

# **Exchanges at Goldman Sachs: Great Investors**

**Why investors are leaning into**

**alternatives: Apollo's Marc Rowan**

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**Alison Mass:** Welcome back to another special edition of Exchanges at Goldman Sachs: Great Investors. I'm Alison Mass, chairman of Investment Banking at Goldman Sachs, your host for today's episode.

[MUSIC INTRO]

Today I'm thrilled to be joined by Marc Rowan, the CEO and co-founder of Apollo Global Management, one of the world's largest alternative investment managers with about \$550 billion in assets. Since Marc stepped into the CEO role in March 2021, he's helped revolutionize Apollo's business.

We'll be discussing Marc's strategy as CEO, his views on

alternative investments, and the broader economy. So, Marc, welcome to the program.

**Marc Rowan:** Thank you, Alison. Absolute pleasure.

**Alison Mass:** So, I want to start out with an overview of Apollo's business. Just big picture. What does Apollo look like today?

**Marc Rowan:** This will be a surprise for many. So, we are a publicly traded holding company. Down one side of that holding company is the largest retirement services business in the world, Athene. We are some \$330 billion of assets under management, having started some 13 years ago with about \$16 million. So, it's been quite an adventure.

Athene and its European subsidiary Athora, they're insurance companies, but they actually insure nothing. They don't insure your life. They don't insure your health. They don't insure your property. What they give you and what they insure is your retirement.

So, if you think about what makes Athene successful and

what Athene needs, it needs safe yield. If you can generate safe yield, you can be highly rated. You can also make good guarantees.

On the other side of the business is the business that people think we're in, Apollo Asset Management, which is certainly much better known, at least in financial circles. Apollo will end the year circa \$550 billion of assets under management. But it's a very different \$550 billion than people will expect. \$400 billion will be credit. Most of that credit will be investment grade.

**Alison Mass:** Wow. I don't think anyone would have thought that.

**Marc Rowan:** Another \$75 billion will be equity, but hybrid risk. Think of mid teens, lower risk, lower reward equity. And about \$75 billion will be private equity in various forms, which is the historic business of Apollo, and certainly the business that we've been in the longest.

But as I suggested, it's a very different business than people probably expect from Apollo over a long period of time.

**Alison Mass:** Yeah, for sure, based on that description. So, shortly after you took over as CEO, you merged with Athene, which you described. What does the merger with Athene do for Apollo?

**Marc Rowan:** Apollo and Athene have been together for a really long time. In fact, Apollo was helpful in starting Athene and has always owned about 35 percent and been the largest shareholder. The merger brought together 100 percent ownership. And therefore, 100 percent alignment.

Apollo had gotten too big, and Athene had gotten too big to rely on the temporary alignment of 35 percent. Now as 100 percent, fully aligned entity, we're just much more capable in the marketplace. And I'll give you an example on how synergistic the businesses are.

So, Athene as a guarantor of people's retirement savings needs safe yield. Apollo as an asset manager creates safe yield. But Athene wants 25 percent of everything and 100 percent of nothing because they want to be diversified. The ability to link what Athene needs and a validator of a product to then Apollo's clientele is just second to none.

As clients are now on a journey to experience alternatives, they're looking for a way to develop trust. Trust can be through a relationship that's been over a long period of time with some clients. But for new clients, particularly new markets and new segments, how do you develop trust? For us, one of the main answers is alignment.

Seeing us as the largest owner of every product is just a great way to go to market and a very unique way to go to market.

**Alison Mass:** I know you're very focused on culture. Were there challenges in integrating those two cultures? And how did you deal with that?

**Marc Rowan:** I think there could have been had we not lived together for a decade or more before the merger. I don't want to say this was easy. But it was easy because very little changed. There's no real upside to synergy of operations. That which had needed to be combined had already been combined. There was no period of getting used to each other's style. We had all gotten used to each other's style on both sides over a long period of time. And

so, there were no missed expectations of what we expected to achieve.

The merger has been just all good. This has exceeded absolutely every benchmark that I had for it. And the financial performance of Athene this year, first as the number one underwriter of annuities in the US, ahead of Met, ahead of Pru, ahead of Allianz is truly extraordinary.

Give you a sense scale. Athene is generating \$50 billion of organic new business each year.

**Alison Mass:** That's amazing.

**Marc Rowan:** It's a big business.

**Alison Mass:** That's very big business. So, I want to get your perspective on the current yield environment given what you just said. You've said that Apollo's in the fixed income replacement business. And believe your yield business could double in five years. So, in a world where liquid fixed income is now yielding around 5 percent, is the need for an alternative fixed income replacement the same? And how are you navigating that?

**Marc Rowan:** So, I'll start with yes, it is still the same because, ultimately, clients are looking for excess return per unit of risk. They are responsible for paying liabilities that also move with the marketplace.

So, I step back and I think about who in the world needs safe yield, fixed income replacement. And what I mean by that is something that people have really not discussed before, investment grade but alternative. It's an interesting concept because we think alternatives are equity and hedge funds and high octane things. But I actually believe an alternative is nothing other than an alternative to publicly traded stocks and bonds. And therefore, alternatives go from AA to equity, levered equity in some cases.

And so, I look at the world today, financial institutions need excess return per unit of risk. To the extent that funds and endowments and other institutional investors believe that equity returns maybe are not going to be as robust going forward, they need excess return per unit of risk. Individuals - excess return per unit of risk. And certainly, insurance companies and retirement services companies - excess return per unit of risk.

We are fundamentally driven by the need to provide yield primarily to retirees. And everyone is a retiree at some point. Even you and I could be retirees.

**Alison Mass:** Hopefully.

**Marc Rowan:** Hopefully. We aspire to that. But whether we provide that yield directly to our policy holders at Athene or we provide it indirectly to sovereign wealth funds and pension funds and endowments and institutional clients, who in turn support their retirees, like it or not, we're in the retirement services business and excess yield, safe excess yield, is a huge component of how these companies will ultimately meet their promises to their clients.

**Alison Mass:** So, you've been quoted as saying that alternative investments could make up as much as 50 percent of investors' portfolios. How do you see that happening? Where do you see the biggest opportunities in alternatives? And how do you balance that with the lack of liquidity?



**Marc Rowan:** So, one of the things I would say, when we started in the business on the regulated side of the business 13 years ago and we were trying to explain to regulators and rating agencies what our take on the business was, we developed a phraseology of talking about risk.

So, where do you get excess return? You can take credit risk. You can take equity risk. You can take business startup risk. You can take valuation risk. Or you can take liquidity risk. How much liquidity does a client need? In a retirement services company, you need appropriate amounts of liquidity, but you don't need to be liquid every day. If you're a pension fund or sovereign wealth fund, and you look at their asset allocation, they are way too liquid given that they have long-term promises.

And then if you flip to a high net worth individual, how much liquidity does a high net worth individual need every day? Does their whole portfolio really need to be liquid every day? Most people are way too liquid. And we've not offered them as an industry, products that have been appropriate for all of their risk/rewards, coming back to my definition of an alternative spanning from AA to equity.

So, I look out over five or seven years and I think about clients' portfolios and they will be investment grade yield alternative. Total return alternative. Opportunistic alternative. BDC and REIT and hedge fund and infrastructure and equity. I believe, and we already have launched, an alternative to the S&P 500.

And so, for a portion of everyone's portfolio at every point in the risk/reward spectrum, to the extent they can obtain hundreds of basis points of excess return per unit of risk for giving up liquidity, I think that's going to be a very powerful trade for individuals. And I think it will be a while until they get there because, again, it's about trust and education and us being really good product providers.

**Alison Mass:** Yeah, I think education is a very big part of it. You talked about the high net worth client, but how appropriate are alternatives in your view for true retail investors?

**Marc Rowan:** Less. But it also comes back to a view of what an alternative is. So, again, we span from levered equity, private equity, all the way to investment grade

credit. The industry started as private equity. We've been in the private equity business as an industry for 35 years. We, for instance, Apollo, are at scale. It's unclear to me that it is a growth business. It will grow. But it can't be a growth business. And I'll give you an example.

**Alison Mass:** What do you mean by that it can't be a growth business?

**Marc Rowan:** The average investment that a firm like ours, who's at scale, makes today in private equity is \$750 million. It's equity. Therefore, it's pure risk. Now, we may do it very well over a long period of time with a good track record. But we should not fool ourselves. It's still equity at the bottom of a levered capital structure.

How many people do I want making \$750 million pure risk decisions? Not that many is the answer.

**Alison Mass:** Not a lot. Yeah.

**Marc Rowan:** And so, if I try and scale the business inappropriately, I will end up with the worst of all outcomes. And so, I think of the private equity business as

a business that will grow, but not a growth business.

And therefore, to the extent it is fully subscribed for by institutions today and by high net worth individuals, not only do I question whether true retail has the patience for ten years or the appropriateness for ten years, I question whether we as an industry have the capacity to create.

Because after all, we're alternative. The moment we become mainstream, we're no longer offering excess return per unit of risk.

And now I go to the other end of the spectrum and I talk about fixed income replacement or investment grade alternative credit. At \$400 billionish, these markets are so large that even at \$800 billion, we will still not be a relevant factor. And so, on the one hand, I look at equity, which I think of as a mature business, a great business but a mature business. On the other hand, I think of as investment grade alternative, fixed income replacement if you will, and I think we're in the very, very early innings and I think it will scale a lot.

And part of the job as CEO is to recognize that. We may hope and wish and pray that equity gets bigger. But it's all

driven by excess return per unit of risk and our capacity to be good stewards of capital for our clients.

**Alison Mass:** So, just continuing on this scale them. As CEO, you've set a goal to grow Apollo's assets to a trillion dollars by 2026. And you're already halfway there. Have built up the credit business, moved more deeply into FinTech among other things. So, what are your specific goals for this year, 2023?

**Marc Rowan:** No new toys. And I say that in joking, but if you think about our industry, and I'll use Apollo as a microcosm, but it is our whole industry. In 2008, we were \$40 billion of AUM. \$30 billion of private equity and \$10 billion of everything else. No business had scale. We will end the year circa \$550 billion of AUM.

Now, I'd like to say that growth is due to good management. But it's not. There have been some very powerful tailwinds in our business. But it also speaks to an environment where we've been growing very fast as an industry and as a firm. And we have not had a chance to stop and really think about what the industry looks like as we grow up.

So, each of us has added lots of people. We've added 400 people a year for the past three years. And we ended the year about 2,600 people in the asset management side of our business. There is so much to do in house. We had three initiatives when we began '22. Build out our high-net-worth business. Build out the capacity to originate investment grade alternative credit. And build out our Apollo Capital Solutions business. All three are in great shape and underway.

Throughout '22, the prolific minds around the firm developed six other initiatives. And so, now I point out that just the execution of what we have on our plate today will carry our business plan through 2026. The bar to a new toy is really high because, and I'm going to belabor this, adding people is not a negative. But it does tax the culture. And this is the balance that we're certainly wrestling with.

We are an amazing place to work. And I like what we've done. We are seen as large enough to do anything. But small enough to really still feel like a partnership. I've just said we're going to double the business. So, how do we have all of that be true? We have to be really careful about

what we choose to do and what we don't choose to do. It can't just be about growing the business.

And so, the way I describe our business plan or our goal, it is to execute the business plan plus a little and like ourselves at the end of five years. Liking yourself in this business is very important. Which comes back to culture and being really mindful about what we choose to do and not to and how we do it.

**Alison Mass:** Talking about the culture, since you've been CEO for the last two years, what are one or two of the most important things you think you've done to invest in the culture?

**Marc Rowan:** The most important thing for me is to recognize that we only offer our client one product, and that's judgment. And the only way I think you get judgment is over a long period of time seeing what we do and what we don't do in a variety of different environments.

Therefore, if you like us and we like you, I want you to spend your entire career at Apollo. And therefore, I want to make Apollo the single best place to be a partner in the

financial services business. And that's been the goal.

And my trickle down theory is if the partners are happy, the principals who are midway through their career will see that there is a payoff. And if the partners and principals are happy, we will become an incredible place for mentorship for associates and people beginning their career in financial services.

But what we figured out is, obviously, and you know this, you manage it's not just about compensation. It's about day to day. It's about responsibility. It's about purpose. It's about 100 little things.

And so, what's my job about? It's about 100 little things because if there were one answer to this, I would certainly do that. But I'm not that fortunate.

**Alison Mass:** That all makes sense. So, we all get caught up in the day to day and the micro of our business. And sometimes miss the fundamental changes that are reshaping the market, reshaping economies. So, when you think big picture, what are the shifts that you're focused on that are driving Apollo's businesses, the trends that you're



following that you know are going to impact your forward?

**Marc Rowan:** So, I'll start in history because I do think history is incredibly important here and they're still going to continue. So, the biggest change in our business was actually the great financial crisis, the crisis of 2008. In the US we had Dodd-Frank. In Europe there was other regulation. And there were fundamental changes introduced into the financial system, but we never experienced them. And the reason we never experienced them is almost the moment after Dodd-Frank, we started printing \$8 trillion. And everything went up and to the right. Stocks. Bonds. Real estate. Art. Wine. Cars. You name it.

When \$8 trillion of liquidity was pumped into the system, the logical thing happened. Interest rates dropped. Risk premium disappeared. And everything went up. Okay.

We've now had liquidity withdrawn from the system and we seem to be returning to a mode of some normality. And I ask my peers and clients, are interest rates high today? No. Are spreads wide today? No. Is liquidity different? No. This is actually what's normal. The last eight to ten years is not

normal.

But if I look back and I look at the trends, and I'll come back to our business, we were \$40 billion pre GFC. We're \$550 billion today. We were powered by three big trends that I think were obscured by the printing of \$8 trillion.

The first is liquidity. And one of the consequences of Dodd-Frank was to withdraw or make punitive dealer capital in the marketplace. So, we have roughly the same amount of dealer capital, our market making capital today as we did in 2008. But yet markets are three times the size.

What does that mean? It means nothing is liquid other than on the way up. And we just saw this in the UK. LDI was about liquidity for investment grade assets. But if you look at actually underlying liquidity of almost every instrument, it's actually quite low. And what's funny is what we thought was public was liquid, it's less so. What was private is now more liquid. And so, I'm not saying they're the same, but this disappearance of liquidity and the increased liquidity of private markets have been a big powerful trend and I think will continue.

The second is the role of banks, particularly in the US, but a little bit in Europe and soon to be in Asia. In the US today, by some estimates, banks are less than 20 percent of debt capital to consumers in US businesses. So, who are the new banks? Investors. The investment marketplace, directly or indirectly, supplies 80 percent plus of the debt capital to US businesses and consumers. Now, much of that makes its way to the investment marketplace through firms like Apollo who underwrite and risk grade, securitize and package. But this whole notion of the shift of what a bank wants to do versus what a bank did historically did a huge power for our business in particular where we are focused on investment grade and the top end of the capital structure.

And the third, and the one that should be obvious but is going to take some introspection on the part of investors is everything is indexed and everything is correlated.

I'll start with fixed income markets. At Apollo, we do not believe there's any alpha left in publicly traded or broadly syndicated fixed income markets. The marginal buyer of everything in a fixed income market is an open end mutual fund, an ETF, or a derivative trader. No one has met a

company, on one's met a management team, no one's read a document. They buy when they get cash and they sell when they lose cash. How does someone who wants to create alpha against a market that's driven by liquidity?

And then if I flip over to equity markets, a huge percentage of the equity market is S&P 500. A huge percentage of the equity market is ETFs or other form of indices. Five growth stocks are actually 25 to 30 percent of the S&P.

So, we all grew up thinking about stock markets and bond markets in a very fundamental way. It's not clear to me that they function in a fundamental way. And if you're a long-term investor, sure, there's a portion of your portfolio where you want beta. Buy your beta really cheaply. And then if you want alpha, you need to step away from publicly traded markets. This evolution of thinking is really just starting. It should be obvious. But it is just starting. Even amongst professional investors, people are unwilling to look back at the last decade for what it was. And the last decade, I think we mistook investor acumen for market beta. And 2022 was just proof of that going in the other direction.

**Alison Mass:** It certainly was. So, I want to talk about your early career. You started your career in the M & A group at the investment bank Drexel Burnham.

**Marc Rowan:** I won't even tell people how many years ago that was.

**Alison Mass:** Yes, so it's actually where we first met. And during your time there, the firm hit financial difficulties when the junk bond market collapsed, as we used to call it back then instead of the high yield market. The firm had liquidity issues and then was finally forced into bankruptcy in 1990. That's a lot of drama for your first job. So, what was that experience like for you?

**Marc Rowan:** Awesome. Could not have been a better learning experience. Even in the final throes, it was a great way to understand that borrowing short and lending long rarely ends well. Lehman Brothers, unfortunately, was not paying attention to that. And a number of others along the way. But this notion of appropriate matching of liquidity to underlying obligations is a lesson that is actually seared in my skull. We will not make that mistake with me as CEO. Nor my colleagues. We've just lived through this for so long.

Drexel was also an amazing experience because it was a white sheet of paper. We were forced actually to think fundamentally about a client's business, a client's needs, and a potential solution. And often that solution, and in some cases that business, did not exist. You were forced to ask what should be, not what is. And just that forced creativity, I think, has been one of the best disciplines we have. And a lot of that is resident in Apollo in how we think about coming to market. We spend a lot of time with a blank sheet of paper creating things.

**Alison Mass:** Yeah, I was going to ask you that from that experience, both good and bad, how it shaped the early days at Apollo and how you and Leon and Josh thought about that.

**Marc Rowan:** Look, it's incredibly formative. But also, an amazing cultural lesson. And I'll have a little fun with this for the moment. Think about how many times you kept me from being fired for speaking my mind?

**Alison Mass:** By the way, that's a true story.

**Marc Rowan:** I think about what my job is at Apollo, and it is to make sure that we have a culture where people speak their mind. As I say, it's a little bit of intellectual insubordination, which I'll compare to just outright insubordination.

**Alison Mass:** Right. There's a big difference.

**Marc Rowan:** But to keep a culture where we keep questioning, where it's not against the rules of the road to question more senior, I have people all the time who feel incredibly comfortable disagreeing with me. And I'm just better for it. And this is one of those things that I struggle and really pushing to make sure that never gets impacted by our growth or how we run the business, to maintain this, I'll call it, a healthy irreverence for how we approach the business and how we think about common wisdom.

**Alison Mass:** Yep. Well, I always say the ability to speak truth to power is very valuable in an organization, and valuable, in fact, the more senior people.

**Marc Rowan:** Incredibly valuable.

**Alison Mass:** So, you became CEO two years ago. And you took over the top job at a firm you had founded 30 years prior. How did you think about forging a new path forward and deciding what needed to change?

**Marc Rowan:** In some ways it was obvious. And I had done almost every job at Apollo. I was joking with someone the other day that since the firm started as private equity and private equity is not that back office intensive, I actually did the books and records for the early years. So, I've really had every job at Apollo.

So, I don't think I really wasted a lot of time understanding the organization. But charting the path of CEO has actually been really interesting because I used to do things. I'm now capable of doing things. But I realize it's not actually worth my time to do anything.

**Alison Mass:** Maybe it's not your job to do all those things.

**Marc Rowan:** Well, I say it slightly differently. It took me about a year to realize that the only real value I had was to change the way people think. And if I could change



the way you thought, then I could get 2,600 people to do my job rather than do it myself. It's a little bit like getting people to paint the fence.

And so, what I've done is I've picked a relatively narrow remit of strategy, of culture, of communication, of performance measurement, and I've chosen projects really important and strategic, but also really unimportant and symbolic with the sole purpose of changing the way people think. And it's been an interesting learning experience. And it is way more fun than I ever thought this was going to be because it's a whole different challenge. Even though it's the same entity, it's the same organization and I've been there for a long time, it's a whole new way of thinking and it's a whole new set of challenges and it really has reinvigorated my focus on the business.

**Alison Mass:** Now you talked a little bit about when we walked in, about talking to other CEOs when you took the job and getting advice from them. But I also know that for 30 years you invested in other CEOs in their companies. So, what did you learn from making bets on CEOs that you applied yourself when you took on this job?

**Marc Rowan:** I think it's momentum. So, the thing that I learned over a long period of time was to go and visit a company and to understand whether it had momentum. If it had momentum, it could overcome any challenge. There was no obstacle in its path. And if it didn't have momentum, then every challenge was an obstacle to success.

And CEOs are responsible for the creation of that momentum. And there's no one thing. It's how do you interact with your team? Do they understand the purpose? Do they understand the goal? Do they agree with the strategy? Do they like the environment? And understanding whether a company has momentum or not is probably the best thing I've learned. And if a CEO is not capable of generating that momentum, time for another CEO.

Leadership is just unbelievably important. And that is the lesson I take to what I'm doing which are people excited by what they're doing? Are they pumped up? Do we think we can overcome obstacles? I obviously think we do.

Eventually, people will vote with their feet. But right now, I have to say, '22 was awesome. And really looking forward

to '23.

**Alison Mass:** Yeah, and I could just tell you from an outside perspective, people are very energized about your leadership style. So, whatever you're doing, it's working.

So, I want to pivot to philanthropy and your outside interests. Expanding educational opportunity is an important goal for you. How have you brought business principles to improve efficacy and innovation in the educational non-profits you support?

**Marc Rowan:** So, it's hard to leave who you are behind. So, more than 36 years ago when I was sitting in the bull pen at Drexel Burnham with a number of colleagues, all of us had pretty much achieved what we thought we were going to achieve in our lifetime. Having said that, we were all there as a result of education and as a result of someone giving us an opportunity we most likely did not deserve. And so, we got this crazy idea that we would start our own philanthropy, in this case in Israel, trying to provide that same opportunity.

And it started as an afterschool tutorial. Think Stanley

Kaplan. And then we realized afterschool tutorial didn't touch enough kids, so we started training the teachers. Fast forward 36 years, we now oversee 44 schools, nearly 20,000 kids, 4,000 teachers, and run the largest, best equivalent of a public charitable charter in the peripheral communities in Israel. Think Yemenis, Ethiopians, Bedouin, Druze, Eastern Europeans, Moroccans.

**Alison Mass:** Wow, that's amazing.

**Marc Rowan:** And these kids graduate with the same, if not better, degrees than the kids in the wealthiest areas in Israel. And to be the CEO of this entity, it's not me, it's a gentleman named Dr. Gil Pereg, boy, what a terrible job. He has nothing but business people on his board who talk to him about being strategic, about leveraging each dollar, or shekel in this case, about the principles of managing. It's not all that different. The outcomes you want are different than money, but the process that you go through is not all that different.

And it's unbelievable to see someone who was a high school principal totally interested in philanthropy who is now just an incredible closer in a philanthropic context. And he

runs a 70-person organization. And I wouldn't want to compare his management skills against mine, because I wouldn't compare as well. So, it's one of the best things I do in my life. And I love to do it. I go a few times a year. And my job is to keep reinvigorating 30 year olds to get excited about this. So, when I eventually retire from this, the organization will be in very good hands.

**Alison Mass:** That does sound so rewarding. So, it was reported to me that your nickname at Apollo was The Professor, which by the way, I never heard that before. And it doesn't shock me. But it was new news. So, is that true? And where do you think it came from?

**Marc Rowan:** You never know what people say about you because they weren't saying it to me.

**Alison Mass:** I've heard you called many other things which I won't repeat.

**Marc Rowan:** Look, I'll take it as the compliment it was meant, which is to say, and this is really a message to people coming up in their career, the way you get to progress in your career is you master what you're supposed

to be responsible for. If you master what you're responsible for and you're generous in sharing that knowledge, it comes back to you multiple fold.

The number of people who I sat in the bull pen with who helped me and I helped is just off the charts. Like too numerous to count. And today they run sizable firms. The network that I accidentally built through the sharing of knowledge and through the mastery of what I was responsible for, I think, is in large part responsible for where we are today.

**Alison Mass:** That's great. Now, I know you have four amazing children. So, what are some of the lessons that you pass along to them, or hope to pass along to them about all the wisdom you're sharing with us today?

**Marc Rowan:** It's the obvious, but of course, that if I say it, it can't be true at home.

**Alison Mass:** Of course, not because you're the father.

**Marc Rowan:** But it's the piece of advice that I got that I keep giving to them, which is don't be defensive, be

curious. We live in a time that is so paralyzed. And particularly amongst smart people, the natural reaction to someone who disagrees with you is immediately to tell them why they're wrong and you're right. It's just so in our nature to do because you've thought through your arguments. If you can just teach yourself to take a breath and wait ten seconds, someone will actually share with you something that you will never get otherwise.

Now, you may 90 percent of the time still disagree with them. But the mere pause is actually one of the most powerful things. People listen to you. You're understood. You hear another argument. You hear another point of view. And it's not just business advice, it's advice across the spectrum. And I still try to follow it myself. And I haven't yet mastered it, but I'm getting close.

**Alison Mass:** Yeah. Somebody once told me that you never learn anything when you're talking.

**Marc Rowan:** Never.

**Alison Mass:** Which I think about a lot in meetings with clients. If you say less, you just learn. They just talk.

So, you're obviously very busy between your life, your work, your philanthropy, what do you do for fun? Do you have hobbies that help you relax and recharge?

**Marc Rowan:** Tons. I could fill my life with hobbies.

**Alison Mass:** Like?

**Marc Rowan:** For my age and job, I am shockingly good on a mountain bike.

**Alison Mass:** Wow, that's impressive.

**Marc Rowan:** Shockingly good. We'll see how long that lasts. Right now, there's no injuries. But I've gotten to--

**Alison Mass:** Hopefully.

**Marc Rowan:** --Be able to take my bike with me on lots of trips. I certainly take it to Israel. But I know coming up we have a president's vacation and I'll be in the desert outside Tucson on my bike. It's just in terms of clearing your mind and getting some exercise at the same time.



And then I like to building things. And I build things all the time.

**Alison Mass:** Build things like what, Lego, or like, you build a bench? Do woodwork? What do you do?

**Marc Rowan:** I design and build houses. Design and build restaurants. Design and building cottages. Design and build ships, boats. It's shockingly interesting. I don't know what side of my personality this appeals to. But there's some order in problem solving. And when asked, I always tell people that if I were not in the financial services industry, I'd be an architect.

**Alison Mass:** Maybe it's the professor. Maybe this all comes full circle.

**Marc Rowan:** You know, you have to get to the bottom of that at some point. But I do love building things.

**Alison Mass:** So, I want to do a little bit of a lightning round before we end, short answer questions. What was your very first investment that you made?

**Marc Rowan:** Vail Resorts.

**Alison Mass:** Vail Resorts. That was an awesome investment.

**Marc Rowan:** Awesome investment. Not just a great financial investment, but a great learning experience with a town that was getting ready to declare eminent domain to protect a national treasure from the rapacious financiers in New York.

**Alison Mass:** Was that you, the rapacious financier?

**Marc Rowan:** Yes. And 12 years later when we finally sold our position, they couldn't believe we were finally going to sell our position and were sad. It was just an amazing community building effort. Not to mention I went from about a level four skier to a level eight skier.

**Alison Mass:** Speaking of hobbies. Okay. So, what's the biggest lesson that you learned from an investment, either one that went well, or sometimes we actually learn the best lessons from ones that don't go well?

**Marc Rowan:** I come back to momentum. Right away. You instinctively know. Particularly when you've been doing it as long as we have. But we're always reluctant to make change. We always think it's going to get better. And it never does. Leadership just is unbelievably important to the outcome of an investment.

**Alison Mass:** Which investor, living or dead, do you admire the most?

**Marc Rowan:** I'd say John Bogle, not only a good investor and a good understanding, but actually productized, really thought about what the element so success to an investment were, not just compounding, but low-cost access. Pretty amazing.

I find a lot of the quotes that really resonate with me today actually came from him. And I'm not above borrowing a good quote for someone else, but we attribution, of course.

**Alison Mass:** Of course. Who is your biggest mentor. And it's okay not to say me.

**Marc Rowan:** It has to be Mike Milken. There's no way around that. And it's probably not for the reason that people expect. Not only was he the single best salesman and the hardest working and the most competitive, but he would walk by my desk every day when I lived in California and he would ask me one question. And every day he would ask me a different question. And I would never know the answer to that question.

And you have to understand that I was supposed to be really smart. I was actually really good at this. But he was asking me questions that were really forcing me to think. He was making associations. He was asking me analogies. And it really was just an incredibly humbling, as well as an incredibly motivational time in life. And also, just an incredibly kind person.

**Alison Mass:** I would agree with all that. What years were you in California? I don't remember that.

**Marc Rowan:** So, I lived in Los Angeles in 1987, right after the October crash. And again in 1989 for Mike.

**Alison Mass:** Okay. So, what sector do you feel is not

getting enough attention right now?

**Marc Rowan:** It has to be financials. I think the change in the way the world works today is so poorly understood by investors. Many investors are still fighting the last war. And I look at how the big banks and financial institutions have come through this period of instability. And I think there's not a lot of appreciation for just how fundamental the change has been in financial services.

**Alison Mass:** What's the best piece of investment advice you can give to our listeners that you wish someone had told you when you were younger?

**Marc Rowan:** I hate to repeat myself. Literally it's that ten second gap. Don't be defensive, be curious. Even as an investor, we all do our research. We all think we know something. Just the ability to listen is really the best advice.

**Alison Mass:** That is great advice. All right, and then my last question is what are you currently reading now?

**Marc Rowan:** It's eclectic. So, the easy stuff is *Smart*

*Brevity. Smart Brevity* is a really easy read by the folks who backed Axios. And it really talks to all of us about the style in which we communicate. And it's very easy to write a long letter. It's very hard to write a short one. That's what *Smart Brevity* is about.

I'm reading a book on anti-Semitism that Barry Weiss wrote. For me, very important to my philanthropic efforts. And then just a throw back, I've actually just finished *Something Wicked This Way Comes*. Think about how long ago that was written, Ray Bradbury, and what an amazing story. So, those three.

**Alison Mass:** Those are great. I'm going to have to buy one or two of those which I don't have. *Smart Brevity* first.

So, Marc, thank you so much for joining me on the podcast. It's always such a pleasure to speak with you.

**Marc Rowan:** Thank you.

**Alison Mass:** And thank all of you so much for listening to this special episode of Exchanges at Goldman Sachs Great Investors.

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