Goldman Sachs Talks

Blackstone's Jon Gray on real estate, rates, and building a winning company culture

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Jonathan Gray: To generate excess returns, sometimes you need a contrarian view and say, "Hey, I can see what's happening. The fundamentals are decent. Cost of capital is coming down. Transaction activity is going to pick up. The REIT markets are starting to recover. Let's try to get ahead of this."

[MUSIC INTRO]

John Waldron: All right. Full house. Welcome Jon Gray. Good to have you at Goldman Sachs.

Jonathan Gray: Great to be here. I love it. We love Goldman Sachs, FYI. We've had an amazing partnership for a long time. So, it is an honor to be here.

John Waldron: Great. Okay. So, we're going to start. We have a lot to talk about. And I know there'll be questions, so I want to make sure we leave people time to ask some questions.

Okay, so I don't think Jon needs a lot of introduction. But just quickly. Blackstone. World's largest alternative asset manager. Over a trillion dollars in assets under management. Jon is a member of the Blackstone board of directors. He's president and chief operating officer of the firm and sits on, I think, most of, if not all of the investment committees across the firm. So, deeply involved running the firm. Deeply involved investing. And we'll talk a little bit about how he's kind of a player/coach still, which, you know, I think is part of the success for Jon and also for the firm.

Jon grew up in the real estate business. Was global head of real estate at Blackstone. Still, I think, involved in that business but, obviously, has emerged, you know, well beyond that. But that was kind of his path through. Sits on the boards of Hilton, Corebridge Financial, and Harlem Village Academies.

Super involved with his wife Mindy in philanthropy and towards the end of this conversation I'm going to ask him about that. They have established the Basser Center for research, treatment, and prevention of BRCA related cancers at the University of Pennsylvania. I'll give him a chance to talk about that. But it's an extraordinary thing that he and Mindy are doing. They've also established the New York City Kids Rise Program to increase college savings for low-income children in New York City. So, we're going to talk to Jon about the economy, about markets, about Blackstone and leadership. So, let's give Jon a proper welcome at Goldman Sachs. Welcome Jon.

Jonathan Gray: Thank you.

John Waldron: Okay. So, let's start with your personal story. You grew up, I think, in Chicago. I grew up in Ohio. So, I've always liked that about you as a Midwest kid.

Jonathan Gray: We're a long way from home.

John Waldron: We are. Just talk about how you got to Blackstone in the first place.

Jonathan Gray: Yeah, I grew up suburban Chicago. I'd never been to the east coast till I went to college. Never been to New York. My senior year in college in a three-week period of time, I met a young woman in romantic poetry class. True story. And I got a job working for a very small financial firm in New York. And now almost 33 years later I'm with the same woman. I'm working at the same firm. So, I have the most boring biography of anybody you would have met.

And when I got to the firm, it was a tiny place. It was 75 people. We managed 750 million dollars. One private equity fund. I worked in M&A. We had an advisory business at the time. I worked in the private equity business. Mostly my job running numbers, doing pitch books, and making sure the associates had dinner by 7pm. That was the key thing.

And about a year into it, the real estate world has collapsed. And our visionary founders, Pete Peterson, Steve Schwarzman said, hey, we should go into this. They found a great guy in Chicago named John Schreiber. And they said, "We need some junior people, do you want to help? It's going to be a short-term gig." And I said sure.

And I spent the next 25 years helping to build what became the largest real estate business in the world. And about seven years ago I got this job to be president and COO. And so, all I know is Blackstone. And it has been an amazing run.

John Waldron: That's an incredible story. Let's talk about Blackstone. Also, an incredible story. So, Blackstone today, trillion plus dollar alternative asset manager. But go back to your remembrances of the beginnings because you were there pretty early. And talk about the evolution and talk about some of the key elements of how Blackstone has become the Blackstone we know today.

Jonathan Gray: It was a very small place, obviously, when we started. And alternative assets really were a very niche business because large pools of capital only invested in liquid assets. And interestingly, that didn't really change till ten or 15 years ago in some sense. Private equity developed, which was our first business. Then real estate private equity. We moved into credit when we bought GSO. But that was really opportunistic, distressed credit. We had a hedge fund business.

But mostly, you gave us and our competitors money to do a small number of things. Very high return strategies. And we had a small number of customers. We had several hundred customers. Pension funds. Sovereign wealth funds. Some endowments. And I'd say the tipping point for us really was, you know, after the financial crisis.

Rates came down significantly. And investors became open to trading away some liquidity for higher returns in other asset classes. Safer, more yield oriented, core plus real estate, infrastructure, performing credit, both investment grade/non-investment grade. And the number of investors began to expand pretty dramatically.

So, we moved to more institutions, to individual investors, to insurance companies. And I would say it's been a pretty amazing change the last ten years or so.

And even though we've grown to be much larger today, my optimism about the potential of the business is much higher. And what I would say is that the most important thing that took us on this journey, I'd say two really key things. One is we always focused on delivering returns. You know? It's a bit like you're in a pizza shop. Right? The taste of your pizza is what really matters. In our business, it's the returns we generate for the customers. It's a very competitive business.

And the second thing is we've always had this very entrepreneurial spirit to sort of push and do things. And Steve Schwarzman deserves the credit. He put that in the DNA of the firm. How can we serve the customers in different ways? How can we do this in Europe and in Asia? How can we do it up and down the risk/return spectrum?

And the larger we've gotten, there've been a lot of advantages like a Goldman Sachs in terms of scale and insights and relationships. So, you know, it in some ways feels very different. But the basic business, raising capital, delivering good returns, running a high integrity firm, trying to have a great culture, the basic building blocks have stayed absolutely the same.

John Waldron: Yeah. So, I want to talk about a transaction. I wouldn't ordinarily ask you about a transaction. But you and I both know a company called Hilton Hotels reasonably well. You better than I do. And it was a transaction Goldman Sachs was involved in. Blackstone led. Right at the precipice of the financial crisis.

To me just speaks about that time and the market and a lot about how you guys have grown beyond that as you just pointed out.

Probably the best single, private equity deal of all time from a nominal profit standpoint. Didn't start out that way in the early days of the financial crisis. Maybe just tell the story of Hilton just as a way to, you know, kind of bridge from that point to where we are today.

Jonathan Gray: It was a terribly timed transaction. And we bought Hilton Hotels. We committed in July of 2007. Just about the time of our IPO.

John Waldron: Just about the peak of the market.

Jonathan Gray: Just about the absolute-- you could put a pin on it when we committed to this. We closed in October. And we bought the company for $26 billion. We put $20 billion of leverage, it was a different era, on it. We put $6 billion. Goldman Sachs was a minority partner. But we put a ton of capital from our real estate funds and our private equity fund. And we went all in in absolutely the wrong moment.

And, you know, fairly soon thereafter the financial markets, as we all know, got into big trouble. The real economy got into big trouble. And we found ourselves highly levered with EBITDA, cash flow down 40 percent. So, let's just say it was not a good set up. And we wrote the investment down by almost 3/4 on an unrealized basis. So, you can imagine the investor meetings I was having at that point.

Fortunately, we had an amazing management team. Our mutual friend Chris Nassetta did a great job through the crisis and since then. We had some great assets in the company and a really powerful business. The Hilton brand, Hilton Garden, Embassy Suites, Hampton Inn, all these amazing brands. A global world that wanted these brands. And we had a strong instinct that this was cyclical. It wasn't secular in nature. That people, ultimately, would travel again. And we'd seen that in a smaller way after 9/11.

So, despite all the negativity out there, we stuck with it as a firm. We ended up putting in $800 million. We worked with Goldman and the other banks, really in a consensual way to get to a good outcome for the company to help delever.

John Waldron: How controversial was it inside Blackstone at that point to write that $800 million check?

Jonathan Gray: I mean, there were obviously doubters. There were concerns. But the good news is we set parameters that we had to get enough time on the debt. You know? We had to make sure we had cash flow coverage. And I think some of those concerns made us ultimately make a better deal.

But I think generally there was a consensus that this was a really good business. And fortunately, just after that we committed at the end of ’09 to do that. Put the money in in early ’10. Things started turning around. And the cyclical recovery happened. The business kept growing. The management team did a phenomenal job. And we ended up taking the business public. I think you guys were the lead on the IPO. We broke it into three companies. And it’s been phenomenally successful. My big mistake was should have just held those shares.

But I will tell you, you know, what are the key takeaways?

To me, there were two. One pretty obvious, which is maintain your equanimity in very difficult periods of time because you could have gotten quite discouraged and not kept working it. And you would have had a very different outcome.

The second one, which I think has really been fundamental to shape me as an investor and some of the things we do at the firm, is, you know, you look back at this and say, how could we have paid a huge price at the absolute worst time and ended up making $14 billion for our investors? Well, we obviously had a really great management team. That helped. But we invested in a great neighborhood, global travel and a great business model, this sort of franchise, management, capital-light business.

And so, it made me think, how can I find other things like that? Single family housing after the financial crisis. Global logistics with the movement of e-commerce. Today, things like data centers and power. Certain areas geographically around the world. India. All these things.

And you start to say the model matters and the 60-page memo matters, but maybe that first paragraph, what is the sector I'm deploying capital in and the underlying business, and maybe I should focus a lot more on that. Now, it doesn't mean you can pay any price, we saw that in 2021, for a good business. But there is no question that investing in better neighborhoods, your chance of success goes way up.

And so, when you see Blackstone and you see these sort of high conviction thematic areas, I think a lot of it comes back to that somewhat searing experience that happened in Hilton.

John Waldron: Yep. That's a good message. I'm going to come back to some of that thematic point that you just made. But let's just go to the macro for a second because you think a lot about the macro environment, you know, as you think about kind of how to steer the firm forward. And you've got a unique vantage point. You see companies, assets all over the world. Similar to us. That's one of the great privileges of being at these two firms. You have an enormous purview to watch a lot of micro data points. What is your current take today on the macro, you know, whether it's your bottom's up analysis or your top-down view?

Jonathan Gray: Well, I would say what I've learned the most is looking at the data to your point John is the most helpful thing. Because reading the paper and other things, for us, the 230 companies, the 13,000 pieces of real estate, all the infrastructure, everything gives you a lot of real time data. And what it's been saying the last couple years, and even now, is the US economy and the global economy have been more resilient than we would have expected, despite very tight Central Bank policy. And we see that in revenue growth in our companies. We see that in the low level of defaults to our non-investment grade borrowers.

What we are seeing though is some slowing. Sequential revenue has been coming down in terms of growth. Hiring is definitely more muted. And in the consumer segment, where you look at our theme parks or some of our consumer goods businesses, we see some of that slowing.

The good news is that much of the slow down, obviously, has been caused by the central banks and it's only slowed so much. And the Fed has been quite successful, and other central banks, in killing off inflation. And when we look at our portfolio companies, our manufacturing companies have very little increase in input costs. Rental housing costs are running well behind the government's lag data. And the labor market, we survey our portfolio companies every quarter and we ask them, you know, what do you think wages will be a year from now. They're saying a year from now they think it'll be low threes.

And so, I think the Fed has real cover. There's a lot of debate and saying the economy hasn't slowed enough, why is the Fed cutting rate? Their mandate is price stability and full employment. And they've had real success now with price stability. And so, they're looking at employment. Their mandate isn't to slow the US or global economy.

So, our take here is I still think there is some downward pressure slowing things down. But there's definitely, and we've seen it in recent numbers, not just in the US, around the globe, slowing inflation. And central banks here and around the world will be accommodative now. And for all of us who are engaged in asset values and transaction activities, this is a very good thing. It may not be a good thing for your personal life next year in terms of how busy you're going to all be working next year. But rates coming down is very positive.

John Waldron: Yeah. Okay. We agree. So, let's shift to transactional activity. As a big customer of capital markets activity, funding, lending, you know, wanting to take companies public, sell businesses, what's your read currently on activity, capital markets availability? To your prior point, how do you think about the next 12 - 24 months?

Jonathan Gray: You know, the healing has definitely begun. One of the reasons starting a year ago we started allocating more capital is we're beginning to see these early signs. Obviously, we'd been watching the inflation come down. But rates really peaked in October of last year, early October. We began to see spreads come down.

And to sort of understand real world why this matters to transactions, we did a deal with Emerson. When we tried to do that, we could borrow at 13 percent. Was basically the cost of debt capital. And we could only borrow in the markets 20 or 25 percent of the total enterprise. Think about the cost of capital when you weight an equity as well at high teens. That makes doing deals very hard.

So, as the Fed lowers rate, as the ten-year treasury comes down, by the way, people become more interested in fixed income. Spreads start to tighten there. And the weighted average cost of capital comes way down. And that starts to get that flywheel going.

Now, the other piece of this which has not yet begun, and you would have more insights, but the IPO market, that should restart. As equities continue to rally, that will be like a magnet sucking in private companies. Yes, the early ones will come out at bigger discounts. But I think we'll see more of that.

And so, you'll begin to see more transaction activity. And if you went back to the early '90s or after the financial crisis, M&A volume fell 50 - 60 percent. And then it started to rebuild. Same thing happened '22 and '23. Now with more accommodated policy, we're going to start to see things get better. So, I would expect much more robust transaction activity.

Now, geopolitical things could happen. You could get a bad inflation print. But I think the path of travel is definitely to more transaction activity.

John Waldron: Yep. All right. Let's go back to the themes because I've always looked at you and thought one of your superpowers is you create this thematic perspective. Just clip through the things that right now are top of mind for you guys thematically.

Jonathan Gray: So, I would say data centers are definitely top of the list. And the way we think about it is what are big things that are happening? And are there ways that are slightly derivative, you know, where you can play the picks and shovels without necessarily having to pick the winner in something like AI?

So, if you think consumption of data is going up, cloud migration is going to continue, our lives are going to keep moving online, and then AI is going to fundamentally change how we live our lives, how businesses operate, what is the physical manifestation of that? Where do they put all those GPUs together in these large language models? Where does that happen? It happens in data centers.

We've been buying all sorts of businesses, different parts of the supply chain. And it's exactly like you said, John, which is if you see something and you have a neighborhood, how can I express it in private equity? How can I express it in real estate? In credit? In infrastructure? In growth? In liquid markets? Like, what can we do? How can you flood the zone? And it feels to us like this still has a way to go, certainly, when you listen to the biggest technology companies.

Directly related to that is power and energy. You know, people think of power and energy as not that exciting. For those of you in the utilities group, like, oh, people aren't saying that's the most exciting business sector to go in. Today, it actually is because two mega trends are happening at the same time. One, many companies and countries are trying to move from hydrocarbons, particularly coal, to renewables. So, that's impacting where the supply of power's coming in a very big way.

And then on the demand side, after 20 years of flat power demand in most developed markets, because of electrification of cars, because of some reshoring, and particularly because of data centers, we're seeing this huge surge of demand.

So, what does that mean? Well, build lots of renewables. We have a big renewables business in energy. Invest in transmission to the extent you can. We're building a hydropower transmission line from Quebec to Queens. It also means traditional hydrocarbons, you know, that's an important part of this. And then there are all sorts of services that utilities need, software consultancy, grid hardening, as this electrification wave continues. And you play it in credit and in private equity and our energy transition funds. Again, another really good neighborhood.

I'd say life sciences would be another one of these. Again, the power of technology now going with the power of science. What we're seeing in genomics putting these things together. I think all of our lives are going to be very different as a result of precision medicine that, you know, rather than a doctor saying, "Well, maybe you should take this versus this." You know, your genome gets sequenced. This is the therapy or mix of therapies. That just means a lot of things. Investing in companies that run trials. We bought three of those businesses in Australia, Japan, and the US. Invest in the real estate. We have been a major investor in some of the big, you know, drug therapies out there in partnership with pharma companies, life science companies, in oncology and around the heart and neurology and the whole thing. And again, it's a very big area where there are going to be more demands.

And we could go on and on. Obviously, alternatives is a space we know a lot about. Secondaries. Stakes and other managers. Leveraged loan direct lending. Try to find things.

Geographically. India, we've been probably the biggest foreign investor in the world there in both private equity and real estate. Super exciting things. A government that is pro growth. Lots of new infrastructure. Physical infrastructure. But legal infrastructure. Dispute resolutions improved. Enforcement rights in credit. The capital markets, we were talking beforehand how India's the strongest IPO market in the world by the way. After the US, it's been the best performing stock market over the last ten, 20 years in dollar terms. And there we're really trying to be builders of businesses. Find a financial services or a travel company or a healthcare company that's serving the rising middle-class or shopping center or logistics, real estate business, and bring our management expertise and capital, really help them grow. Do some acquisitions. That's an area where we think there's a lot of runway.

And some of these things can last a long time. There's a global shortage of housing as we talked about. So, finding these things and then executing against it, to me this is the way we can really differentiate ourselves. And it's really something we try to do at the firm level. And it's now beginning to happen organically across the firm. And then you try to share those ideas and insights across the firm. And we're not perfect. But we're trying to get better everyday.

John Waldron: So, let me pick up on that last thread because, you know, as a chief operating officer myself, the execution part of that is always the hardest thing to get right. So, when you decide on one of these themes, any of them, how are you actually getting Blackstone to prosecute it as a firm as opposed to, you know, off of one platform?

Jonathan Gray: Yeah. Well, it's definitely a team sport. And people can identify these. I'm one of many voices who are seeing these things. But when we identify something, you try to point it out. We have our Monday Blackstone TV, which is an internal Zoom call, but we call it Blackstone TV.

John Waldron: We're going to get to that.

Jonathan Gray: Yeah. And we try to talk about good neighborhoods, thematic. We talk about it in the various investment committees, in the operating committees, at the partner meetings when we see a really great neighborhood we may have one or two people across different business units come and make a presentation so the other partners can see across the firm, "We're seeing something really unique." And then it makes everybody, somebody in credit say, "Gosh, I should be thinking about lending to those types of businesses." There's an element of concussion bombing to this, right? You find something and you try to signal it in everything you're doing. And you're encouraging people and rewarding people also financially for finding opportunities in a good space.

One of the challenges with the thematic investing is, a couple challenges, one is you end up paying too high a price just because you get so enthused. Or it's a bad business in a good neighborhood.

The other thing is sometimes the neighborhood may change. Right? There have been trends that have been really good. But then the technology changes. Something. So, you've got to constantly be checking. I mean, one of the questions on data centers these days is do you have a bubble? Is there too much capital going to it? There, fortunately, you know, we think the power is a real constraint and you tend not to speculatively build a $2 billion data center. So, the tenant demand creates a constraint as well.

But you have to, as an investment organization, as much as you're leaning forward, constantly be questioning. And so, the investment committee process can be one way where we say, yeah, that's a great neighborhood. But use streaming as an example, right? That was a really good area. A lot of people. Production of content. I still think it's a long-term growth business. But there was too much capital. And we've seen a retrenchment now.

So, there's a balance to this. And so, we're definitely encouraging it. But then we want to be cautious and skeptical at the same time,

John Waldron: Okay. Very good message. I want to ask you about commercial real estate because you've got so much expertise, history, you know, footings. Everybody asks, you know, has it bottomed? Has it not bottomed? What are the risks? Just give us your view on commercial real estate broadly.

Jonathan Gray: So, we said in January, publicly on earnings, that we thought commercial real estate was bottoming. And we've continued to believe that. I'll explain why in a sec. And we've been very business this year deploying capital. We've been a huge buyer of logistics in Europe. Got a bunch in our Asian real estate pipeline.

If you look at commercial real estate, I would break it into two parts. The office sector, which has faced fundamental challenges because unlike Goldman Sachs and Blackstone, at most places they're in the office two or three days a week. You guys probably have noticed that.

John Waldron: No ties in here. But people are here.

Jonathan Gray: Yes, yes. We're the only ones with ties. So, you know, the office sector is 25 percent vacant in the US. There's weakness in Canada and Australia, you know, the city in London, a lot of fonts in Paris. And that's going to take a while to dig out of. And that's really hurt the value significantly.

In the rest of commercial real estate, and the two big areas we focus in, logistics and rental housing, the vacancy is 5 - 6 percent in the US. The fundamentals have slowed. Totally fine. What happened was back to our cost of capital, you know, the interest rates went up. The borrowing costs went up. The capped rates or unleveraged yields went up the multiples, came down. They went from 3.5 to 5 percent. That's happened. But the business is fine.

And so, when we began to get those signals at the end of last year saying, look, the markets are recognizing inflation coming down. The Fed's starting to tilt towards a different area. As cost of capital comes down in these sectors, we should go out there and get ahead of it.

And the problem for investors is they're often looking in the rearview mirror. So, they're saying to themselves, "Real estate, oh, I got all this troubled real estate. And I don't want to go back into that." And they're reading the headlines of the deals that were made in 2021, which are coming due. The debt comes due. Or the bad office deal. Or whatever. And they're like, oh, they're still a mess here.

But if you went back to 2009, the best investments in that cycle were then. You didn't get the all clear sign from everybody else till 2012. And so, to generate excess returns, sometimes you need a contrarian view and say, "Hey, I can see what's happening. The fundamentals are decent. Cost of capital is coming down. Transaction activity is going to pick up. The REIT markets are starting to recover. Let's try to get ahead of this."

But it's hard for investors because they tend to look backwards. And they tend to see the pain that has occurred. And yet, in reality in real estate, it's a cyclical business and if you were an investor after the downturn in the early '90s, you would have made a lot of money. If you were an investor in real estate after the financial crisis, you would have made a lot of money. And my guess is, if you're an investor today, the same thing will happen.

John Waldron: Yeah. Okay. All right, let's shift to your leadership style. Now we're going to get into Blackstone TV and morning runs and--

Jonathan Gray: The really important stuff.

John Waldron: Holiday videos. So.

Jonathan Gray: I love the laugh on that.

John Waldron: You're a very approachable guy for a person in your position. Which strikes me. I'm sure people at Blackstone would say the same thing. Describe your style. What is your actual leadership style?

Jonathan Gray: Look, I guess I feel incredibly lucky to do what I do. I have genuine affection for the people I work with. I love the intellectual challenge of investing capital. I love the entrepreneurial spirit of thinking about how we can build a new business. And I feel incredibly fortunate, blessed, I know you feel the same way, in my role. So, I try to bring some enthusiasm to what I do. And some humility too, because the investing business definitely can make you humble.

And I think if you come at it with a lot of energy, then that sort of flows to other people. And the social media, the holiday videos, you know, sometimes they call Christine Anderson who you know who runs our corporate affairs area, and they're like, "What's your strategy for all this?" And the reality is this stuff sort of happened naturally.

You know, when I got the job, we had to cancel the holiday party because we'd gotten too big to get everybody somewhere. And I was like, oh my gosh, I'm going to be Scrooge here, right? I'm going to cancel the holiday party. And instead, you know, I said, "We've got to do something." And we came up with this idea of this spoof office holiday video which kept getting bigger each year till last year we sort of jumped the shark. And now the pressure's on to do something equally--

John Waldron: Yeah. You must already be planning now.

Jonathan Gray: Trust me. We're on it. Equally insane, cringe worthy. The whole deal. We've got to do all of that.

But it shows a humanity to your organization and to your investors around the world. Blackstone TV, our Monday Zoom call came out of COVID. It was a way to start communicating on a regular basis when we were all at home in our boxer shorts like, “Hey, here’s what’s going on at the firm.” And it’s become a powerful tool for me, Steve Schwarzman, Vik Sawhney to talk to everybody about what we’re seeing in the world. We have photo contests of people having babies and getting married and climbing mountains or what their pets or whatever it is. And then we talk about what’s happening at the firm.

And then the running videos we were talking about it beforehand, I used to do these things for my kids because I’m traveling the world and I didn’t want them to forget I exist. So, I’d be like, “Hey, I’m in Australia” or I’m in Europe or wherever I am in the world. And I decided when I was doing a run in Sydney to just do some of that. And I put in a little bit of business content as well. And it went totally viral. So, the team was like, you should do this again. So, Tokyo, East Lansing, Michigan, whatever it is.

And I think people genuinely like to see folks like us in human situations sweating, panting, what do they do on a trip? There’s something authentic about it. And it makes you more approachable. And makes people realize you’re human beings. You’re like everybody else. You’re trying to regulate your body and you're in a different spot.

And so, it's become sort of fun. At some point it may be too much. My kids, I'm sure, will tell me that. But for right now, I'm having fun.

John Waldron: Yeah. I think it's great. You know, making yourself more human is a great leadership style. All right in the time we have left I want to give you a chance to talk about philanthropy. So, I mentioned at the outset, just talk about how you and Mindy have approached your philanthropy. How you think about it. Why it's important. What your forward vision is.

Jonathan Gray: Look, I think like a lot of people, we never expected to find ourselves in this kind of position. From where I grew up in Chicago, Mindy grew up in a pre-Civil War row house in Philadelphia. And I think we both felt a sense of responsibility that you've got to do something with it that has an impact.

I would say we started doing it poorly. You know? Dabbling here. Doing this. And a little bit, like, high conviction investing we said, you know what, we need a good management team. We brought our friend Dana Zucker on board to help give us some structure and guidance. And we said let's pick a couple things we really believe in. And for us, it was this BRCA gene mutation because we'd lost my wife's sister, Faith Basser. And we wanted to try to accelerate the research, early detection. We set up the center at Penn. But have supported a bunch of other medical institutions around the world in this area.

And the other area of focus was low-income kids in New York City because our kids got every advantage in the world. Private schools and tutors and this and that. And here are all these deserving kids who don't have the same kind of opportunities. So, what could we do around education, healthcare, opportunities? We set up the Children's Savings Program in partnership with the city. We partner with all of these different organizations. Swim lessons. Sports programs. Culture programs. Give these kids a shot to find opportunity, to get to college, to get some of those same opportunities my own children get.

And what I'd say about it is the rewards of doing this are enormous. And I'd recommend it. I know many of you do philanthropic things. Goldman does a ton of stuff. I know you personally do. It has all these ancillary benefits. And for Mindy and me, it's been a great way in our lives to spend a bunch of time together and to feel like we're making a difference. And I feel great about it.

You know, sometimes we don't get it perfectly right, but we run it a bit like a portfolio company. Regular reports. Regular meetings. Disciplined, sort of, ROIs on what we're doing. And like anything I've learned, if we focus on it, structure it right, have the right people, partner with the right organizations, good things can happen.

John Waldron: Yeah. Well, I commend you both. You guys have had a huge impact. And I think you will continue to have a huge impact.

We're going to say thank you, Jon, for taking the time to do this, first of all. It's enormously valuable for our people. I think it strengthens the relationship. There's more education, understanding what you're trying to achieve at Blackstone, and how we can be helpful at Goldman Sachs. And just thank you for what you're doing, and we really appreciate you being here. And have a good weekend.

Jonathan Gray: Thank you. It's been wonderful. Thanks everybody.

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