Goldman Sachs Asset Management

Market Pulse

March 2021

Perspectives from GSAM Strategic Advisory Solutions

MACRO VIEWS

COVID-19: Case growth and hospitalizations have mostly slowed across major global economies. While new virus strains may challenge the recovery, data suggests that vaccines have universally reduced the severity of symptoms. Relative to unvaccinated populations, hospitalization risk for the vaccinated population fell by 84% four weeks after receiving the first vaccine dose.

GROWTH: Widespread immunization, accommodative policy, and pent-up savings are expected to support the global economic recovery, although new COVID-19 strains remain a concern. While massive fiscal support and excess savings may risk overheating the economy, we believe the impact will be limited by the one-off nature of the fiscal boost. Stronger corporate earnings and expectations for a larger stimulus deal led us to revise up our US growth forecast to 7.0% in 2021. We expect the Euro area to grow 5.1%.

US POLICY: Congress is on track to pass its COVID-19 relief bill in March, which is expected to be the first of at least two significant spending bills from the Biden administration in 2021. Through the reconciliation process, President Biden and Congressional Democrats are expected to have greater control in determining the size and details of the bill. We expect the Phase 5 fiscal package to total ~$1.5 trillion (6.8% of GDP), with risks to the upside.

INFLATION: US inflation is on track for a mid-year boost above 2% as the economy approaches one year from the worst declines of 2020, a jump that the Federal Reserve has signaled it will look past. We expect the boost from base effects and healthcare-related policy to lift core PCE to 2.5% in April, but to then fall back to 2.05% at year-end, declining further to 1.85% in 2022.

MARKET VIEWS

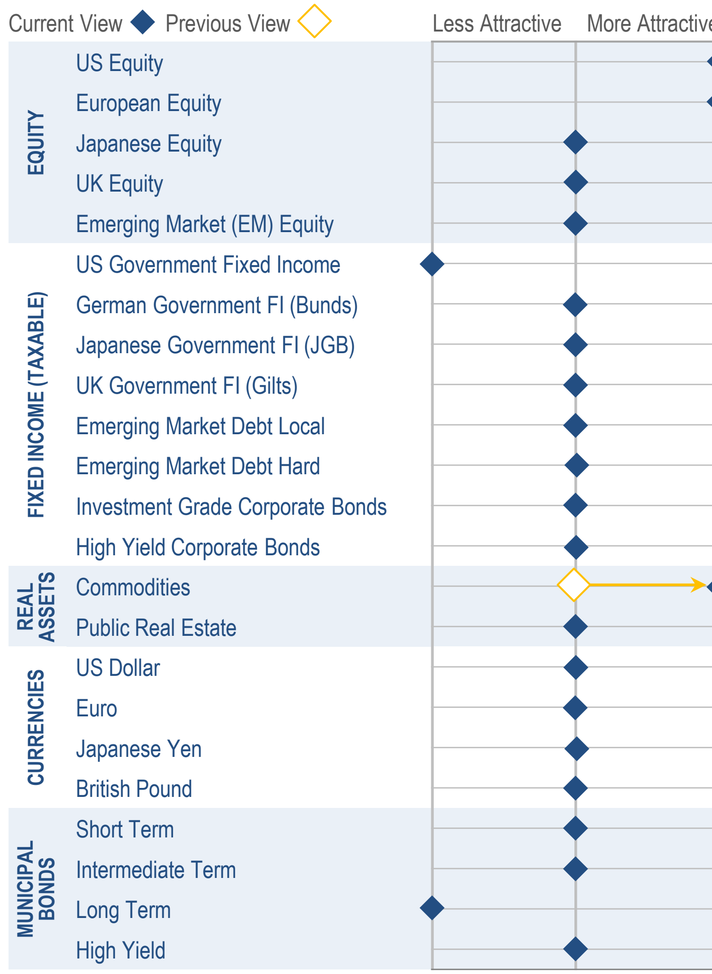
EQUITIES: As the global economic recovery materializes, we expect returns to continue broadening out. Value-style stocks should benefit from activity in virus-constrained sectors. Small caps' cyclicality has historically outperformed in the first half of expansions. And globally, we are focused on companies rather than countries, especially those with near-term cyclical earnings potential that may outweigh longer duration growth prospects in a reflationary environment.

CREDIT: The cyclical recovery will likely continue to carry credit, as short-term default risks reprice lower (we expect 3.9% in 2021) and spread curves steepen. As yields test all-time lows, we still see value in 1) HY 'rising star' candidates that could be upgraded to IG in the recovery, 2) the proliferation of refinancing issuance as issuers take advantage of strong demand, and 3) global spread sectors with attractive absolute and risk-adjusted yields such as Asian HY.

COMMODITIES: The tactical opportunity is attractive as most commodities are well-positioned for reflationary momentum. The oil market has undergone a multi-year period of reduced investment and if OPEC production discipline continues as post-COVID demand recovers, the technical backdrop will support higher spot prices. Additionally, with forward curves in steep backwardation, synthetic exposure may provide positive roll yield.

MUNIS: We see three prevailing themes in the muni bond market for 2021: 1) taxable issuance, 2) tax and fiscal policy, and 3) opportunities in credit. We expect the fluidity of policy around taxable supply, advanced refundings, and tax legislation to create dynamic opportunities. In the end, 2021 opportunities may be influenced more by policy-driven technicals than fundamentals.

ASSET CLASS VIEWS[1]



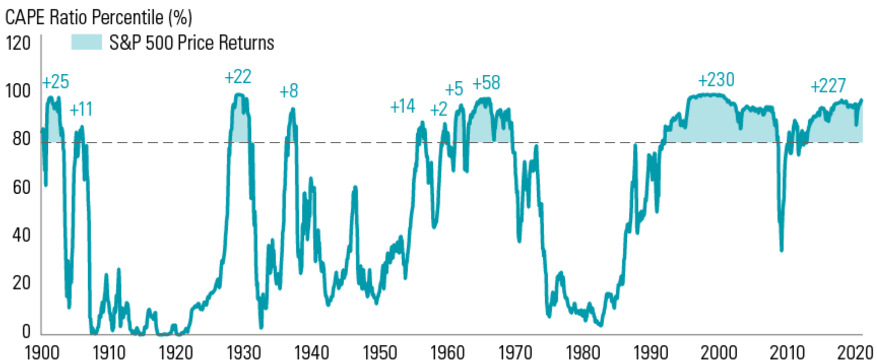
ASSET CLASS FORECASTS[2]

	Current	3m	12m	% Δ to 12m
S&P 500 ($)	3811	3900	4300	12.8
STOXX Europe (€)	405	405	430	6.2
MSCI Asia-Pacific Ex-Japan ($)	694	705	770	11.0
TOPIX (¥)	1864	1800	1940	4.0
10-Year Treasury	1.4	1.2	1.6	18.1 bp
10-Year Bund	(0.3)	(0.5)	(0.3)	(3.7)
10-Year JGB	0.2	0.0	0.1	(6.3)
Euro (€/$)	1.21	1.21	1.28	5.5
Pound (£/$)	1.40	1.41	1.45	3.7
Yen ($/¥)	106.5	106	100	(6.1)
Brent Crude Oil ($/bbl)	66.1	70.0	70.0	5.9
London Gold ($/troy oz)	1743	2000	2000	14.8

Source: Goldman Sachs Global Investment Research and GSAM as of February 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.**

THE RIGHT SIDE OF MARKETS

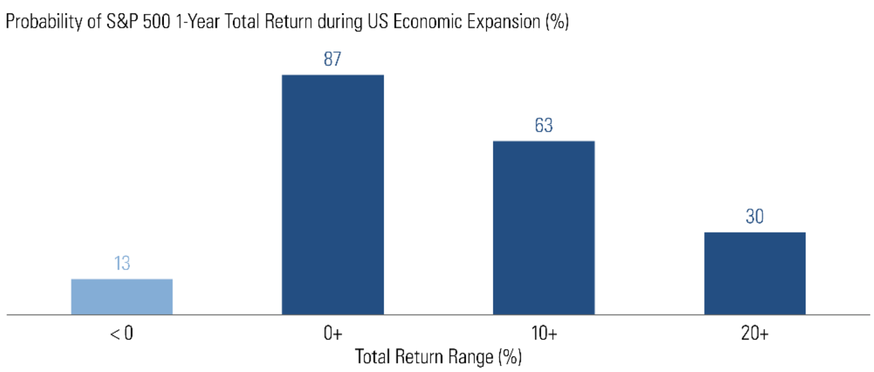
High valuation, low yields, and extreme trade positioning may present near-term hurdles to positive equity momentum. However, we believe the current market is sufficiently supported by low interest rates, massive stimulus spending, and a recovering economy borne out of the vaccine. Ultimately, our expectation for double-digit year-end returns is reinforced by the historical high probability of positive returns during increasingly lengthy expansions.



Source: Bloomberg, Robert Shiller, and GSAM SAS Market Strategy.

Expensive markets can stay expensive

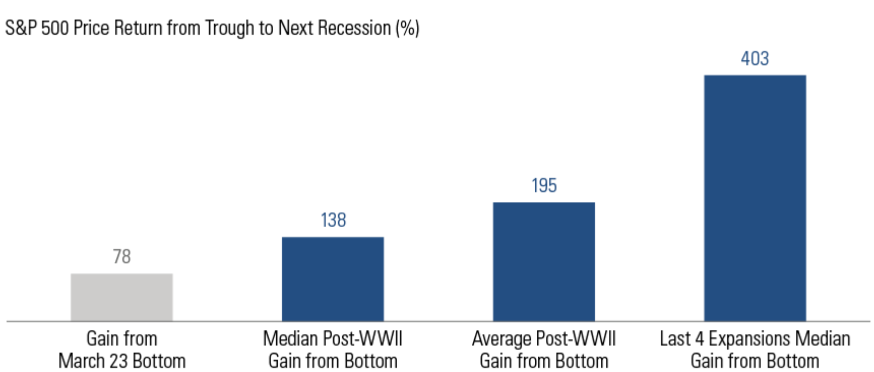
At the 98th percentile of historical CAPE ratios, investors are contemplating the risk-reward of investing in US equities at these high levels. We think elevated valuation can hold for multi-year periods, especially when paired with accommodative policy and stable inflation. The past 10 years is a good case in point with equities returning 227% while remaining expensive. In our view, moments of volatility present opportunities to deploy cash.



Source: Bloomberg and GSAM SAS Market Strategy.

Valuation matters, but economics matter more

The early innings of an economic recovery have often been accompanied by bullish market sentiment. High probabilities of positive returns are driven by recovering fundamentals and a favorable growth picture, which can prove more important than valuation in the near-term. Historical data tells us that economic expansions have been rewarding for investors, posting positive returns 87% of the time, with 63% of returns greater than 10%.



Source: Bloomberg and GSAM SAS Market Strategy.

Expansionary tailwinds may last longer

At +78% from 2020's market bottom, equity gains have reflected only one-fifth of the median returns seen during the last four expansionary cycles. For context, these equity rallies continued for a median length of 109 months and gained 403% from market bottom. We think broader vaccination, warmer weather, and a cyclical rally from COVID-sensitive sectors should continue to narrow this recovery gap.

Top Section Notes: As of February 1, 2021. 'CAPE' ratio refers to the cyclically-adjusted price-to-earnings ratio for the S&P 500 Index. Middle Section Notes: As of January 31, 2021. US economic expansionary periods are based on the National Bureau of Economic Research's business cycle data. Expansion is the phase of the business cycle where real gross domestic product (GDP) grows for two or more consecutive quarters, moving from a trough to a peak. Chart shows the likelihood of subsequent one-year S&P 500 returns during periods of US expansions in post-WWII periods, from 1945-2021, based on total return ranges. Bottom Section Notes: As of February 17, 2021. Chart shows the performance of S&P 500 Index from market bottom to the next US recession. **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 Multi-Asset Solutions. Views for municipal bonds are provided by GSAM Fixed Income. The views expressed herein are as of February 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 lost 3.3%, Energy continued to outperform amidst rising yields" – 03/01/2021.

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.

EM refers to emerging markets.

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:

CAPE ratio refers to the cyclically-adjusted price-to-earnings ratio for the S&P 500 Index.

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

Risk Considerations

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.

General Disclosures

This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This material has been prepared by GSAM and is not financial research nor a product of Goldman Sachs Global Investment Research (GIR). It was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from those of Goldman Sachs Global Investment Research or other departments or divisions of Goldman Sachs and its affiliates. Investors are urged to consult with their financial professionals before buying or selling any securities. This information may not be current and GSAM has no obligation to provide any updates or changes.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by GSAM to buy, sell, or hold any security, including any Goldman Sachs product or service. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice. In the event any of the assumptions used in this presentation do not prove to be true, results are likely to vary substantially from the examples shown herein. This presentation makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives. It does not take into account the particular investment objectives, restrictions, tax and financial situation or other needs of any specific client.

GSAM leverages the resources of Goldman Sachs & Co. LLC subject to legal, internal and regulatory restrictions.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Goldman Sachs has no obligation to provide updates or changes to these forecasts.

Goldman Sachs does not provide legal, tax or accounting advice to its clients. All investors are strongly urged to consult with their legal, tax, or accounting advisors regarding any potential transactions or investments. There is no assurance that the tax status or treatment of a proposed transaction or investment will continue in the future. Tax treatment or status may be changed by law or government action in the future or on a retroactive basis.

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.

Goldman Sachs & Co. LLC, member FINRA.
Compliance code: 231826-OTU-1364037
Date of First Use: March 1, 2021

For more information contact your Goldman Sachs sales representative:

ICG: 800-312-GSAM **Bank**: 888-444-1151 **Retirement**: 800-559-9778

IAC: 866-473-8637 **Global Liquidity Management**: 800-621-2550

VA: 212-902-8157