

Perspectives from GSAM Strategic Advisory Solutions

MACRO VIEWS

COVID-19: Global case growth has turned down, but remained elevated in India and pockets of Latin America. With improving vaccine distribution and virus containment, we expect that 60-70% of EM populations will have some immunity by year-end. In the US and Europe, we expect 50% of the population to be vaccinated by June, with reduced demand the main constraint thereafter.

US LABOR: Unemployment, wage, and payroll measures have been distorted through the pandemic, and we would caution extrapolating long-term trends from current noise. The confluence of rapid reopening, generous unemployment benefits, and lingering virus-related impediments have created imbalances that we think will be temporary and abate by fall. Ultimately, we expect headline unemployment to fall to 4.2% by YE and for wage growth to normalize near 3%.

US INFLATION: Prices have surged in categories related to reopening and in those facing supply disruptions, while remaining relatively tame in core categories. As the effects of the former roll off, the US is likely past peak inflation for this year and we expect will trend down to 2.25% core PCE by YE. Still, upside risks include persistent wage growth, an extended boom in home prices, or increased inflation expectations that could have more lasting impact.

TAXES: Robust fiscal policy and an emphasis on social responsibility has made more aggressive tax policy possible globally. In the US, we think Congress may pass a 25% corporate rate, revert the top marginal household rate to 39.6%, and raise the capital gains rate to 28% for top earners. In Europe, access to the Recovery Fund is linked to more tax collection in some countries, the Green party in Germany has been campaigning for higher corporate taxes to pay for green investments, and the UK plans to raise the corporate rate to 25% in 2023.

MARKET VIEWS

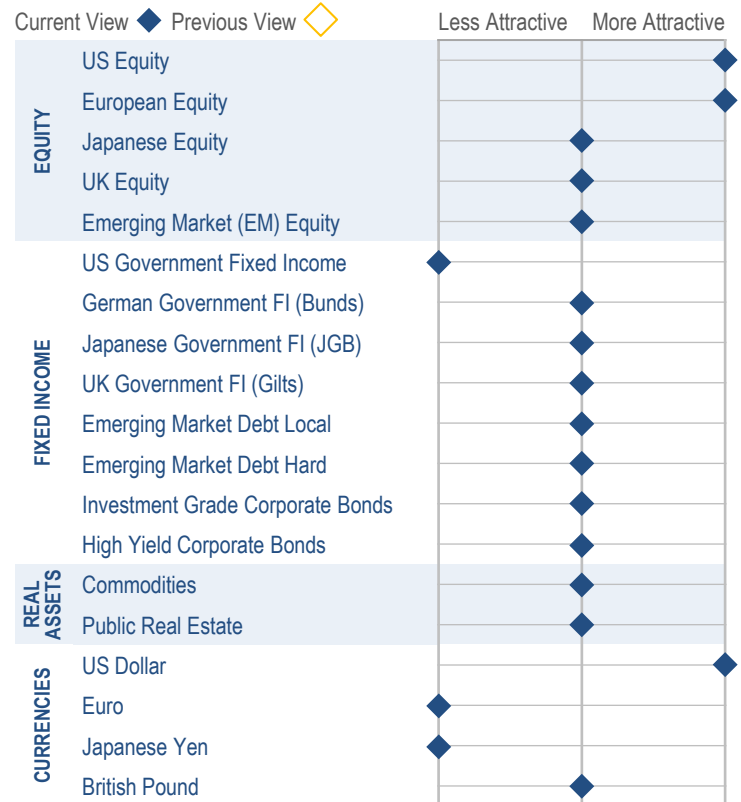
SENTIMENT: Following months of stretched investor sentiment, equity positioning indicators have finally moderated (48th percentile) from peak levels, suggesting better risk-return symmetry ahead. Periods of extreme positioning in the past have increased correction risks, so this reversion may be welcomed.

EQUITIES: The global reopening, elevated consumer spending, and strong operating leverage are expected to drive stronger earnings. We have therefore revised our S&P 500 EPS estimates higher to \$193 in 2021 and \$202 in 2022, although the impact of corporate tax reform on earnings remains uncertain. In Europe, we remain positive on the STOXX 600 Index, which should benefit from better global growth due to its higher operating leverage.

REAL ASSETS: In a reflationary backdrop with rising taxes, normalizing rates, and reduced hedging efficacy of traditional bonds, real estate may address many challenges by providing: 1) inflation-linked revenue streams, 2) asset appreciation under tight supply, 3) high cap rates, and 4) lower tax burden via pass-through structure.

CRYPTOCURRENCY: A 300% Bitcoin rally has been met with extreme volatility (67%) over the past year, reflecting ~3x and 14x the risk of US equities and core fixed income, respectively. Though the technology may be transformative, high volatility makes it difficult to deploy in risk-aware portfolios. Finally, regulatory and legal challenges to their future growth loom large.

ASSET CLASS VIEWS¹



ASSET CLASS FORECASTS²

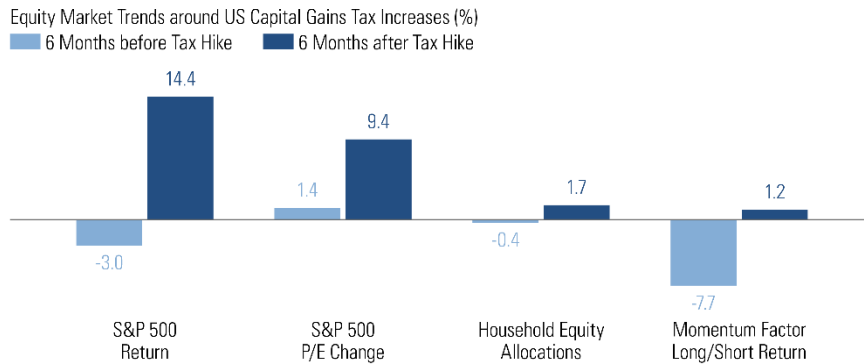
	Current	3m	12m	% Δ to 12m
S&P 500 (\$)	4156	4300	4450	7.1
STOXX Europe (€)	444	450	470	5.8
MSCI Asia-Pacific Ex-Japan (\$)	683	700	770	12.7
TOPIX (¥)	1905	2050	2150	12.9
10-Year Treasury	1.6	1.9	2.0	43.7 bp
10-Year Bund	(0.1)	(0.1)	0.0	12.8
10-Year JGB	0.1	0.3	0.3	22.5
Euro (€/\$)	1.22	1.25	1.28	5.0
Pound (£/\$)	1.42	1.42	1.45	2.4
Yen (\$/¥)	109.0	108	103	(5.5)
Brent Crude Oil (\$/bbl)	66.4	75.0	75.0	12.9
London Gold (\$/troy oz)	1876	2000	2000	6.6

Source: Goldman Sachs Global Investment Research and GSAM as of May 2021. "Core PCE" refers to the Personal Consumption Expenditure Index, excluding food and energy prices. 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.**



TAX CHARGE

US tax rates are likely to rise for top earners, though the final outcome may be more moderate relative to the Biden administration’s proposal. While higher tax rates are a sticker shock to investors, we think the investment opportunity set still looks robust. The market impact from higher taxes has historically been temporary, and investors with long-time horizons still gain more from deferring taxes due to the power of compounding. That said, we believe strategically deploying tax-efficient strategies may help investors keep more returns in their pockets.

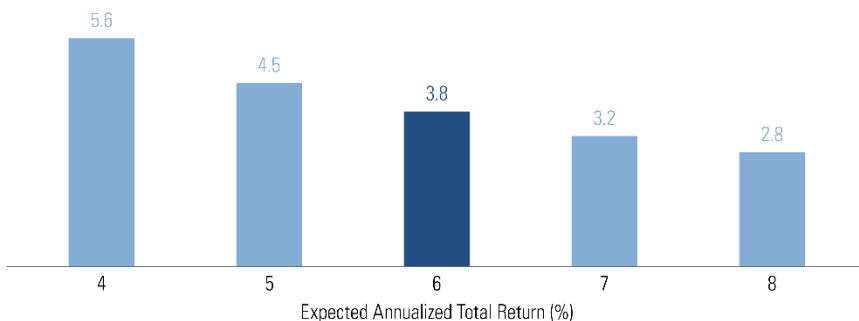


Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management

Shifts in the US tax code have historically elicited a temporary market reaction

The possibility of a US tax hike has contributed to risk-off moments over the past few months. But, we expect these episodes to be short-lived as investors have historically re-deployed capital into the market within six-months of the policy decision. While higher taxes may weigh on margins, fundamental factors have remained the primary driver of earnings in companies. We continue to see a robust equity opportunity set ahead.



Number of Years to Generate Total Returns Sufficient to Offset Cost of Paying Higher Future Capital Gains Tax



Source: Goldman Sachs Investment Strategy Group and Goldman Sachs Asset Management

Taxes now or later depends on your time horizon

For investors contemplating whether to realize capital gains now versus later, we believe the decision rests on two factors – an investor’s return expectation and investment horizon. A breakeven analysis tells us that an investor expecting a 6% annualized US equity return may potentially benefit from delaying a tax event if his investment duration exceeds 3.8 years. The potential benefit of compounding returns on a larger capital base may outweigh the higher tax cost over longer time frames.

	Strategies	Methods of Implementation
 Tax Loss Harvesting	Improving after-tax returns by offsetting capital gains with realized losses	Active Loss Realization Tax Lot Management Loss Carryforward Optimization
 Asset Location	Placing investments which make distributions subject to ordinary income tax or have high turnover inside tax-advantaged accounts	Annuity Products Qualified Accounts (e.g., 401(k), IRAs)
 Tax-Efficient Vehicles	Minimizing taxable distributions; taking advantage of tax-free or tax-deferred returns	Annuity Products Municipal Bonds Separately Managed Accounts Exchange Traded Funds

Source: Goldman Sachs Asset Management

Implementing tax-aware strategies may be most relevant today

Higher taxes may necessitate investors to think creatively about enhancing net returns, and that may involve tax loss harvesting, asset location, and tax-efficient investment vehicles. Tax loss harvesting may help investors minimize their taxable base by strategically realizing losses to offset capital gains, while deliberate asset location may defer near-term tax liabilities into the future. Finally, proactively seeking out tax-efficient vehicles may reduce the overall costs of investing.

Top Section Notes: As of May 15, 2021. Chart shows median changes across S&P 500 returns, S&P 500 P/E (Price-to-Earnings), Household equity allocations, and Momentum factor long/short returns in the six-month preceding and following major US tax code changes in 1987, 1988, and 2013. Middle Section Notes: As of May 15, 2021. Chart shows the number of years to generate total returns sufficient to offset cost of paying higher future capital gains tax, assuming a future tax rate of 28% relative to a current tax rate of 23.8%. Bottom Section Notes: As of May 15, 2021. For illustrative purposes only. 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.**

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2. Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: "Global equities gain 0.3%: US market underperformed" – 05/24/2021.

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.

EM refers to emerging markets.

EPS refers to earnings per share.

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.

Muni-Treasury ratio compares the rates of municipal bonds to those of US Treasuries.

Risk assets refer to assets that carry a degree of price volatility.

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:

Tax loss harvesting is a tax-efficient strategy employed to limit the recognition of short-term capital gains by realizing capital losses to offset gains.

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.

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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.

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Date of First Use: June 4, 2021

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