

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 John Connaughton, Co-Managing Partner of Bain Capital. So, JC, I'm really excited to have you join us today to discuss your investment outlook in what is clearly an unprecedented global market. So, thanks for being here.

JOHN CONNAUGHTON: Delighted to be here, Alison. Good to see you. Hopefully one day soon in person.

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

JOHN CONNAUGHTON: We had a unique seat at the table of the emergence of the disease. You know, we have businesses in Wuhan, actually, and throughout China. And so, as we looked at that emergence of the disease progression, actually the first thing we did was to understand how the economic consequences of the disease were taking place in Asia. So, you know, the first opportunity for investment was making sure our companies had the liquidity and had the opportunity to thrive for the long term through the crisis. And it's a wide fan. It's a very wide fan of outcomes that we needed to consider.

And then as it rolled through Italy and the State of Washington and the rest of Europe and the US, I think we were very prepared, not only to take advantage of things in our companies, but then to look for its opportunities.

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

JOHN CONNAUGHTON: So, like every cycle we've been as an industry it was an opportunity. It is an opportunity. You know? We can actually look at tech disruption, which was everywhere, and it's actually even increased during the crisis. So the opportunity to invest in our tech platform is going to be critical for not only just our tech businesses but also the other sectors that we participate in, how to utilize technology in education, in consumer, in healthcare. And those trends have accelerated through the crisis. And so, they present big

opportunities for us.

ALISON MASS: So 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's a deal that went really well or a deal that ended up not working out so well?

JOHN CONNAUGHTON: So, I remember back in 2000 when the NASDAQ was down 60 percent and dotcom bubble basically was burst, I wanted to propose us to invest in an online day trading business, which was largely benefited by the dotcom NASDAQ trading levels. Which was controversial. But I found that the ultimate business plan around the buying of a company that had technology that created the lowest cost and the greatest opportunity for a particular segment was very strong. And all of our primary work pointed it to being, even though a number six player, the number one player in that marketplace. And so, I had a lot of conviction, but also it which clearly something that was controversial.

And I think that that allowed me to actually have a point of view and be able to defend it through my own work. And so that notion of using conventional wisdom, but also a fact-based set of work that really was compelling was a lesson I learned. Because you know, a lot of people would not have looked at that investment. Turned out to be a terrific business. We merged it into Ameritrade later, TD Ameritrade. And it's one of the leading platforms in that business today.

Now mind you, that was an eight-hour investment committee. So, it didn't come without a few scars. But it taught me that you can persist if you have conviction about your ideas.

ALISON MASS: So, JC, what do you think has been the key to your success, personally, as an investor?

JOHN CONNAUGHTON: It's a great question. You know, it's one of those qualitative questions of what does it take to be a great investor? And I think the first thing that people understand about investments as they get more experienced is that you have to take risks. And importantly, that doesn't mean you're a gunslinger. That doesn't mean you're an instinct player. It actually means that you need to pull the trigger and you need to actually have a point of view around what is a good, calculated risk. And the way to create a calculation of that risk is to really be able to analyze everything that can be knowable. And there's a lot that's unknowable. But if you actually do the

work, create the primary analysis of your insider thesis, and then actually take a calculated risk, that is the best way over time to be an investor that has upside and a better return profile than people who don't do the work, who actually just use their instincts. So, it's this combination of facts, some creativity, but ultimately taking that risk knowing that you're not going to know everything. But believing that it's a good, calculated risk return at the end of the day.

ALISON MASS: So, I'd love to get your point of view of whether you think the S & P 500 will be higher or lower a year from now.

JOHN CONNAUGHTON: You know, I have observed the fundamentals and the valuation levels relative to those fundamentals. And I would say that the price per unit of growth has gone up for the last three or four years in a way that it has to deflate at some point. It has to deflate. And certainly there's a lot of support in the economy, all economies, relative to asset inflation and low rates and very tepid growth.

So, to me, it has to be one of a prediction of long-term. It's going to be lower than it's been in the past in the next year. I would say flat because it doesn't really make sense for the levels to have gone up as much relative to what I think is a fairly challenged economy under the covers.

ALISON MASS: How about your perspective on China? Do you think it'll be closer or further apart a year from now?

JOHN CONNAUGHTON: Regrettably, I think China and the US relations will continue to deteriorate for the, maybe, foreseeable future, and certainly in the next year if that's the timeframe. Because, unfortunately, one of the challenges today is that each of the leaders of China and the US have understood their own consistencies to really understand, believe that the other is a force of not good, a force of evil, a force of destruction and a force of fear. And certainly the politics of that are really compelling. It's probably the one bipartisan issue that everyone agrees on in Congress is that China is bad and the US ought to do something about it. And so, I think this combination of politics, perception, and some reality to be sure, I think, creates a lot of tension. And given that each leader of each country believes what they're doing in their own sovereign interests is to attack the other, I think it's going to get worse.

Now, I don't want to leave that on such a sober note. You know,

you can't put globalism back in the bottle. You know? It's already out there. China's benefited from it. The US has obviously benefited from it. And over time, once we get through sort of the politics of this, the substantive need for two economies, which have a different system, to figure out how they work together, I think, is going to be a critical outcome if we're going to see continued growth in our each respective economies. So, there's a codependence there. And by the way, that codependence goes beyond China and the US. It's the rest of the world that will necessitate for it to improve over time.

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

JOHN CONNAUGHTON: You know, there's a tendency for particularly young people who see success, successful paths before them to try to replicate those paths, to look at the traditional ways of maybe how you and I were successful, you know, and what institutions we worked at and, you know, what jobs we took and say, "Okay, well, that's what I should do and I will be successful." But I think that, you know, early on I had some mentors that told me that you need to have your own independent path, your own way of developing your own brand, effectively. What is it going to be about you that will be different, not the same? And try to think about that deeply because that's where I think success really begins, is when you can make your own impact, you know, create your own path. Whether it be deep domain expertise. Whether it be how you take risk on somewhere else in the world. You know? So I think there's this quotient of the degree of independence in your path is going to be more correlated with success, I think.

And I wish early on someone had told me that. You know, I got into healthcare, you know, about five or six years into my career and I realized once I did, you know, that was really fascinating for me. And it allowed me to create a differentiated investment perspective, a network, a passion for something. And I think that's something that if you find that early you can invest behind it and have your own individuality that can make you more successful by being more intentional about it.

ALISON MASS: Well, that was great advice. So JC, thank you so much for sharing your insights with us. Stay safe and stay healthy.

JOHN CONNAUGHTON: You too as well, Alison. Thank you so much.

And it was a delight to be with you. Look forward to the future.

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