

Perspectives from GSAM Strategic Advisory Solutions

MACRO VIEWS

COVID-19: With the share of the vaccinated population now over 50% in the US, domestic travel and spending in the leisure and hotel sector have recovered to ~80% of pre-pandemic levels. However, new variants remain a downside risk, such as the Delta variant that delayed UK reopening.

GROWTH: The pace of US GDP growth likely peaked in 2Q 2021, while non-US economic growth will accelerate and hit its peak in 3Q 2021, as Europe, Japan, and emerging markets ex-China all accelerate to reach peak growth rates. This divergence may drive a rotation from US-facing to global-facing cyclical stocks, and present tailwinds to companies that are levered to Europe's reopening.

INFLATION: Measures of US inflation have risen, driven by a combination of base effects, stimulus-driven demand, and transient factors such as supply chain disruptions. We believe that US core personal consumption expenditures (PCE) peaked in May at +3.4% YoY and will be 3.0% at 2021YE. In Europe, reopening combined with rising commodity prices has led to a pick-up in inflation, though we believe the Euro area consumer price index (CPI) will ease in early 2022 after one-off factors fade, and reach 1.5% at the end of 2024.

FEDERAL RESERVE: June's Fed meeting took a hawkish tone with the dot plot showing two hikes of 25 basis points in 2023. In our view, this shift was a reflection that present labor market concerns may be more transitory than inflationary pressures, which have already reached average target levels for this cycle. As such, future policy decisions may be influenced by this year's higher inflation readings. Consequently, we brought forward our forecast of Fed liftoff from Q1 2024 to Q3 2023 and think asset tapering will likely begin early in 2022.

MARKET VIEWS

VALUATION: While valuations remain stretched, we believe US equities can sustain elevated levels on the back of the economic recovery, easy policy, and improving corporate profitability. Internationally, deep discounts and front-loaded earnings provide a rich environment for active stock selection.

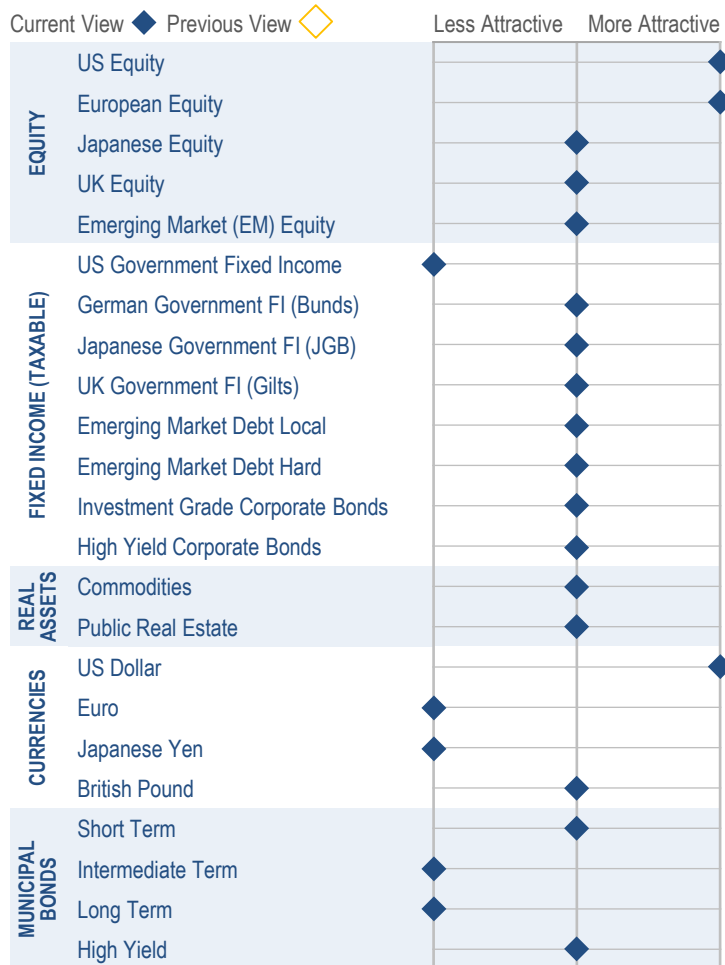
RATES: The Fed's hawkish policy views drove meaningful curve flattening as the market repriced expectation for policy liftoff and future growth. If an earlier policy hike also pulls forward tapering, we think the belly of the curve may see the greatest impact, though limited by market expectation of long-term neutral rates. In the medium term, inflation pressure may translate to higher real yields.

CREDIT: We find greater relative value in US bank loans and investment grade versus high yield following the Fed's decision and our expectation for 1) limited spread compression, 2) reduced steepening potential, 3) lower odds of inflation surprises, and 4) better carry/duration tradeoff in short-duration assets. Our overweights are funded from agency mortgage-backed securities as extended valuations, tight spreads, and tapering risks weigh on the asset.

COMMODITIES: Notwithstanding recently lowered inflation expectations, we believe the broad commodity complex is supported by chronic deficit conditions. Physical scarcity against higher global demand are expected to drive prices higher for energy, industrial metals, and comfort commodities alike.

VOLATILITY: Investors' long positioning and extended equity allocations may pose risks in down markets, but we think current liquidity and market breadth could offset this impact. While volatility concerns are valid, strong company fundamentals would likely encourage us to "buy the dip" rather than "de-risk."

ASSET CLASS VIEWS¹



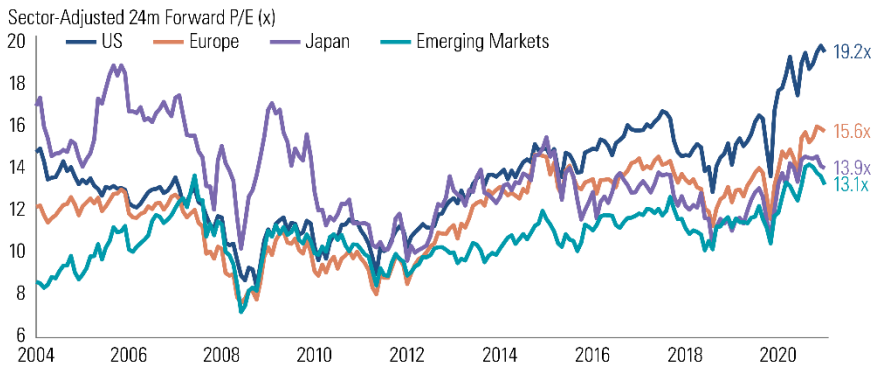
ASSET CLASS FORECASTS²

	Current	3m	12m	% Δ to 12m
S&P 500 (\$)	4281	4300	4450	4.0
STOXX Europe (€)	458	460	480	4.9
MSCI Asia-Pacific Ex-Japan (\$)	703	700	770	9.5
TOPIX (¥)	1963	2050	2150	9.5
10-Year Treasury	1.5	1.9	2.0	51.5 bp
10-Year Bund	(0.2)	0.0	0.0	15.9
10-Year JGB	0.0	0.3	0.3	25.2
Euro (€/\$)	1.20	1.20	1.25	4.6
Pound (£/\$)	1.39	1.36	1.42	2.1
Yen (\$/¥)	110.8	110	106	(4.3)
Brent Crude Oil (\$/bbl)	76.2	80.0	75.0	(1.5)
London Gold (\$/troy oz)	1787	2000	2000	11.9



GOING GLOBAL

The S&P 500 Index has rallied nearly 90% since the low of March 2020, notching new all time highs on the back of record earnings, liquidity, and valuations. Going forward, investors may find more relative value and return potential by broadening their borders. Global equity markets offer a wide breadth of stock selection opportunities at attractive prices with good growth potential in this year and beyond. In this market, we favor alpha over beta, and companies over countries.

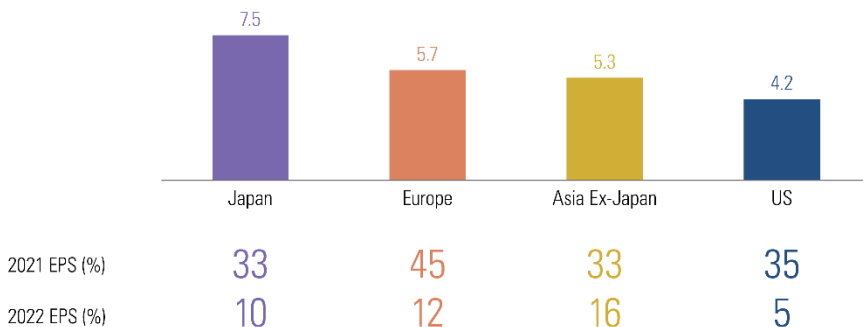


Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management

Discounted sector-adjusted valuations abroad may balance out stretched multiples in the US...

The frontloaded recovery of US equities has brought global valuation differentials near all-time wides. As such, equity markets outside of the US appear to be particularly ample grounds for stock selection opportunities. A sector-adjusted measure shows that it is not just the technology sector driving higher prices in the US. All else equal, megatrend leaders are on sale internationally, including in fields such as technology, healthcare, and renewables.

Earnings Beta to World GDP

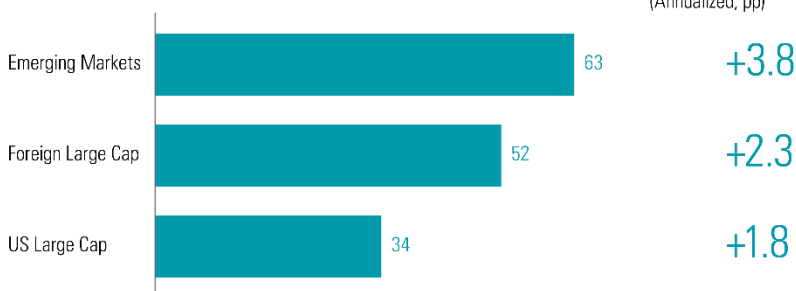


Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management

...especially given strong global growth...

Markets outside of the US have a longer runway ahead, as we expect peak activity and earnings growth to occur later this year. A high beta to global growth (forecasted to be 6.6% in 2021) due to strong trade linkages and cyclical sensitivities should be particularly supportive of these markets. Even so, more infectious virus strains and uneven recoveries across economies pose pockets of risk that we think are best addressed actively.

Proportion of Active Funds that Outperformed Median Passive Fund (% Median Jan 2010 – Mar 2021)



Magnitude of Outperformance Relative to a Passive Return (Annualized, pp)

+3.8
+2.3
+1.8

...which may benefit from an active approach

Investors in international markets have historically benefited from being selective, outperforming passive peer funds at a higher rate and by a wider margin than in the US. The idiosyncrasies in this market today continue to make it well-suited for security selection, in our view, as we favor active risk in high-quality companies at attractive prices and strong growth potential over pure country beta.

Source: Morningstar and Goldman Sachs Asset Management

Top Section Notes: As of May 31, 2021. Chart shows the sector-adjusted 24-month forward price-to-earnings ratio for the MSCI USA, MSCI Europe, MSCI Japan, and MSCI EM indices, using global average sector weights. Middle Section Notes: As of May 31, 2021. "Beta" refers to the sensitivity of index earnings to global GDP growth. Bottom Section Notes: As of March 31, 2021. "EPS" refers to earnings per share. Please see additional disclosures at the end of this document. **Emerging markets securities may be less liquid and more volatile and are subject to a number of additional risks, including but not limited to currency fluctuations and political instability. Past performance does not guarantee future results, which may vary.**

Important Information

1. Asset Class Views for equities, credits, sovereigns, real assets, and currencies are provided by Goldman Sachs Asset Management Multi-Asset Solutions. Views for municipal bonds are provided by Goldman Sachs Asset Management Fixed Income. The views expressed herein are as of June 2021 and subject to change in the future. Individual portfolio management teams for Goldman Sachs Asset Management 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 gain 2.3%; the rebound was led by cyclicals" – 06/28/2021.

Page 1 Definitions:

- Brent crude oil is a common international benchmark for oil prices.
- COVID-19 refers to the illness induced by the 2019 novel coronavirus.
- CPI refers to the consumer price index.
- Fed refers to the Federal Reserve.
- GDP refers to gross domestic product.
- IG refers to investment grade.
- 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.
- HY refers to high yield.
- MBS refers to mortgage-backed securities.
- Volatility is a measure of variation of a financial instrument's price, often measured by standard deviation.
- YE refers to 2021 year-end.

Page 2 Definitions:

- EPS refers to earnings per share.
- Middle Section Notes: Japan refers to the TOPIX Index. Europe refers to the STOXX Europe 600 Index. Asia Ex-Japan refers to the MSCI AC Asia Pacific ex Japan Index. US refers to the S&P 500 Index.
- Bottom Section Notes: "Proportion of active funds that outperformed median passive fund" refers to the median percentage of actively managed funds from Jan 2010 to Mar 2021 with returns in excess of the respective median passive ETF, over one-year rolling periods. "Magnitude of outperformance relative to passive return" refers to the median magnitude of outperformance from Jan 2010 to Mar 2021 of active funds versus their respective median passive ETF return, on a one-year rolling basis.

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 MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 434 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.
- The MSCI Japan Index represents 8% of the MSCI World Index. It is designed to measure the performance of the large and mid-cap segments and aims to represent ~85% of the Japanese market.
- The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 627 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.
- 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.

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Risk Considerations

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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.

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