



**Asset  
Management**



## Factors Impacting Strategic Long-Term Assumptions

**Goldman Sachs Asset Management**

June 2021

THESE MATERIALS ARE PROVIDED SOLELY ON THE BASIS THAT THEY WILL NOT CONSTITUTE INVESTMENT ADVICE AND WILL NOT FORM A PRIMARY BASIS FOR ANY PERSON'S OR PLAN'S INVESTMENT DECISIONS, AND GOLDMAN SACHS IS NOT A FIDUCIARY WITH RESPECT TO ANY PERSON OR PLAN BY REASON OF PROVIDING THE MATERIAL OR CONTENT HEREIN. PLAN FIDUCIARIES SHOULD CONSIDER THEIR OWN CIRCUMSTANCES IN ASSESSING ANY POTENTIAL INVESTMENT COURSE OF ACTION. PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH POOLS WHOSE PARTICIPANTS ARE LIMITED TO QUALIFIED ELIGIBLE PERSONS, AN OFFERING MEMORANDUM FOR THIS POOL IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A POOL OR UPON THE ADEQUACY OR ACCURACY OF AN OFFERING MEMORANDUM. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS OFFERING OR ANY OFFERING MEMORANDUM FOR THIS POOL.

# Agenda



**Asset  
Management**

- 
- Historical Review of Markets
  - Review of GSAM Strategic Long Term Assumptions
  - Review of Factors Impacting Changes in Assumptions



**Asset  
Management**

---

## I. Historical Review of Markets

---

# Historical Review of Markets

## Public Equities



Asset Management

**Despite more recent volatility, public equity markets have rebounded and have recently reached all-time highs**

Public Equities – S&P 500



|                | S&P Level | PE Ratio <sup>1</sup> |
|----------------|-----------|-----------------------|
| <b>High</b>    | 4,211     | 27.4                  |
| <b>Average</b> | 2,915     | 19.4                  |
| <b>Low</b>     | 2,237     | 14.0                  |

**Observations**

- All time highs for S&P 500 equity levels
- Recent highs for equity valuations (PE Ratios)
- Potential risk to the downside over the long-term given high current valuation levels

Source: Bloomberg and Goldman Sachs Asset Management as of 30-Apr-2021.  
 For Illustrative Purposes. **Past performance does not guarantee future results, which may vary.**  
<sup>1</sup> Reflects 1 year forward price-to-earnings (PE) ratio for the S&P 500

# Historical Review of Markets

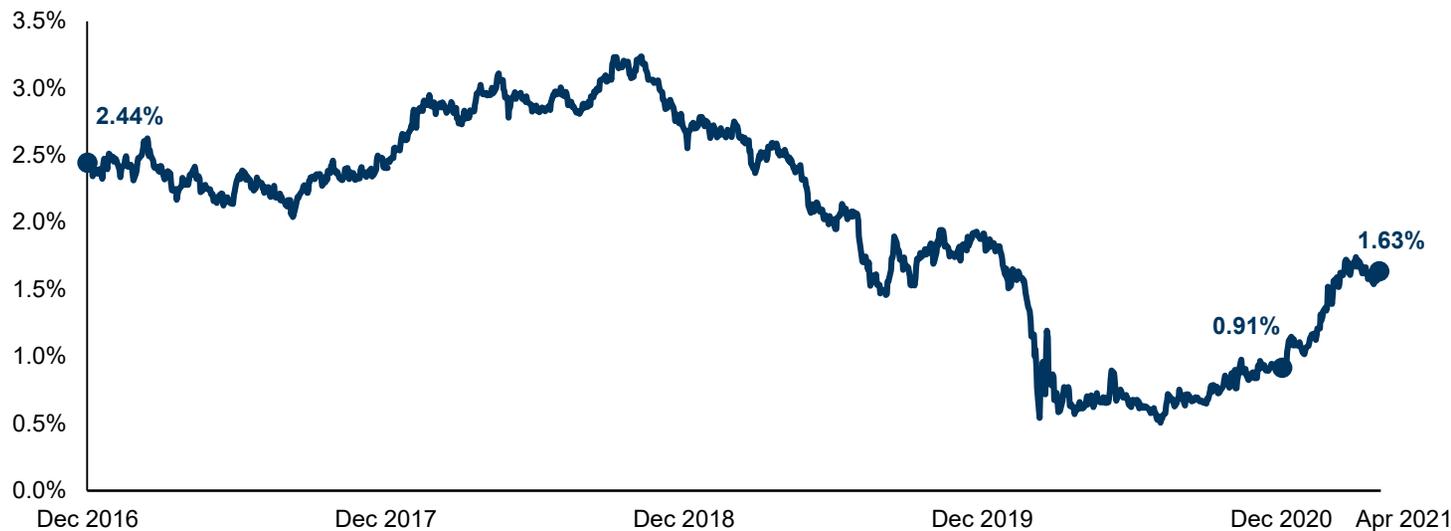
## Interest Rates



**Asset Management**

**Rates, by contrast, declined between 2016 and 2020 but increased significantly in 2021**

**Interest Rates – 10 year US Treasuries**



| 10 year Rate   |       |
|----------------|-------|
| <b>High</b>    | 3.24% |
| <b>Average</b> | 2.01% |
| <b>Low</b>     | 0.51% |

- Observations**
- Rates declined by over 150bps from 2016 to 2020
  - Rates have increased by 70+bps YTD 2021
  - 10 year UST remains below average over this time period despite recent increases

Source: Bloomberg and Goldman Sachs Asset Management as of 30-Apr-2021.  
For Illustrative Purposes. **Past performance does not guarantee future results, which may vary.**

# Historical Review of Markets

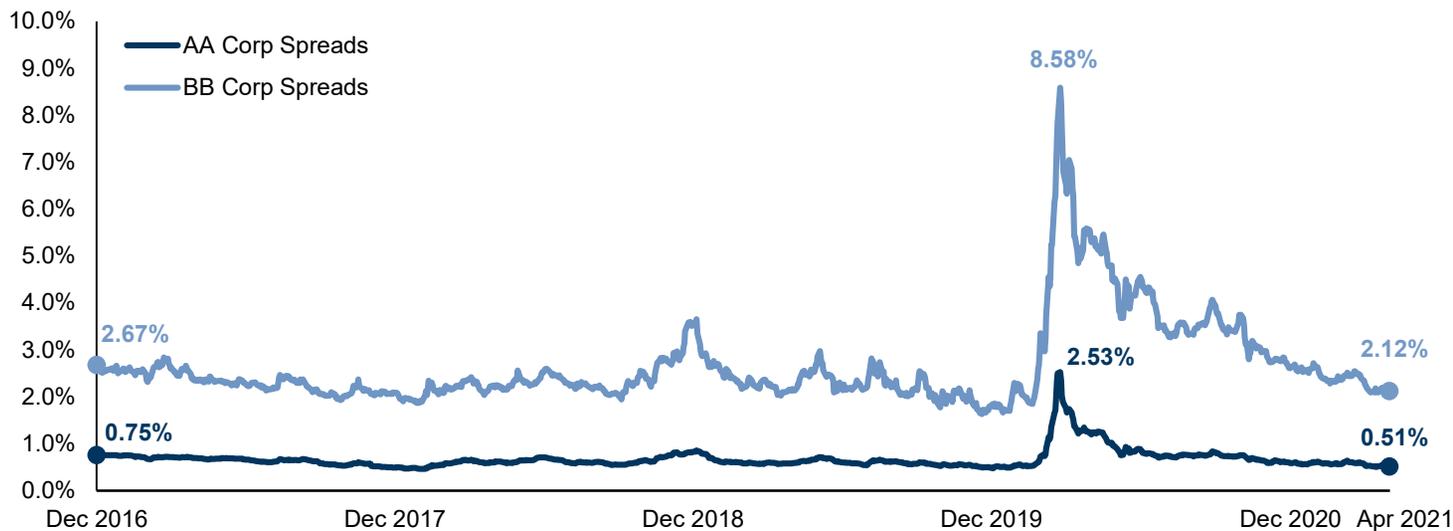
## Credit Spreads – Investment Grade and High Yield



Asset Management

**While credit spreads increased significantly during the pandemic, they have normalized as the economy has stabilized**

Credit Spreads – AA and BB Spreads<sup>1</sup>



|                | AA    | BB    |
|----------------|-------|-------|
| <b>High</b>    | 2.53% | 8.58% |
| <b>Average</b> | 0.67% | 2.65% |
| <b>Low</b>     | 0.46% | 1.63% |

**Observations**

- Investment grade and high yield spreads increased to over 250 and 850 bps respectively at the height of the COVID crisis
- Spreads have since normalized and are currently below average levels over the period

Source: Bloomberg and Goldman Sachs Asset Management as of 30-Apr-2021.  
 For Illustrative Purposes. **Past performance does not guarantee future results, which may vary.**  
<sup>1</sup> Reflects OAS spreads



**Asset  
Management**

---

## II. Strategic Long-Term Assumptions

---

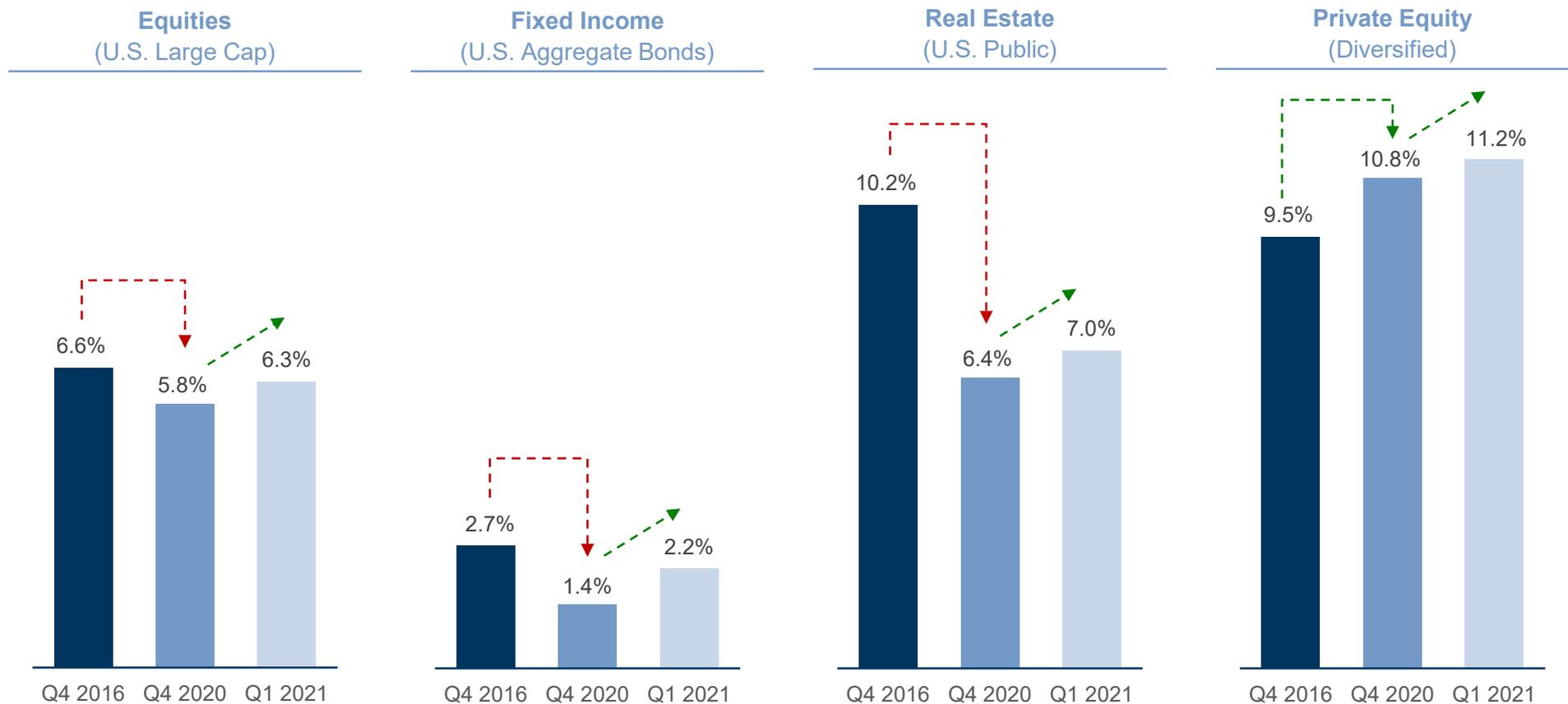
# Strategic Long-Term Assumptions

## Changes in GSAM Strategic Long Term Assumptions



Asset Management

Based in part on changes in markets over the last 4+ years, our long-term return assumptions have recalibrated



Source: Goldman Sachs Asset Management Multi-Asset Solutions as of 31-Mar-2021.  
For Illustrative Purposes. **Past performance does not guarantee future results, which may vary.**



**Asset  
Management**

---

### III. Factors Impacting Changes in Assumptions

---



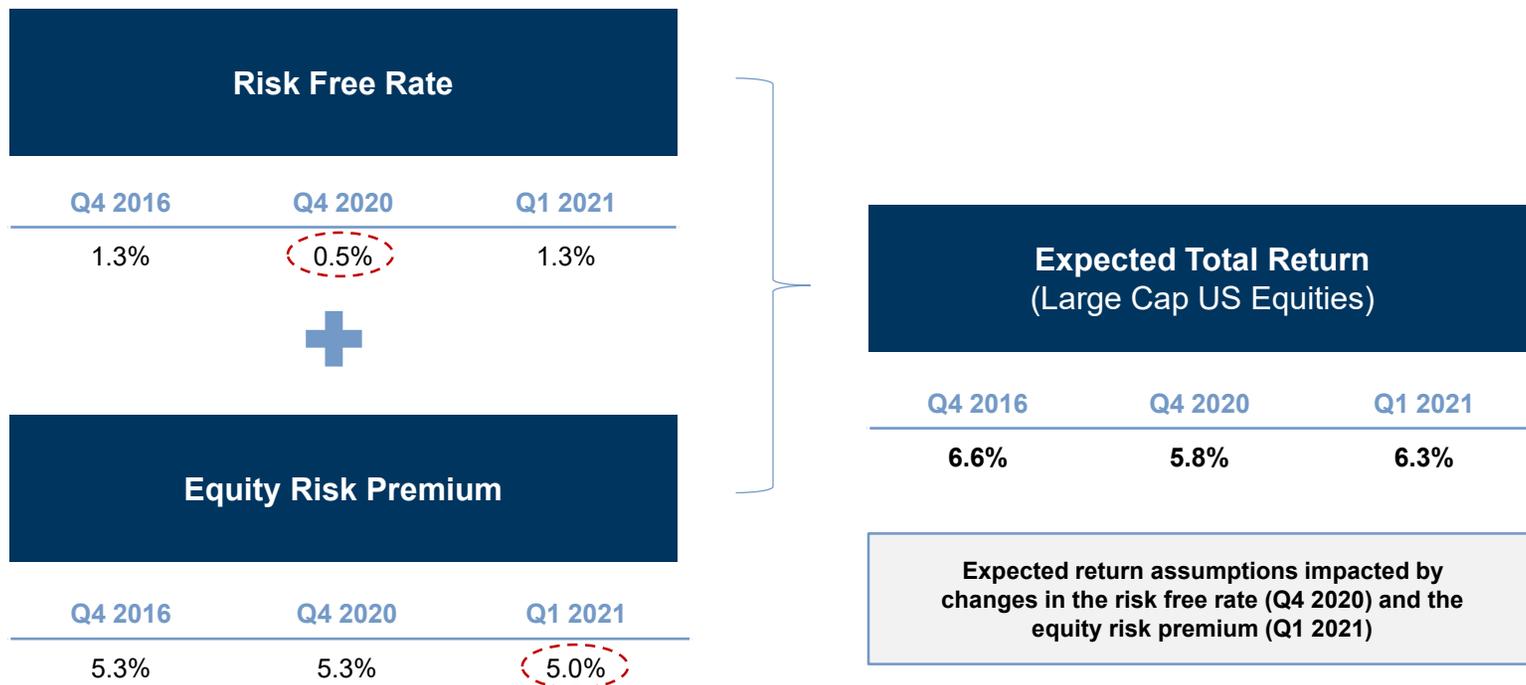
Asset Management

# Factors Impacting Changes in Assumptions

## Selected Quantitative Factors

**Our assumptions have been impacted by changes in risk free rates and excess returns over the risk free rate**

### Sources of Expected Total Asset Returns – Passive Large Cap Equity Example



Source: Goldman Sachs Asset Management Multi-Asset Solutions as of 31-Mar-2021.  
 For Illustrative Purposes. **Past performance does not guarantee future results, which may vary.**

# Factors Impacting Changes in Assumptions

## Selected Qualitative Factors



Asset Management

There are a range of more qualitative factors that could pose risk to return expectations going forward

### Supportive Factors

▲ Fiscal / monetary stimulus – Near-term

▲ Global GDP growth

▲ Corporate earnings growth

### Risk Factors

▼ Higher expected rates / inflation

▼ Less accommodative Fed – Medium-term

▼ Higher starting public equity valuations

▼ Higher likely corporate / individual taxes

▼ Ongoing geopolitical risks

▼ Ongoing COVID / pandemic risks

Source: Goldman Sachs Asset Management as of 31-May-2021.  
For Illustrative Purposes. **Past performance does not guarantee future results, which may vary.**



**Asset  
Management**

---

Appendix: Disclosures

---

# Disclosures



**Asset  
Management**

THESE MATERIALS ARE PROVIDED SOLELY ON THE BASIS THAT THEY WILL NOT CONSTITUTE INVESTMENT ADVICE AND WILL NOT FORM A PRIMARY BASIS FOR ANY PERSON'S OR PLAN'S INVESTMENT DECISIONS, AND GOLDMAN SACHS IS NOT A FIDUCIARY WITH RESPECT TO ANY PERSON OR PLAN BY REASON OF PROVIDING THE MATERIAL OR CONTENT HEREIN. PLAN FIDUCIARIES SHOULD CONSIDER THEIR OWN CIRCUMSTANCES IN ASSESSING ANY POTENTIAL INVESTMENT COURSE OF ACTION.

THIS MATERIAL DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO.

Prospective investors should inform themselves as to any applicable legal requirements and taxation and exchange control regulations in the countries of their citizenship, residence or domicile which might be relevant.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by GSAM to buy, sell, or hold any security. 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.

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.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

Economic and market forecasts presented herein reflect a series of assumptions and judgments 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. Case studies and examples are for illustrative purposes only.

**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.**

Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the Company or its securities. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of the securities discussed in this document.

## **Index Benchmarks**

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

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of "failed" or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

This material is provided at your request for informational purposes only. It is not an offer or solicitation to buy or sell any securities.

# Disclosures



**Asset  
Management**

---

Expected return models apply statistical methods and a series of fixed assumptions to derive estimates of hypothetical average asset class performance. Reasonable people may disagree about the appropriate statistical model and assumptions. These models have limitations, as the assumptions may not be consensus views, or the model may not be updated to reflect current economic or market conditions. These models should not be relied upon to make predictions of actual future account performance. GSAM has no obligation to provide updates or changes to such data.

### **Strategic Long Term Assumptions**

Alpha and tracking error assumptions reflect Multi-Asset Solutions' estimates for above-average active managers and are based on a historical study of the results of active management. Expected returns are estimates of hypothetical average returns of economic asset classes derived from statistical models. There can be no assurance that these returns can be achieved. Actual returns are likely to vary. Please see additional disclosures.

The data regarding strategic assumptions has been generated by MAS for informational purposes. As such data is estimated and based on a number of assumptions; it is subject to significant revision and may change materially with changes in the underlying assumptions. MAS has no obligation to provide updates or changes. The strategic long-term assumptions shown are largely based on proprietary models and do not provide any assurance as to future returns. They are not representative of how we will manage any portfolios or allocate funds to the asset classes.

© 2021 Goldman Sachs. All rights reserved. Compliance Code: 241736-OTU-1415317