Goldman Sachs Asset Management

Market Pulse

April 2021

Perspectives from GSAM Strategic Advisory Solutions

MACRO VIEWS

COVID-19: The recent pick-up in vaccine rollout and supply leads us to believe that reaching 60% total immunity level in the US is possible by April. Currently, 29% of the population has received at least one dose and the Good Judgment forecasts a 98% probability that 200 million Americans will be vaccinated by July 2021. The UK will likely be on a similar timeline, with continental Europe trailing by a few months.

RECOVERY: With the ~$1.9tn American Rescue Plan (ARP) passed, we have revised our growth expectations for the US up to 7.2% in 2021. The Biden administration has proposed several trillion in infrastructure, healthcare, and education investment. Unlike the ARP, this spending may be less front-loaded and growth impulses will likely be spread over the next decade.

MONETARY POLICY: The Fed maintained its dovish posture following the March FOMC meeting, despite market pricing for firmer inflation and earlier policy normalization. Fed guidance remains data-dependent and accordingly, we left our forecast for liftoff unchanged (H1 2024) with tapering beginning in 2022. Meanwhile, we expect the BoE to also lead with tapering to reduce rate impact on assets and to create policy room for the future, pushing liftoff to 2025.

INFLATION: Low base effects and transient supply chain constraints should push US core PCE above Fed target in April to 2.3%. Still, sustained inflation remains unlikely – excess spending from one-time fiscal impulses should subside and labor slack may take time to absorb. Meanwhile, disinflationary pressures driven by rental flight from urban settings and bipartisan support for drug price control should keep inflation digestible in the medium-term.

MARKET VIEWS

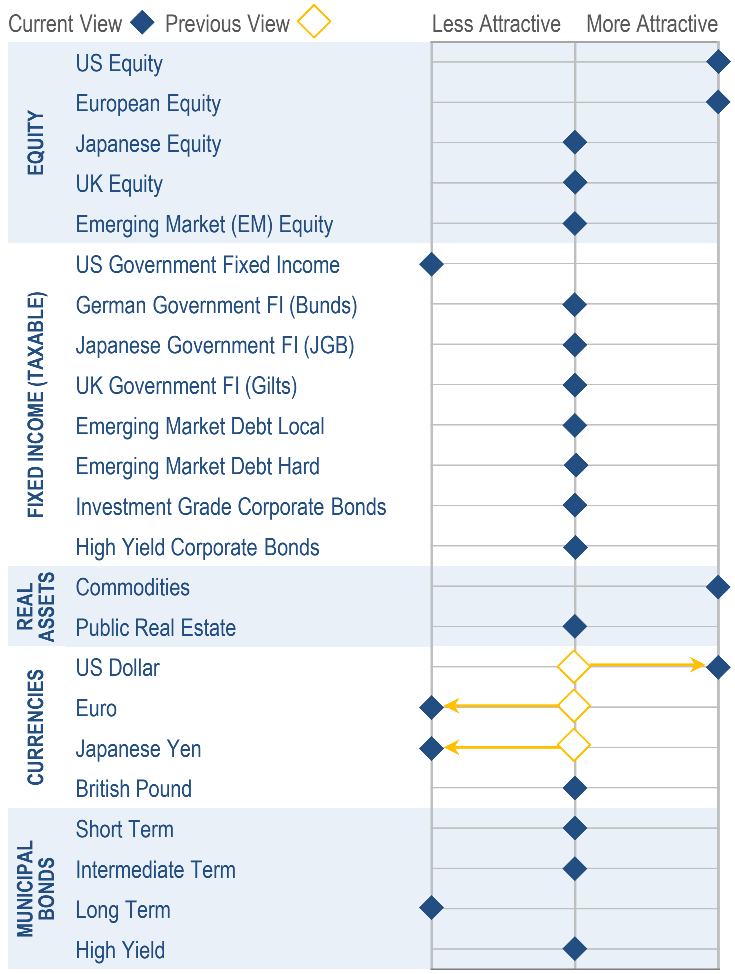
EQUITIES: Easy financial conditions and an accommodative Fed should continue to fuel equities. However, the next fiscal priority featuring an enhanced infrastructure deal, partially funded by higher taxes, may create headwinds for company earnings. While still fluid, we think the final tax outcome will be more modest than what is currently proposed. We estimate a 3% hit to 2022 S&P 500 EPS ($197), with growth sectors bearing relatively more burden. Still, we advocate for a neutral allocation to both growth- and value-style equities, balancing the near-term cyclical boost with longer-term growth potential.

CREDIT: Although reflation has gained momentum, the growth-driven rates sell-off has kept corporate spreads tight. We maintain our recommendation to actively manage duration exposure with a preference for leveraged loans over HY, supported by a similar carry advantage, positive net inflows, and limited HY upside given a majority of HY bonds already trade above their next call price.

COMMODITIES: Improved growth and redistributive fiscal policies may extend the commodity rally. For crude oil, rebounding global demand balanced against sustained inventory deficits may outstrip OPEC's ability or willingness to ramp up production. Meanwhile, a global emphasis on de-carbonization plans should drive up base metal consumption, a critical raw input to clean energy infrastructure.

FX: Relative strength of the US recovery, quicker pace of vaccinations, and higher real rates may support a stronger US dollar in the near-term, though this momentum may be limited by a tamer central bank, rising commodity prices, stretched valuations, and the potential for a broader global growth catch-up.

ASSET CLASS VIEWS[1]



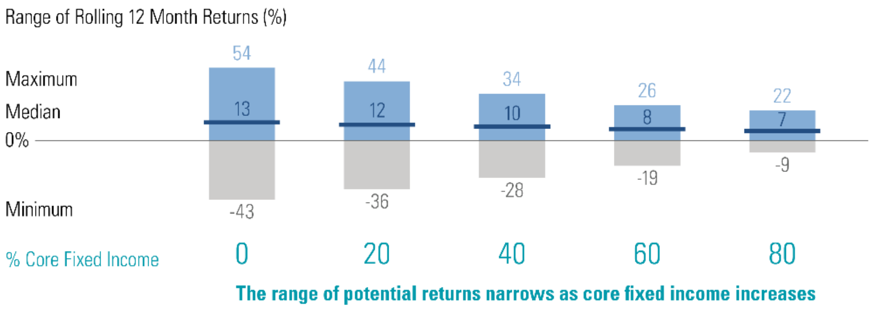
ASSET CLASS FORECASTS[2]

	Current	3m	12m	% Δ to 12m
S&P 500 ($)	3975	3900	4300	8.2
STOXX Europe (€)	427	420	450	5.4
MSCI Asia-Pacific Ex-Japan ($)	676	705	770	13.8
TOPIX (¥)	1984	2100	2150	8.4
10-Year Treasury	1.6	1.8	1.9	28.8 bp
10-Year Bund	(0.4)	(0.2)	0.0	35
10-Year JGB	0.1	0.2	0.3	23
Euro (€/$)	1.18	1.21	1.28	8.5
Pound (£/$)	1.38	1.41	1.45	5.1
Yen ($/¥)	109.6	108	103	(6.0)
Brent Crude Oil ($/bbl)	64.6	75.0	75.0	16.2
London Gold ($/troy oz)	1732	2000	2000	15.5

Source: Goldman Sachs Global Investment Research and GSAM as of April 2021. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Goldman Sachs does not provide accounting, tax or legal advice. Please see additional disclosures at the end of this presentation. **Past performance does not guarantee future results, which may vary.**

CORE TRAINING

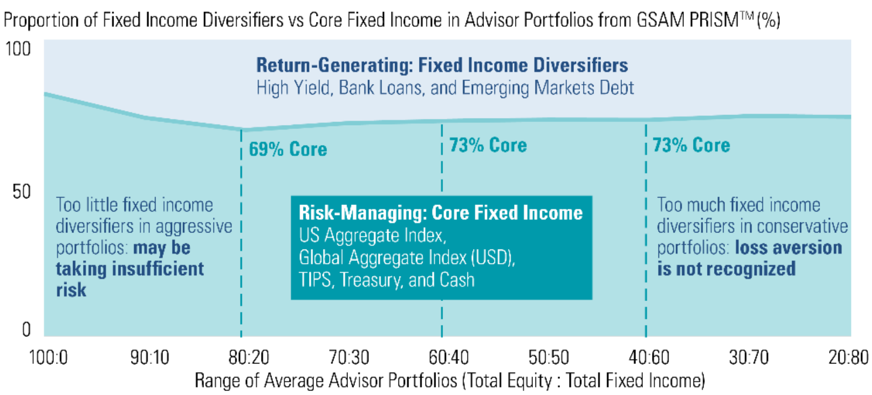
When building portfolios, we believe that not all fixed income assets are created equal. Traditional classification of bonds include a variety of assets with differentiated properties. We think classifying bonds into risk-managing (core fixed income) and return-generating (fixed income diversifiers) may help frame asset behavior, return expectations, and the role of capital preservation. Through our proprietary GSAM PRISM™ analysis, we have found that a more customized approach to implementing fixed income in portfolios may often prove additive.



Source: Bloomberg and GSAM SAS/Portfolio Strategy.

Reducing portfolio downside exposure...

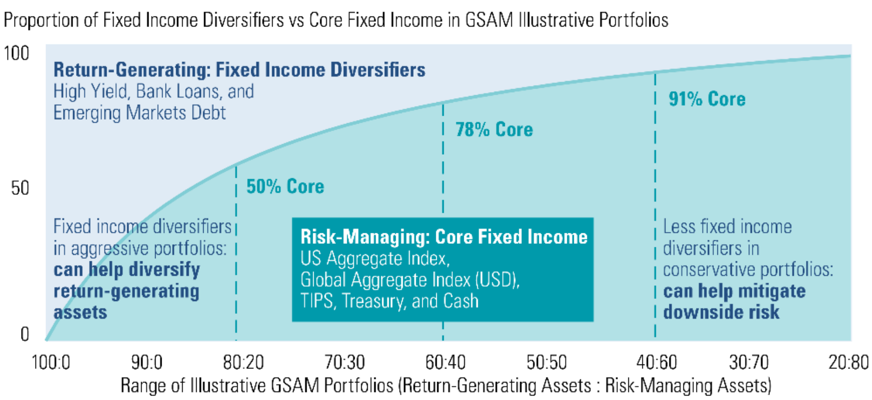
Investor tolerance for portfolio swings is often the litmus test for how much core fixed income (CFI) to own. Irrespective of yield levels, CFI has historically generated a high frequency of positive returns during periods of market uncertainty. Effectively sizing CFI, in our view, is an essential input to managing the range of potential portfolio outcomes.



Source: GSAM PRISM™.

...may require strategic understanding of CFI and fixed income diversifiers...

Despite investors' familiarity with the stability of CFI, in practice its implementation does not appear to vary widely across portfolios of varying risk postures. Fixed income is often treated homogenously, but doing so can create a mismatch between portfolio behavior and investor expectation. We believe evaluating fixed income through the filter of risk-managing or return-generating is a key strategic consideration.



Source: GSAM SAS/Portfolio Strategy.

...and their roles in portfolio construction.

A portfolio's mix of fixed income assets should align investors' risk tolerance with portfolio behavior. For instance, a conservative portfolio prioritizing capital preservation may be better served by CFI than diversifiers. Diversifiers, on the other hand, may be appropriate for more aggressive portfolios with a total return objective. In the end, portfolio allocation requires weighing multiple factors. Our team can help optimize fixed income asset allocation in a portfolio.

Top Section Notes: Bloomberg and GSAM SAS/Portfolio Strategy, as of December 31, 2020. The charts shows the range of rolling 12-month returns for a range of portfolios over the past 30 years. Each portfolio is represented by a combination of the S&P 500 Index and US Aggregate Bond Index, so that, for example, the 30% Core Fixed Income column refers to a portfolio comprised of 70% S&P 500 and 30% US Aggregate Bond. **Past performance does not guarantee future results, which may vary**. Middle Section Notes: GSAM SAS/Portfolio Strategy, as of February 28, 2021. See page 3 for additional disclosures. Bottom Section Notes: GSAM SAS/Portfolio Strategy, as of March 2021. Illustrative GSAM Portfolios refer to proprietary model portfolios created by GSAM SAS Portfolio Strategy. For illustrative purposes only. This does not constitute a recommendation to adopt any particular asset allocation.

Important Information

1. Asset Class Views for equities, credits, sovereigns, real assets, and currencies are provided by GSAM Multi-Asset Solutions. Views for municipal bonds are provided by GSAM Fixed Income. The views expressed herein are as of March 2021 and subject to change in the future. Individual portfolio management teams for GSAM may have views and opinions and/or make investment decisions that, in certain instances, may not always be consistent with the views and opinions expressed herein.
2. Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: "Global equities gained 0.3%: Emerging Markets underperformance continued" – 03/29/2021.

Page 1 Definitions:

American Rescue Plan Act of 2021 is a $1.9 trillion coronavirus rescue package designed to facilitate the United States' recovery from the devastating economic and health effects of the COVID-19 pandemic.

Basis point (bps) refers to a common unit of measure for interest rates and other percentages. One basis point is equal to 1/100th of 1%, or 0.01%.

BoE refers to the Bank of England.

Brent crude oil is a common international benchmark for oil prices.

Call price refers to the redemption price at which the issuer of a callable security has the right to buy back that security from an investor or creditor.

COVID-19 refers to the illness induced by the 2019 novel coronavirus.

Dovish refers to an economic stance where policymakers favor looser, more accommodating policy to stimulate growth in the economy.

EM refers to emerging markets.

EPS refers to earnings per share.

Fixed Income Diversifier refers to emerging market debt (USD), emerging market debt (local currency), high yield, and bank loans.

FX refers to foreign exchange or currency markets.

GDP refers to Gross Domestic Product.

HY refers to high yield.

Inflation is a general rise in the price level in an economy over a period of time, resulting in a sustained drop in the purchasing power of money.

P/E refers to the price-to-earnings ratio.

US Core PCE refers to the Federal Reserve's preferred measure of inflation, the price index of personal consumption expenditures excluding food and energy.

USD refers to the US dollar.

Volatility is a measure of variation of a financial instrument's price.

Page 2 Definitions:

Middle Chart Notes: Each point in the chart above is calculated using the average Fixed Income Diversifier and Core Fixed Income ratios in all advisor model portfolios provided to GSAM PRISM™ that fall within a +/- 10% band of total fixed income. The 100:0 point is the average of all portfolios that have less than 10% total fixed income.

Glossary

The MSCI AC Asia Pacific ex Japan Index captures large and mid cap representation across 4 of 5 Developed Markets countries and 8 Emerging Markets countries in the Asia Pacific region.

The unmanaged MSCI EAFE Index (unhedged) is a market capitalization weighted composite of securities in 21 developed markets.

The MSCI Emerging Markets Equity Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

The S&P 500 Index is the Standard & Poor's 500 Composite Stock Prices Index of 500 stocks, an unmanaged index of common stock prices. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index.

The Tokyo Price Index (TOPIX) is a metric for stock prices on the Tokyo Stock Exchange (TSE). A capitalization-weighted index, TOPIX lists all firms that have been determined to be part of the "first section" of the TSE.

The 10-Year US Treasury Bond is a US Treasury debt obligation that has a maturity of 10 years.

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

Important Information

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Equity securities are more volatile than bonds and subject to greater risks. Foreign and emerging markets investments may be more volatile and less liquid than investments in U.S. securities and are subject to the risks of currency fluctuations and adverse economic or political developments. Investments in commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. The currency market affords investors a substantial degree of leverage. This leverage presents the potential for substantial profits but also entails a high degree of risk including the risk that losses may be similarly substantial. Currency fluctuations will also affect the value of an investment.

Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity, interest rate, call and extension risk.

A 10-Year Treasury is a debt obligation backed by the United States government and its interest payments are exempt from state and local taxes. However, interest payments are not exempt from federal taxes.

The above are not an exhaustive list of potential risks. There may be additional risks that should be considered before any investment decision.

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Past performance does not guarantee future results, which may vary. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

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