Perspectives from GSAM Strategic Advisory Solutions

MACRO VIEWS

CORONAVIRUS: An improving vaccine outlook has bolstered the optimistic case for global economic recovery. The benefits may be particularly large in the US, where the likely timeline for inoculation is faster, the share of activity in high-risk sectors greater, and virus control worse. We expect a vaccine will be approved in the US by year-end 2020 and domestically distributed by Q2 2021.

GROWTH: The global recovery has been sustained by the combination of better virus control and substantial monetary and fiscal policy support. Setbacks on any of these fronts would detract from continued improvement, in which we expect 2021 GDP growth of 6.0% in the US and 7.0% globally.

LABOR: The US has regained nearly half of the 22 million jobs lost since February, though the pace of improvement has slowed. Still, this labor market recovery may prove faster than usual due to: 1) the high share of temporary layoffs (~80% through August), 2) the healthy labor market pre-pandemic, and 3) the potential for large-scale job creation in new industries post-pandemic. We expect the U3 unemployment rate to fall to 7.0% by YE 2020 and 5.6% in 2021 following a vaccine, with a more gradual recovery thereafter.

FISCAL POLICY: Congress may face a few budgetary decisions in September, including a spending agreement for the next fiscal year and a phase 4 stimulus package. On the former, we expect a continuing resolution and the potential for a number of smaller funding arrangements. For the latter, we expect another $1 trillion, pushing total fiscal stimulus to 17.5% of US GDP in 2020, though risks of both a no-deal scenario and a larger package have grown. Meanwhile in Europe, we expect the €750 billion Recovery Fund to be ratified by YE 2020 and operational in 2021, supporting the Euro area recovery.

MARKET VIEWS

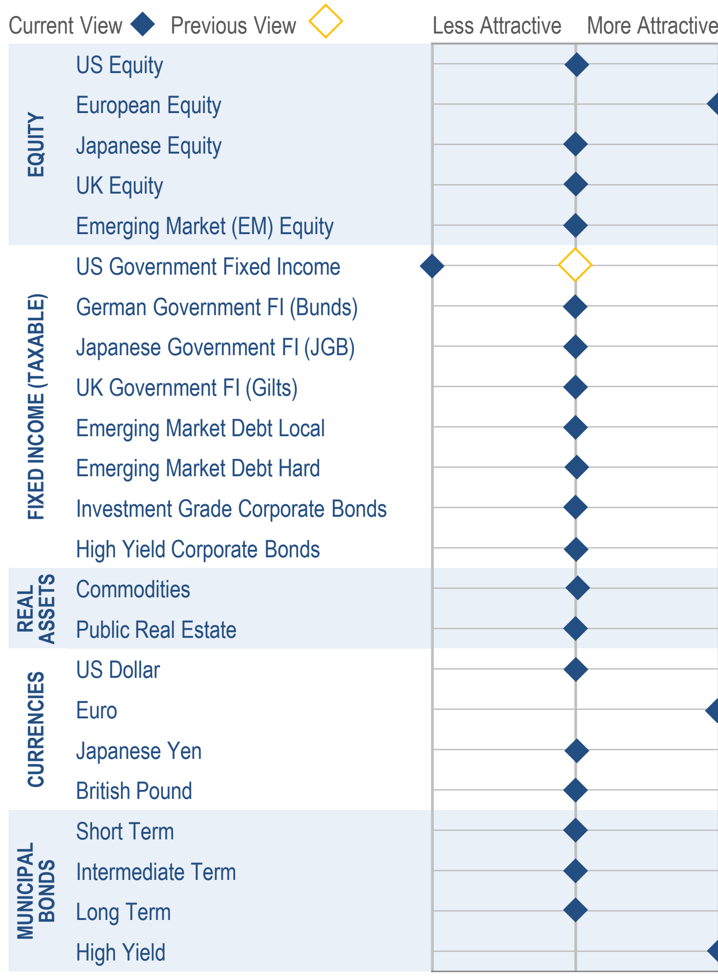
US EQUITY: The historical success rate of treatments in phase 3 clinical trials makes the likelihood of having a COVID-19 vaccine by 2020 increasingly favorable. We think this should help drive the S&P 500 Index to our year-end target of 3600. We expect bond yields and equity risk premium may be less supportive going forward, but a higher 2021 EPS estimate of $170 (revised +$5) and further valuation expansion (P/E multiple of 21x) should help generate a positive equity return through year-end.

DEFAULTS: Companies suffering from unsustainable capital structures pre-COVID have disproportionately seen higher solvency risks, despite the Federal Reserve's liquidity injection. The result has been much in-line with past recessionary default patterns, which have historically peaked at 11-14%. Given the stability in the current default pace, we think the worst has passed and have lowered our default rate forecast from 13% to 10.5% for full-year 2020.

GOLD: The re-pricing of inflation expectations has led real rates significantly below zero and with US dollar debasement still a concern, gold demand has climbed. We think this rally can be sustained to our year-end target of $2300 per troy oz., particularly given more near-term economic, political, and inflation uncertainties. Even still, the hedging power of gold may be limited.

FX: Amid US dollar weakness versus G10 peers, EM FX has been challenged. A relatively complicated fiscal and growth backdrop combined with already stretched investor positioning may continue to hurt EM currencies, unless a faster global growth recovery, improved trade dynamics, or better viral control is possible. For now, we maintain our preference for USD over EM currencies.

ASSET CLASS VIEWS[1]



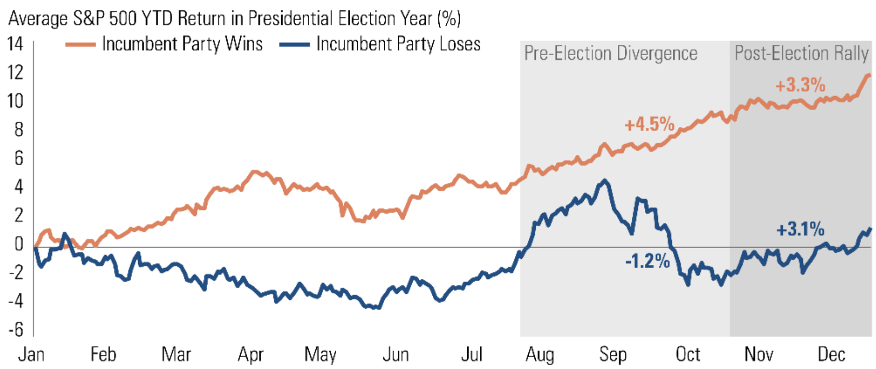
ASSET CLASS FORECASTS[2]

	Current	3m	12m	% Δ to 12m
S&P 500 ($)	3500	3600	3800	8.6
STOXX Europe (€)	367	360	380	3.7
MSCI Asia-Pacific Ex-Japan ($)	571	530	590	3.2
TOPIX (¥)	1618	1550	1700	5.1
10-Year Treasury	0.7	1.0	1.3	61.6 bp
10-Year Bund	(0.4)	(0.3)	0.0	40.3
10-Year JGB	0.0	0.1	0.1	5.6
Euro (€/$)	1.20	1.15	1.25	4.5
Pound (£/$)	1.34	1.28	1.44	7.5
Yen ($/¥)	106	107	105	(1.0)
Brent Crude Oil ($/bbl)	43.3	47.0	62.0	36.9
London Gold ($/troy oz)	1957	2300	2300	17.5

Source: Goldman Sachs Global Investment Research and GSAM as of August 2020. 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. Please see additional disclosures at the en d of this presentation. **Past performance does not guarantee future results, which may vary.**

POLITICS BY NUMBERS

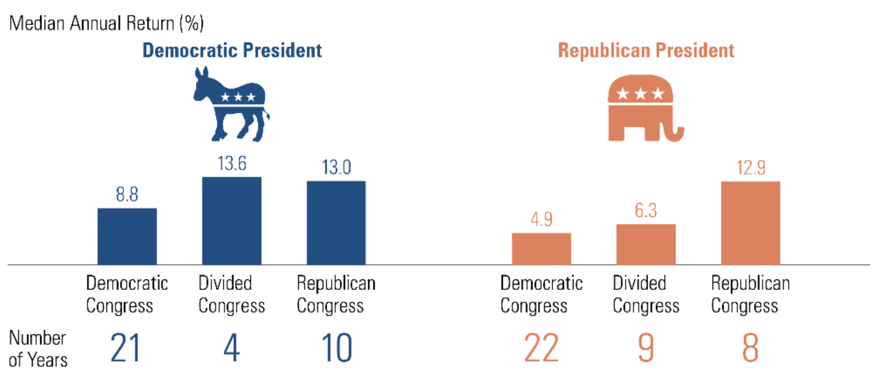
Investor attention has shifted toward November and the US election, and options markets are pointing to a volatile fall. With the White House and the Senate in play, the political landscape may look entirely different over the next four years than the last four. However, in terms of market implications, history suggests limited significance in the relationship between the party in power and equity returns. Politics are one of many market-moving factors. We believe investors should build portfolios to endure any administration or economic situation.



Source: Bloomberg and GSAM.

Two Election Trends

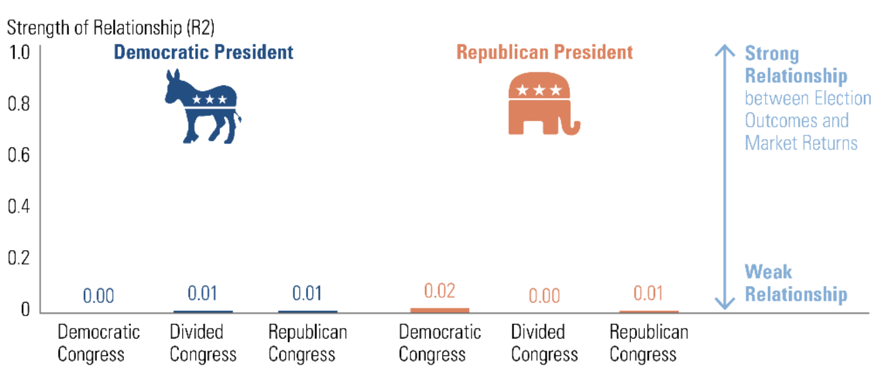
History does lend two prevailing trends between market moves and election day: 1) Pre-election, a positive three-month return has been highly favorable for the incumbent party, predicting 20 of 23 elections since 1928. Market losses typically hurt the incumbent. 2) Post-election, the market has favored the clarity of either outcome. Regardless of which party wins, the S&P 500 has historically rallied approximately 3% through the year-end.



Source: Bloomberg and GSAM.

Six Potential Outcomes

In the limited sample size of US electoral history, certain partisan outcomes are frequently viewed as more favorable for investors than others. For example, instances of a divided Congress under either presidential administration since World War II have delivered a 13.4% median annual return historically. The market may appreciate America's system of checks and balances.



Source: Bloomberg and GSAM.

A Multiplicity of Market-Moving Factors

However, the strength of the relationship between election outcomes and equity returns is rather weak, statistically speaking. In our view politics and policies represent just a few of the many drivers of markets. Rather than building portfolios based on particular platforms, we believe that investors may be best suited by assembling portfolios to outlast politicians. As such, we would campaign for strategic discipline, risk management, and a continued commitment to quality.

Top Section Notes: As of August 31, 2020. Chart shows a composite of the year-to-date (YTD) price returns across all presidential election years from 1928-2016. 'Incumbent party' refers to the party of the president in office during the election year. 'Pre-election divergence' refers to the three months before November. Middle Section Notes: As of August 31, 2020. Analysis from December 31, 1946 to December 31, 2019. Returns show the median calendar-year price return for each Presidential party and corresponding Congressional party majority. Please see disclosures for additional details. Bottom Section Notes: As of August 31, 2020. Analysis from December 31, 1946 to December 31, 2019. Strength of relationship is measured by the R-squared statistic, which ranges from 0 to 1, or weakest to strongest explanatory power. **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 GSAM Global Portfolio Solutions. Views for municipal bonds are provided by GSAM Fixed Income. The views expressed herein are as of July 2020 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 1.3%, US market outperformed" – 09/01/2020.

Page 1 Definitions:

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%.

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

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

DM refers to developed markets.

EM refers to emerging markets.

EPS refers to earnings per share.

GDP refers to Gross Domestic Product.

G10 refers to a group of countries that meets annually to discuss economic, monetary and financial matters that includes Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States.

YE refers to year-end.

Page 2 Definitions:

Democratic Congress refers to when both the House of Representatives and Senate have a Democrat majority in both chambers.

Divided Congress refers to when House of Representatives and Senate are not controlled by the same party.

Republican Congress refers to when both the House of Representatives and Senate have a Republican majority in both chambers.

The R2 (R-squared) is a measure of the percentage of a variable's movements that can be explained by movements in another variable, and can be calculated as the square of the correlation between the two variables.

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 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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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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