

prospects for asset management. But maybe first another question also a bit more on your personal role in leading Goldman Sachs. Since 2018, you've been CEO of the firm. And clearly have set some clear directions in terms of where you want to take the strategy for the firm, how you want to grow the firm, how you want to, you know, further increase success at the firm. So, maybe you can share a bit on sort of your key personal, or actually, your key strategic elements that you brought into when taking over as the CEO.

David Solomon: Sure. And, you know, I think I highlighted some of it at a high level in the previous question when we were talking. But I think one of the things that you have to do as a leader in any organization is you've got to set a very clear strategic agenda that your team can really get behind. And that your stakeholders, broadly, really understand. And we've tried to do that.

The firm was a private partnership for a long, long time. And it operated, you know, in a real shroud of privacy. And we went public a little over 20 years ago. But really, I'm the first CEO, and this leadership team is the first leadership team to really lay out publicly a clearly articulated strategy

to have an investor day and speak to investors in a very forward way about what we wanted to do.

And our strategy was really quite simple. It was grow and strengthen the core existing businesses. Find opportunities to improve their market share. And strengthen those platforms. Grow a handful of growth platforms that we thought could accelerate the firm, take it forward, diversify the business and make the firm more durable, certainly in the eye of investors. And run the firm as efficiently as possible. And we've been executing on that for the better part of two years. And we feel good about the progress we're making.

The environment hasn't always been consistent. We went from one environment-- we did our first investor day when we laid that all out in February of 2020 just before the pandemic. Nobody expected the pandemic. Now we're coming out of the pandemic. Nobody's expected a war in Ukraine. And so, there's a lot going on in the world. But the strategy and the way we're moving the firm forward fits through all these environments. And we take a long-term approach to growing the firm and strengthening the firm.

Valentijn van Nieuwenhuijzen: You may be talking about the environments that you have to operate in. And we all have to operate in the financial services industry. That is, indeed, changing quite rapidly. One of the key aspects of your role as the leader of Goldman Sachs is also to be very close to the clients. Client-centricity is really central to everything that Goldman does. So, if you speak to clients right now, in this environment what is the temperature? What are the key topics that they talk about that they want to get some guidance on? Or at least a clear dialogue on how to jointly navigate through them?

David Solomon: The biggest focus, as you would expect, is on the economic environment with a particular focus on inflation. A particular focus on the journey out of the pandemic and how that journey is affecting economic growth and activity. You know, there's a lot of debate around monetary policy and how that will affect the demand side of the equation and the demand side of economic activity. And also, a lot of discussion about supply chains and the disruptions on the supply side of the economy and how that's going to get resolved and fixed and work through.

I would say that broad topic is the number one focus topic that you get when you're out talking to clients, whether it's CEOs or it's CIOs or it's institutions broadly, or individuals. You know, to the degree everybody's interested in that topic.

Certainly, there's a focus on geopolitics right now given what's going on in Ukraine, given what's going on in the relationship between China and the West. It's a lot of focus on geopolitics and the impact of geopolitics. Those would be the big picture macro topics that are getting an awful lot of attention.

Valentijn van Nieuwenhuijzen: And then, of course, when discussing these types of topics, a lot of clients, although probably also acknowledging the unprecedented amount of uncertainty around them, are still looking for guidance and are still looking for what's going to happen in the next 12 - 18 months ahead. What are you telling these clients? Is it even possible to give them clear guidance in the current environment?

David Solomon: Well, there's a lot of uncertainty. And so, I don't think we're in a position to tell them what's going to

happen. But I think we can empathize with the fact that there's a lot of uncertainty out there.

And, you know, we try to talk about things that we're thinking about. We're a big manager of risk. We're a big manager of assets. And when you have an environment where uncertainty increases, you know, as exponentially as uncertainty has increased given what's gone on in the macro environment, you have to be thinking about your risk appetites differently.

And so, you know, one of the pieces of advice that certainly I'd give right now is that people need to expect that the world's going to be more volatile. It's going to be more difficult to make returns on assets than what we've experienced when money was very, very easy. We're tightening monetary policy. That's going to have an impact on asset prices. It's going to have an impact on demand.

And so, I think you have to be prepared for that volatility and the impact of that volatility. I'm not going to predict any outcome. But certainly, we're going to operate with tighter economic conditions. And tighter economic conditions have some very direct and predictable

consequences.

Valentijn van Nieuwenhuijzen: We're here in the Hague. We're in Europe. Europe's been very close to sort of the latest tension in a geopolitical sense with the war in Ukraine. What's your thinking about the European continent and how to look at that in terms of its prospects? Being here, also, with the Goldman Sachs business, is there any shift in how you look at that? Is it part of the broader uncertainty that we just discussed? Or are there some specific European elements that need to be taken into account?

David Solomon: Europe's a big part of the global economy and the EU is going to continue to be a big part of the global economy. It's going to be a big economic actor. I think there's no question that the war in Ukraine is forcing a rethink on certain foreign policy positions that a variety of EU countries have taken, whether it's around security. Whether it's around energy supply. Whether it's around food supply.

And so, you know, I think that certainly there a resort of the geopolitical landscape that's forcing Europe to think

more carefully. Now, by the way, it's forcing the US to think more carefully about a variety of things too. But it's just closer to home in Europe and it's a little bit more amplified in Europe, particularly given Europe's dependency on energy from Russia. And so, a lot of that's getting resorted.

You know, I think big picture, the EU will continue to be a very, very important of the global economy. But there's a greater chance of economic headwinds slowing down economic activity in Europe in the near term than there is, you know, in the US for example. And so, you know, I think we've got to watch that very carefully.

I think the chance of a recession in Europe is higher than the chance of a recession in the US. I can't predict what that percentage chance is. But given everything that's going on, you know, I think there are headwinds to growth here that are a little bit more pronounced than in the US. But there are headwinds to growth in the US too right now.

Valentijn van Nieuwenhuijzen: So, on Europe and the probability of an economic slowdown, can you elaborate a bit more on what you think really drives that? There's clearly some risk on the horizon. But why is Europe in a

more fragile position in your opinion than, for example, the US?

David Solomon: Sure. The big risk to Europe or the big thing that I think increases the probability of recession in Europe is the shifts that are going on with respect to energy supply.

And so, Europe is, as we all know, very dependent on Russian energy. Given the war in Ukraine, there's a rethink and a resort of all that. And that's going to create disruption. And it's also very inflationary. It also pushes prices up. And it affects the demand side. And so, there's no question with that pressure you have to say that on balance, you know, the chance of a recession here in Europe is higher than in the States.

I'm not predicting that it absolutely will happen. I'm not giving a percentage - this percentage or that. It's just that energy pressure, which is such an important part of affecting the demand side is just more acutely disrupted here because of the proximity to the conflict in Russia and Ukraine.

Valentijn van Nieuwenhuijzen: And at the same time, the risks and uncertainties are often also creating new opportunities. So, a bit more longer term, how do you look at that situation? The shift that's taking place, whether it's around energy, security, or the whole transformation that Europe needs to undergo, do you also see some opportunities?

David Solomon: Oh sure. There are definitely opportunities. And even when horrible things go on in the world, there are opportunities that come, you know, in the aftermath and the rejuvenation or the rebuild. And so, there certainly are opportunities that come out of that.

But I think we're in a period where uncertainty is very, very high. And while we're all navigating that uncertainty, I think a certain degree of caution or a certain degree of reigning in expectations is probably appropriate.

Valentijn van Nieuwenhuijzen: We spoke a bit earlier already, a little bit, about asset management and the importance for Goldman in its future strategic plans and growth opportunities. So, if you think a bit about the opportunities in the medium term for asset management

and the investment industry, what do you think are the most important themes we need to focus on?

David Solomon: Well, I continue, the primary responsibility of the asset management business is to produce good or better relative returns for its clients than the benchmark you can get in the market for just putting a diversified portfolio into play in the market on a passive basis. You know, I think to do that it requires resources, reach, scale, et cetera on a much broader basis than it has historically.

I think one of the reasons why I'm excited, again, about NNIP is it's strengthening Goldman Sachs' scale and position as an active asset manager. It was already very, very good, but it's strengthening it. I think to really perform on a relative basis for your clients, you really have to be broad, global, deep, multi product, strong across products. And I think we're positioned that way.

I also think that the scale provides an access to information and resources and know how about what's going on in the world that I think also can be helpful to investors, the investors who run the money inside these big

asset management businesses. And I think that's one of the reasons why the scale is also important. You know, we operate in a network. We have great insight and great access. And so, I think that also strengthens, you know, any asset managers' competitive position.

Valentijn van Nieuwenhuijzen: Yeah. I think the scale factor is really a crucial one for many dimensions. The scalability of the business is significant. Also, from a cost perspective and our ability to really bring top notch and really attractive products to clients is just indispensable.

So, a little bit even more close to the actual transaction of NNIP. We mentioned a bit about the opportunities for asset management. What specifically excites you about what NNIP has to bring to the asset management division of Goldman Sachs? Scale, it adds scale. But what other elements, when you think about growing the business together, are really valuable in your opinion about the NNIP acquisition?

David Solomon: Well, first of all, I'm hugely impressed by the people. Their passion for what they do, their passion for serving clients. And Goldman Sachs is always bolstered

and strengthened when we bring excellent people into the organization. So, I start there. We're lucky enough to be partnering with NNIP and bringing a great cadre of people to team up with the Goldman Sachs team to be able to serve our clients even better.

You know, I talked a little bit before about your sustainability platform and the work you've done around sustainability and offering products to clients that they're super interested in around sustainable investing. And that's something we've been very focused on. And so, you'll help us accelerate that, particularly in Europe. And so, I think we feel very excited about that opportunity. And I know that you're off and running on that. And that's really terrific to see.

Valentijn van Nieuwenhuijzen: So, sustainability is, indeed, I think something that is a massive opportunity. It's one of the transformational forces that we see running through the industry. Maybe not only through the industry more broadly for the economic evolution. So, I think it is also really, really something that excites the people of NNIP. They see that there is a clear leadership that is committed to put it quite central in the strategy of the firm

at Goldman. And really excites the people to become a part of that and to have a bigger impact globally.

So, as you think about sustainability, maybe one, in terms of the degree of impact that we can have, the things that Goldman can bring there, it's not only adding the expertise, but also the impact. I think what I learned in this first period that, you know, there's already such an amount of fascinating developments within Goldman that also compliment what type of NNIP expertise is brought to the table. So, it's good to share a little bit on those areas that are already happening on the Goldman side.

David Solomon: Sure. And, you know, I think one of the things that you and I have talked about that I think is so exciting about this is you bring certain things to the table. But when you connect them with some of the resources and the investment we have around the world, it allows you to do even more and accelerate what you've been doing historically.

And so, we've always thought about ways that we could impact. You know, obviously, we're very focused on climate and the allocation of capital into accelerated climate

transition. But we're also very focused on programs where we can make investments that spur economic growth broadly. And we've talked about small business a lot and our small business ecosystem and how much we've invested over time in supporting small businesses, which we think are such a vital part of economic activity all over the world. And that makes, you know, our economy much more sustainable, that participation.

And we've launched a program in the United States that I've mentioned called One Million Black Women that builds on that further to try to improve the economic prospects and the economic opportunity set for Black women through \$10 billion of investment committed over a decade period of time. And we try to look at all this in metric and find ways to invest in our society so that we can make it more sustainable and we can advance it.

And our resources and our commitment on that, the NNIP team, which has some very interesting things that they're doing, we can now connect that. And that will create other new opportunities together. It's a great example of one plus one being worth more than two.

Valentijn van Nieuwenhuijzen: Maybe to close, not specifically focused on the transaction or the business and growth opportunities, but something that I feel strongly about. It's really inspiring when hearing you talk about how to develop the organization and how to develop the people in the organization. And you emphasized the importance of being authentic and following your passion. And, well, as being very visible as the CEO of Goldman Sachs, it is very visible that you also have a passion, specifically for music. And a lot of people might wonder how you can even find the time for following that passion. And I think it's very insightful also to understand why you think it's so critically important that you do create, somehow even as the CEO of Goldman, the room to follow that passion.

So, what does the music passion mean for you? And how do you find the opportunities to still follow that passion?

David Solomon: Well, I'm passionate about music. I'm passionate about other things too. But one of the points I make when people ask me about this is, you know, life's a journey. And you know, certainly I have more time to work very, very hard and pursue a passion at 60 with kids who

are 30 and 28 than I did when I was in my mid to late thirties and my kids were eight and six. If I remember back then, there wasn't a lot of time for the passion. There was time for family and work. And, you know, it evolves.

So, it's a journey. And there are different things that you can do in life. I think one of the things that's important and we run a very young organization. We have lots of people in their twenties here. You know, there are different stages in life when you can do different things. But having things that you're interested in, having things that you want to invest your passion, your heart, your brain, you know, and being involved in, I think, makes you a more interesting person. I think it keeps you stimulated. I think it keeps your brain functioning.

And it's important that you find ways to do that throughout the journey of your life. And there are times when you can do it more. There are times when you can do it less. But you should always hold the things dear that are important to you and find ways to participate, to access them.

And so, you know, I want to encourage that. I think it's super important when you work at Goldman Sachs to work

hard, to be super competitive. But it's secondary to taking care of your family, taking care of your own personal health, your own mental wellbeing. And everybody's got to find the right balance for doing that.

And so, I've had periods of my life when I've done it really well. I've had periods in my life when I haven't and there have been a lot of pressures. But I do think that one of the things that I can do is I can talk about it openly with people, talk about my own personal journey. And just give people room to know that it's not easy to navigate all this. But you have to take care of your family, you know, first and foremost. You've got to take care of your health. And if you want to be successful, you know, in business, you have to work really hard, and you've got to be really committed.

But it's possible to go on a journey and figure that all out. It's not going to be a straight line. It's not going to be easy all the time. But there are different ways that you can make that happen. And it's important to figure it out on your own what works for you.

Valentijn van Nieuwenhuijzen: Well, David, thanks a

lot for that. It's really been fantastic to talk to you about this today. Great pleasure to have you here. I hope you'll come back in the Netherlands in the not-too-distant future. But I think like all of us at NNIP, I really, really look forward to working with you and making this a great success. Thank you.

David Solomon: Well, thank you. Thank you for having me. I always enjoy it when I'm here. And I will be back. But in the meantime, thank you for the opportunity to chat with you today. And we look forward to working together. We're excited about the future.

Allison Nathan: Thanks so much for joining us for another episode of Exchanges at Goldman Sachs.

But before we go, I'd like to share news about an exciting new project we've been busy with. Every week on Exchanges I sit down with top Goldman Sachs leaders and thinkers to discuss how the most pressing macro economic issues are moving economies and markets. But have you ever wondered how other top investors are navigating today's market headwinds? In our new special series, Exchanges at Goldman Sachs Great Investors, Allison

Mass, our chairman of the investment banking division, and Katie Koch, our chief investment officer of public equity in our asset management division will be speaking with some of the world's most respected investors about their investment strategies and views on markets and global economies. Catch this limited run series on the Exchanges feed now.

If you enjoyed this show, we hope you follow on your platform of choice and tune in next week for another episode. Make sure to like, share, and leave a comment on Apple Podcast, Spotify, Stitcher, Google, or wherever you listen to your podcasts.

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