

# Market Perspectives Tales, Tells, and Tails

---

**Market Strategy | Strategic Advisory Solutions**

February 2025

This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities.

# Executive Summary

## Tales, Tells, and Tails

### Resilient Growth

- In absolute terms, economic data continues to be solid.
- Lack of systemic financial imbalances.

### Bad = Bad; Good = Good

- With Fed cuts convincingly priced, the market focus has now shifted toward economic sustainability.
- That being said, the Fed has a huge policy arsenal at its disposal.

### Catch-ups Rather Than Catch-downs

- Markets should broaden, but not be broad.
- Select small cap, int'l and EM poised to benefit from monetary easing, macro resiliency, valuations, and margin expansion.

### Higher for Longer

- The majority of yield curve dis-inversion to occur on the front-end.
- Elevated WACC should emphasize a focus on profitability.

### Potential Risks

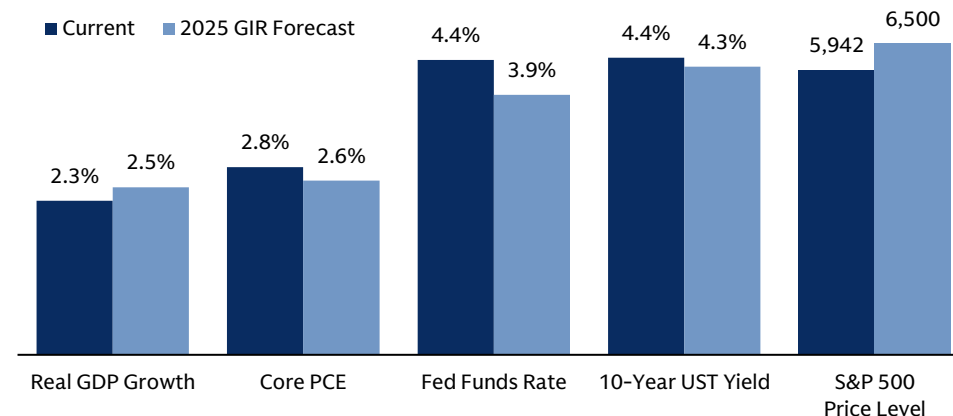
- GIR's 12-mo recession probability has fallen back to 15%.
- Protectionist trade policy and geopolitical escalation.
- Deteriorating public debt profile.

### Bottom Line

Late-cycle conditions are likely to persist. While many investors may hope for a reduction in macro complexity, this is likely to be the new normal. We would emphasize sticking to the plan.

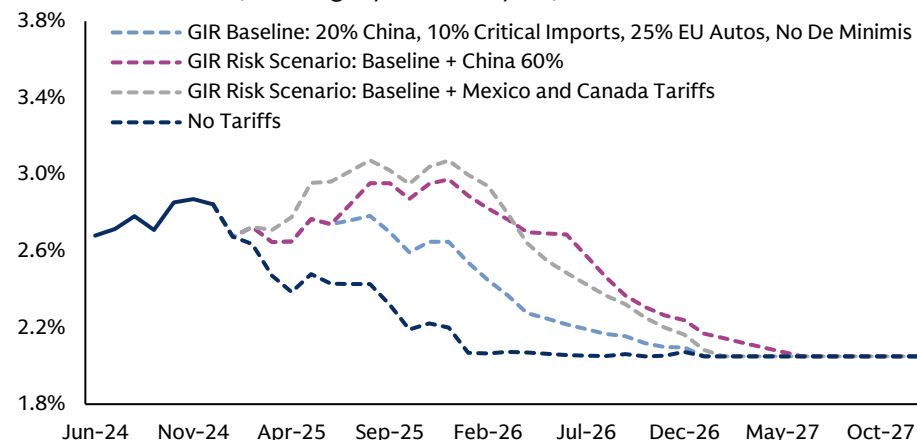
### All Eyes On 2025

Percent (%)



### Inflation Scenarios Under Tariffs

Core PCE Inflation (% change, year-over-year)



Sources: Federal Reserve Economic Data, Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. Top Chart Notes: As of February 6, 2025. Bottom Chart Notes: As of February 6, 2025. "We" refers to Goldman Sachs Asset Management. 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. **Past performance does not guarantee future results, which may vary.** For illustrative purposes only.

# Sources of Volatility

## Concentration

1/3<sup>rd</sup>

S&P 500 market cap is represented by the top 10 largest companies

## Tariff Policy

0-60%

Potential trade policy is currently quite variable, but its short-term contribution to inflation is relatively clear

## Sahm Rule Triggered

+0.5pp

Increase in the 3m average unemployment rate earlier this year, relative to its 12m low

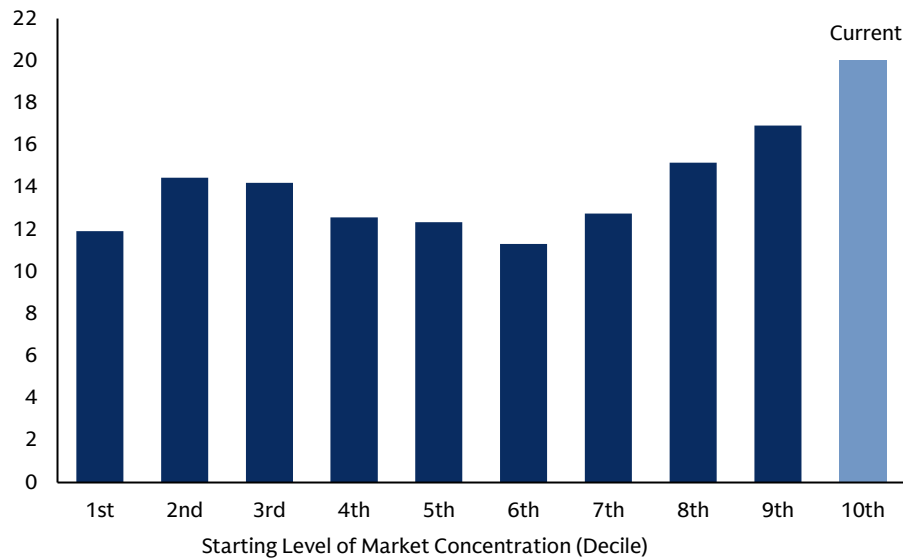
## Geopolitical Tension

4+

Countries actively collaborating against Western interests

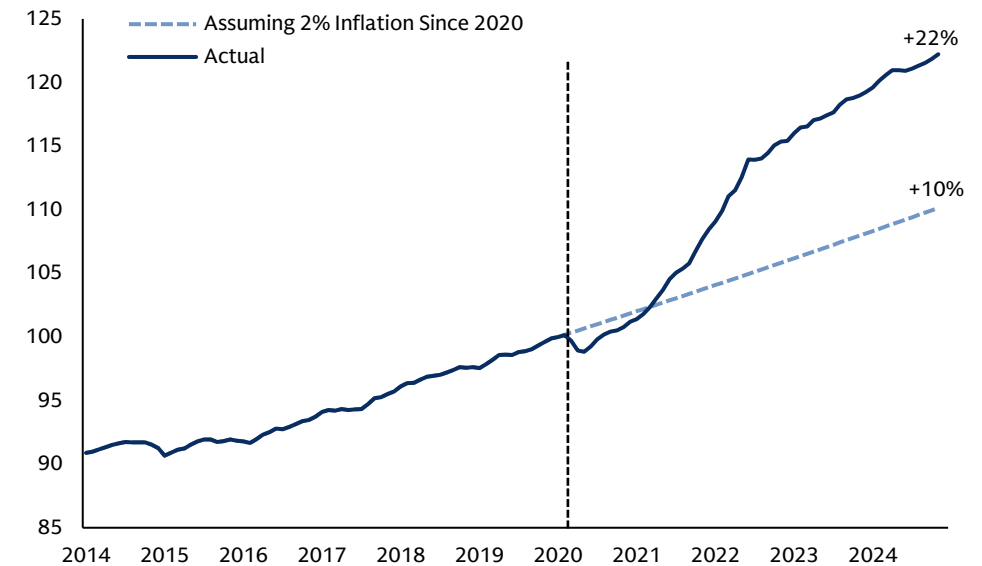
## High Market Concentration Points To Higher Volatility

S&P 500 1-Year Fwd Realized Volatility By Market Concentration Decile



## Trend-Level Left Behind

US Consumer Price Index, Indexed to 2020



Top Source: Bloomberg and Goldman Sachs Asset Management. All as of January 31, 2025, or latest available. The Sahm rule is a real-time recession indicator when unemployment increases by at least 0.5pp over the last 12 months' low. Bottom Left Source: Bloomberg and Goldman Sachs Global Investment Research. As of December 31, 2024. Bottom Right Source: US Bureau of Labor Statistics and Goldman Sachs Asset Management. As of November 30, 2024. 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 end of this presentation. **Past performance does not guarantee future results, which may vary.**

# Sources of Stability

## Consumer Reality

80%

Percentage of time since 1978 the “misery index” has been worse than it is today

## Household Wealth

98<sup>th</sup>

Percentile rank of household net worth as a percentage of disposable income

## Profitability

29%

Average net margin of the largest 10 companies in the S&P 500 Index

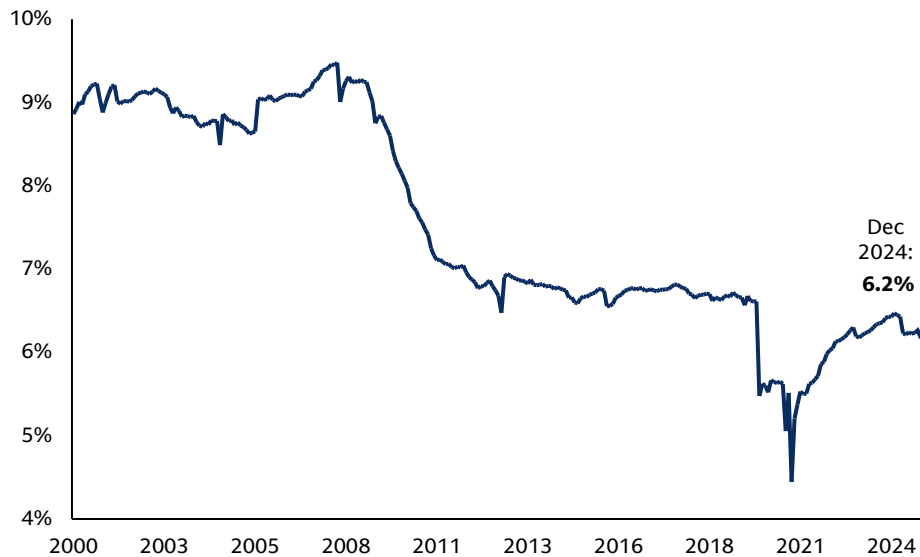
## Activity

26

Consecutive months of positive hard current activity indicators

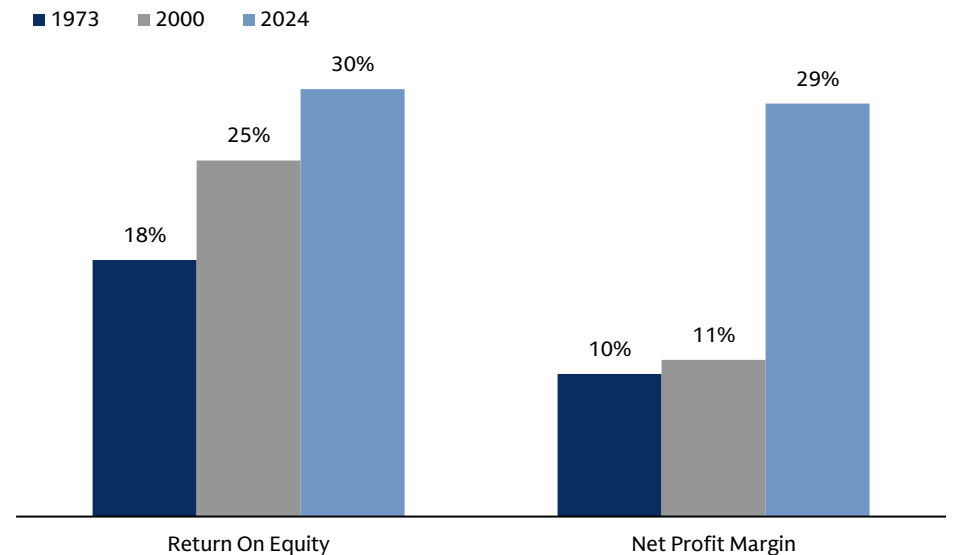
## Strong Debt Serviceability

Revolving Consumer Credit as Percentage of Disposable Income, SAAR (%)



## Fundamentals At The Top Are Stronger Today

Characteristics of 10 Largest US Stocks At Peak Concentration



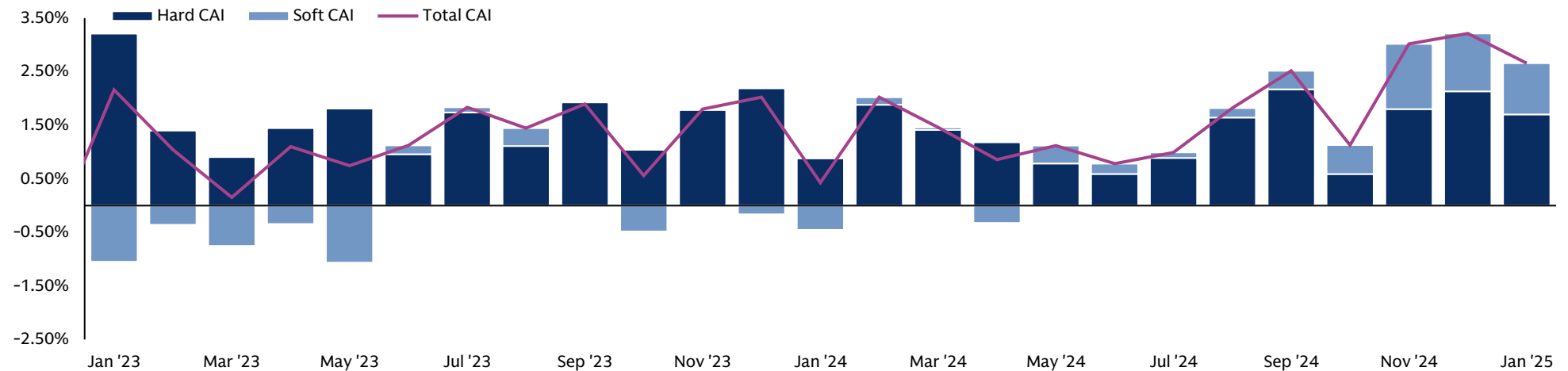
Top Source: St. Louis Fed, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. The misery index is a measure of economic distress, equal to unemployment plus inflation. Household wealth percentile reflects households and nonprofit organizations data since 1954. All as of January 31, 2025, or latest available. Bottom Left Source: Bloomberg and Goldman Sachs Asset Management. As of December 31, 2024. SAAR refers to Seasonally Adjusted Annual Rate. Bottom Right Source: Goldman Sachs Global Investment Research. As of December 31, 2024. **Past performance does not guarantee future results, which may vary.**

# Macro Uncertainty vs. Market Volatility

Today's environment may feel more volatile than it truly is

## Perception Vs. Reality

Breakdown of US Current Activity Indicators by Type (Ann. % change)



## Frequency

S&P 500 Daily Price Δ (days)	± 1%	± 2%	± 3%	± 4%	± 5%
<b>Avg</b>	62	17	7	3	2
<b>Bear Market Avg</b>	87	31	13	7	3
<b>2022</b>	122	46	12	3	1
<b>2023</b>	64	2	0	0	0
<b>2024</b>	49	7	0	0	0

Top Source: "CAI" refers to Current Activity Indicators. Charts show the CAI, a summary measure of economic growth constructed from major monthly and weekly economic indicators, broken down by hard and soft data (top). For illustrative purposes only. As of January 31, 2025. Bottom Source: Bloomberg and Goldman Sachs Asset Management. As of December 31, 2024. "Bear market" refers to a period when a market experiences prolonged price declines. **Past performance does not guarantee future results, which may vary.**

---

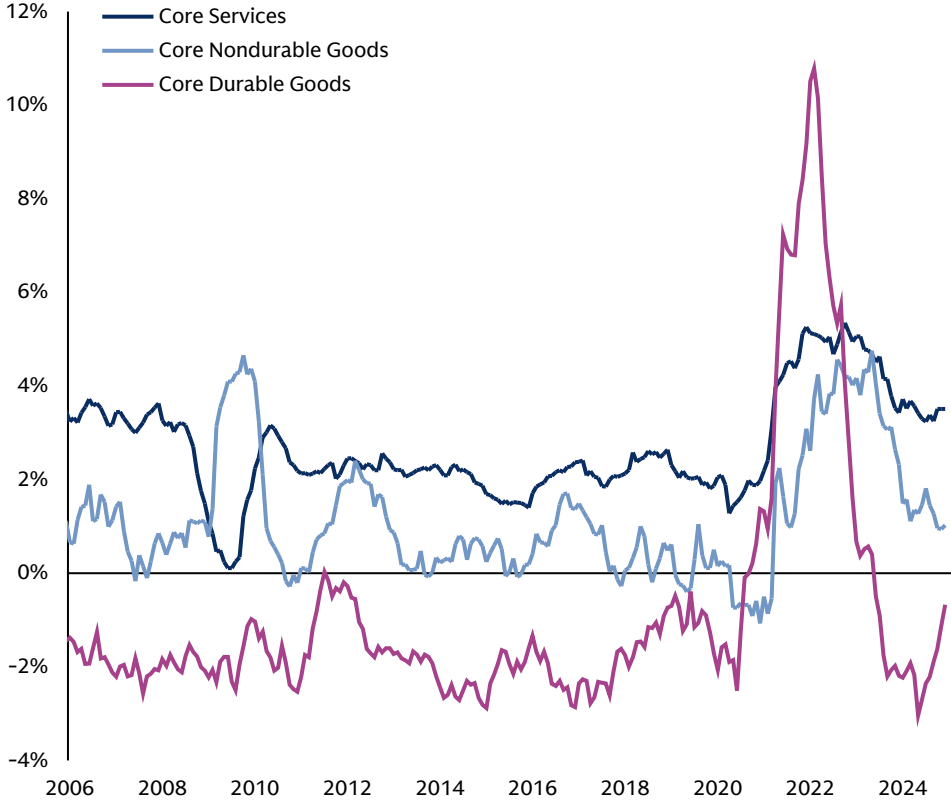
# Macro

# The Fed's Dual Mandate

The Fed's dual mandate has moved into better balance, with risks skewed to the labor market

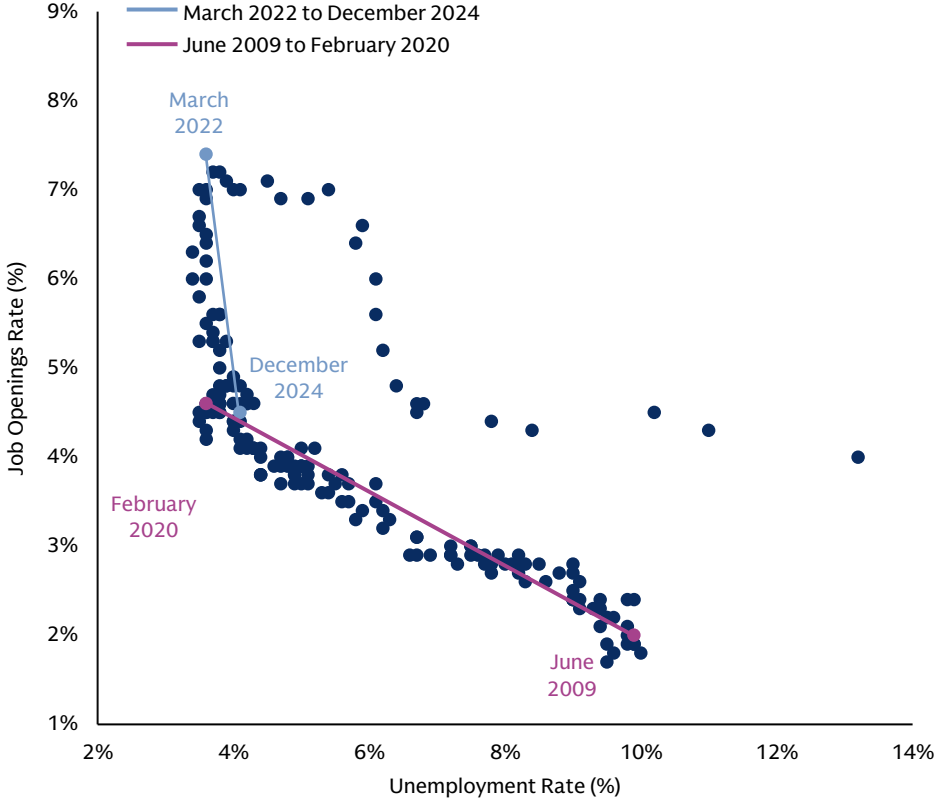
## Room For Further Disinflation

Core PCE Inflation by Sector (% change YoY)



## The Pain-Free Labor Adjustments Are Over

Unemployment and Job Openings Rates (June 2009 - December 2024, %)



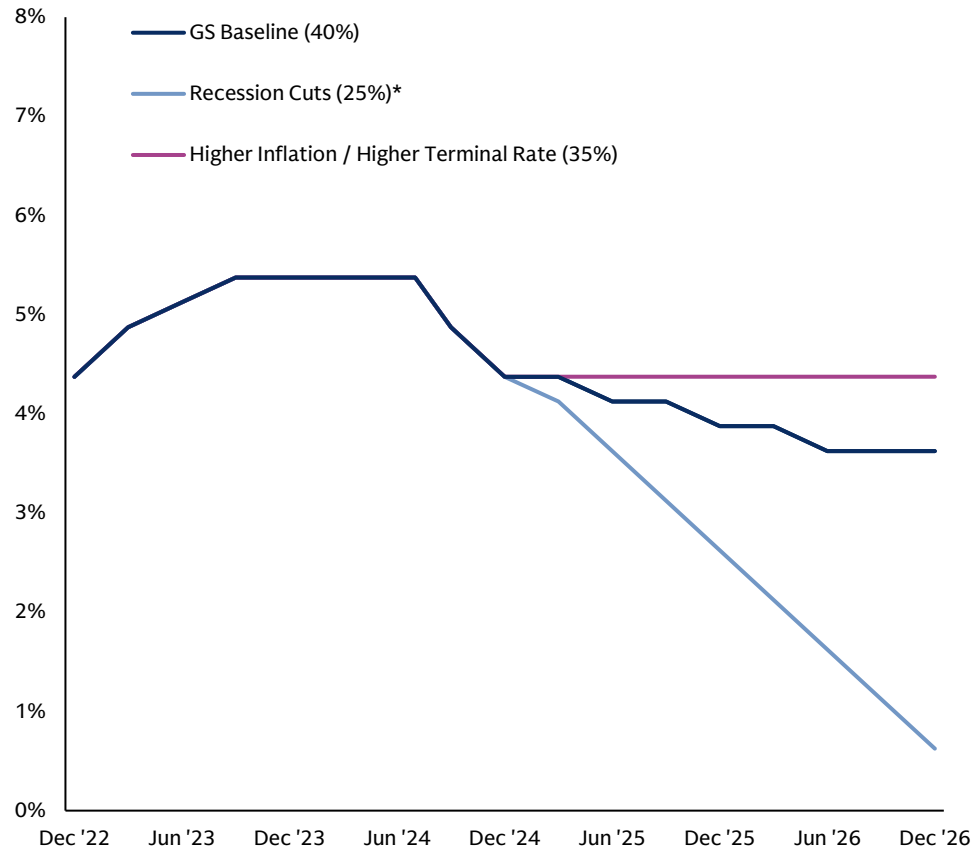
Left Chart Source: US Census, Federal Reserve Economic Data, National Bureau of Economic Research, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of December 31, 2024. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation. Right Chart Source: St. Louis Federal Reserve. As of December 31, 2024. Chart shows the unemployment rate and job openings rate from June 2009 through December 2024. Each plot reflects the unemployment rate (x-axis) and job openings rate (y-axis) for each month of data.

# Monetary Policy

More acceptable levels of inflation have restored the Fed put

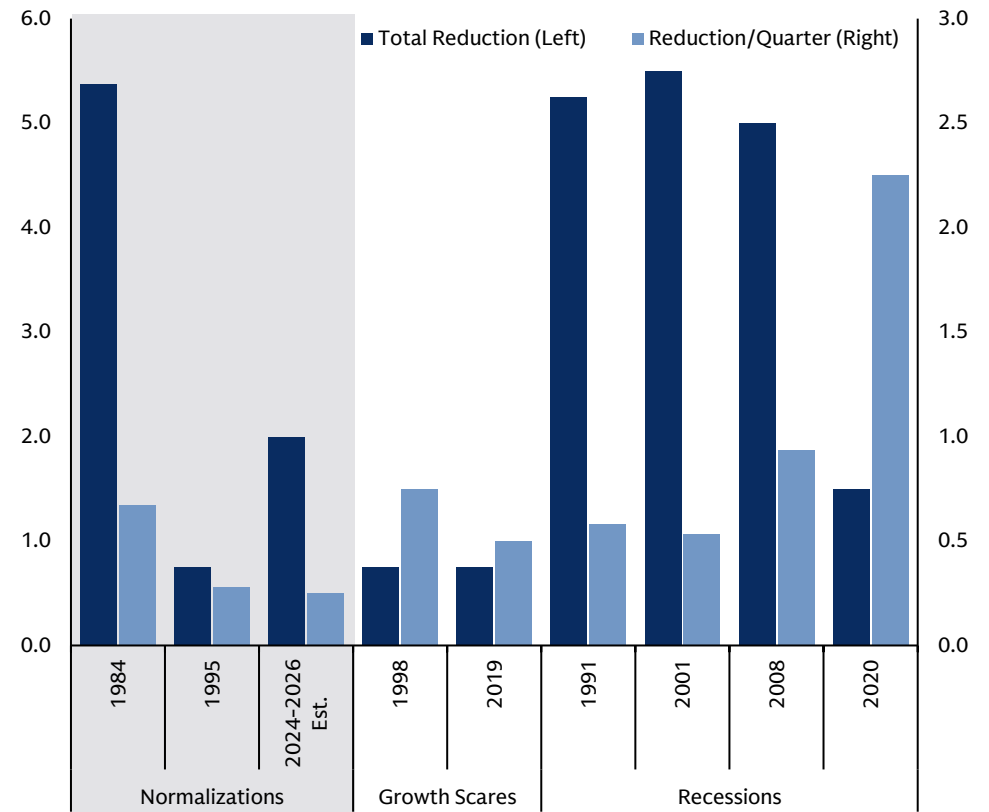
## Potential Policy Rate Path

Forecasted Fed Funds Rate Scenario Analysis (%)



## Fed Cuts

Size and Speed of Past Cutting Cycles, by Start Date



Left Chart Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of January 13, 2024. \*The recession scenario shows unrealistically slow cuts to capture many sub-scenarios of recessions starting at various points in time. The recession scenarios reflect a subjective recession probability of 15% over the next 12 months and continued elevated risks thereafter. "Terminal rate" refers to the peak spot where the benchmark interest rate will come to rest before the central bank begins trimming it back. Right Chart Source: St. Louis Fed and Goldman Sachs Asset Management. As of December 31, 2024. For illustrative purposes only. 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 end of this presentation.

# Global Growth Forecasts

Moving towards trend growth globally

## Real GDP Growth

Percent Change YoY	2024	2025 (f)		2026 (f)		Potential
		GS	Cons	GS	Cons	GS
US	2.8	2.5	2.2	2.3	2.0	2.4
Euro Area	0.7	0.8	1.0	1.0	1.2	0.8
Japan	-0.2	1.2	1.2	1.1	0.9	0.7
UK	0.7	0.9	1.3	1.3	1.3	1.6
China	5.0	4.5	4.5	4.0	4.2	2.9
<b>Developed Markets</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>
<b>Emerging Markets</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>3.7</b>
<b>World</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>

## Our views

- **Globally**, we see limited recession risk and inflation progress slowing.
- The **US** macro backdrop remains stable, though policy measures will be moving to the forefront.
- While not entering a recession, the **Euro area** will likely be on the softer side of growth as it finds itself at the intersection of US policy and geopolitical uncertainty.
- **UK** growth will likely be stable and front-end loaded with some spillovers from Euro area growth and US policy entering the mix.
- We maintain our long-standing optimism about **post-pandemic normalization** with labor markets rebalancing and inflation trending lower, within striking distance of central bank targets.

Source: Bloomberg, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of February 3, 2025. “GDP” refers to gross domestic product. “f” refers to forecast. “Cons.” refers to consensus expectations. “YoY” refers to year over year. Some forecasts may be shaded to highlight data points. “Potential” refers to the GS long-run estimate for full-year 2034 GDP growth. All forecasts refer to Goldman Sachs Global Investment Research. “Our views” refers to Strategic Advisory Solutions, Goldman Sachs Asset Management. 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. **Past performance does not guarantee future results, which may vary.**

# US Recessionary Drivers

Over time US recessions have become more financial than cyclical in nature, in our view

## Key Contributors To Past US Recessions

Recession	Fiscal	Industrial	Oil	Monetary	Financial	Medical
Aug 1918						
Jan 1920						
May 1923						
Oct 1926						
Aug 1929						
May 1937						
Feb 1945						
Nov 1948						
Jul 1953						
Aug 1957						
Apr 1960						
Dec 1969						
Nov 1973						
Jan 1980						
Jul 1981						
Jul 1990						
Mar 2001						
Dec 2007						
Mar 2020						
?						

Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of February 4, 2025. “?” row refers to potential risk of recession, not a forecast. For illustrative purposes only. Blue shading refers to key contributors to past recessions. **Past performance does not guarantee future results, which may vary.**

---

# Markets

# Capital Market Forecasts

Current macro conditions reflect a broadening, but not broad, opportunity set across asset classes

	Forecast				Upside / Downside to 12m TP (%)
	Current	3m	6m	12m	
<b>Equities</b>					
<b>S&amp;P 500</b>	6041	6100	6300	6500	7.6
<b>STOXX Europe 600</b>	540	520	530	540	0.1
<b>MSCI Asia-Pacific Ex-Japan</b>	577	575	590	620	7.5
<b>Topix (FY Basis)</b>	2789	3000	3000	3100	11.2
<b>10Y Rate (%)</b> (bp)					
<b>US</b>	4.5	4.4	4.4	4.4	-18
<b>Euro area (Germany)</b>	2.5	2.1	2.0	1.9	-54
<b>Japan</b>	1.2	1.3	1.4	1.6	39
<b>Currencies</b>					
<b>€/\$</b>	1.04	1.00	0.97	0.97	-6.7
<b>£/\$</b>	1.24	1.23	1.22	1.20	-3.6
<b>\$/¥</b>	155	160	161	162	4.6
<b>Commodities</b>					
<b>Brent Crude Oil (\$/bbl)</b>	76.8	80	79	76	-1.0
<b>NYMEX Nat. Gas (\$/mmBtu)</b>	3.0	3.50	3.60	4.15	36.2
<b>London Gold (\$/troy oz)</b>	2810	2700	2780	2930	4.3
<b>LME Copper (\$/mt)</b>	8928	9600	9740	10650	19.3



We believe equities are likely to be **resilient over the near-term**, though risks are higher in 2025 and the need for balance is greater.



We expect a **steeper US yield curve** reflecting Fed rate cuts, though longer rates should remain anchored by deficit financing requirements. The case for owning duration is most pronounced in Europe.



US policy and global uncertainty may create pockets of additional **short-term USD strength**.



Demand for **commodity hedges** should be reinvigorated in a world of lower returns and high risks (inflation, tariffs, and deficits).

Source: MSCI, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of February 3, 2025. "TP" refers to Target Price. "Volatility" is a measure for variation of price of a financial instrument over time. All numbers reflect Goldman Sachs Global Investment Research forecasts as of February 3, 2025. 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 end of this presentation. **Past performance does not guarantee future results, which may vary.**

# Equity Views

## Equities

US equities will likely be resilient, but select opportunities exist across and within the asset class

### US Equity

- GIR's YE 2025 S&P 500 target is 6500, informed by a solid macro backdrop and earnings momentum.
- More moderate long-term views are governed by high current valuation and market concentration. While we expect market leadership to broaden across and down capitalization, the Mag 7 can continue to outperform.

### International DM

- International equities may offer attractive opportunities for exposure to value, cyclical, and yield at a cheaper price, though selectivity will matter.

### EM

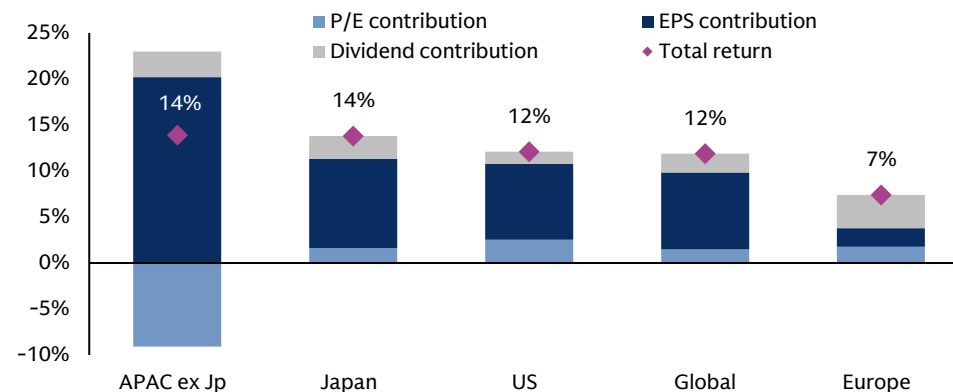
- Shifts in US fiscal and trade policy could drive weakness in EM growth, while higher-for-longer US rates may create a challenging mix for EM. China continues to face 3D challenges (debt, demographics, and de-risking), alongside likely tariff headwinds.
- EM equities with strong domestic micro fundamentals, insulation from US protectionist policy risks, and local policy support are best placed to outperform.

### Private Equity

- A stabilizing macro backdrop and a recalibration of investor expectations may act as catalyst for a more normalized deal-making environment in 2025, positioning the industry better for both exits and new capital deployment.

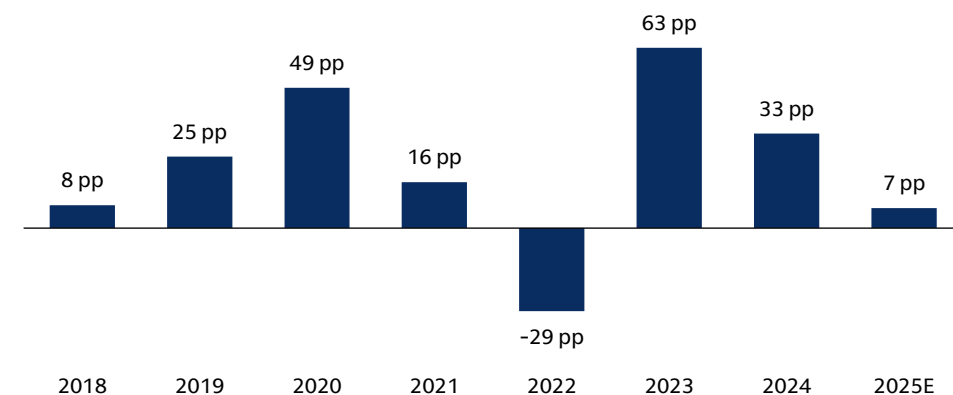
### Likely Key Driver of Equity Returns in 2025: Earnings

2025 Equity Market Total Return Breakdown (%)



### Closing The Gap

Relative Return of Mag 7 vs S&P 493 (pp)



Top Chart Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of January 3, 2025. Chart shows 12-mo total return forecasts. Figures are in local currency. Bottom Chart Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of November 20, 2024. "We" refers to Goldman Sachs Asset Management. 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. **Past performance does not predict future returns and does not guarantee future results, which may vary.** For illustrative purposes only. Please see additional disclosures at the end of this presentation.

# S&P 500 Core Views

## Equities

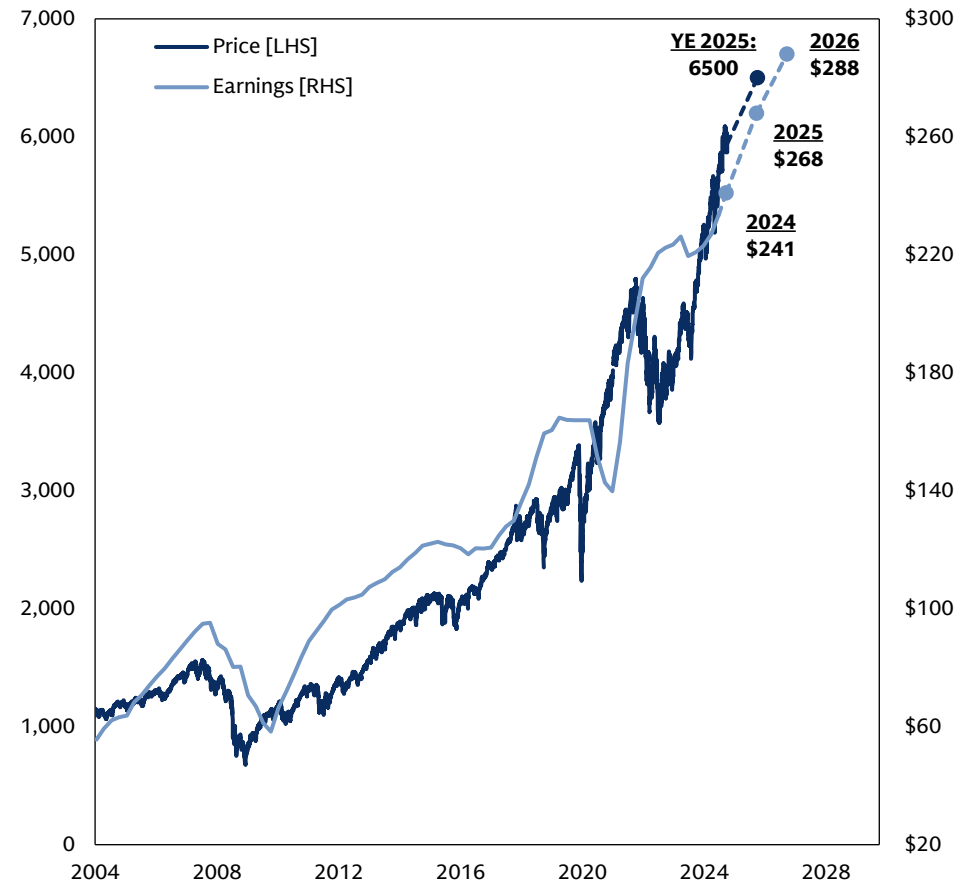
Our S&P 500 2025 year-end target is 6500 given strong macro, though we are priced for perfection

### More of the Same:

- Resilient Macro (15% Recession Probability)
- Normalization Fed Cutting Cycle
- Strong Earnings (2025: \$268)
- Share Buybacks (\$1 Trillion)
- Absence of Financial Bubbles

Bear Market Bottom	Number of Years of Following Bull Market
May 1970	2.6
October 1974	6.2
August 1982	5.0
December 1987	12.3
October 2002	5.0
March 2009	11.0
March 2020	1.8
<b>October 2022</b>	<b>2.4</b>

### S&P 500 Price and Earnings Targets



Source: Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of January 3, 2025. “Our” and “we” refers to GS Global Investment Research and Goldman Sachs Asset Management. “Bear market” refers to a period when a market experiences prolonged price declines. “Bull market” refers to a period when a market experiences prolonged price inclines. “P/E” refers to Price-to-Earnings ratio. “Fed” refers to Federal Reserve. For illustrative purposes only. The economic and market forecasts presented herein are informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. **Past performance does not predict future returns and does not guarantee future results, which may vary.**

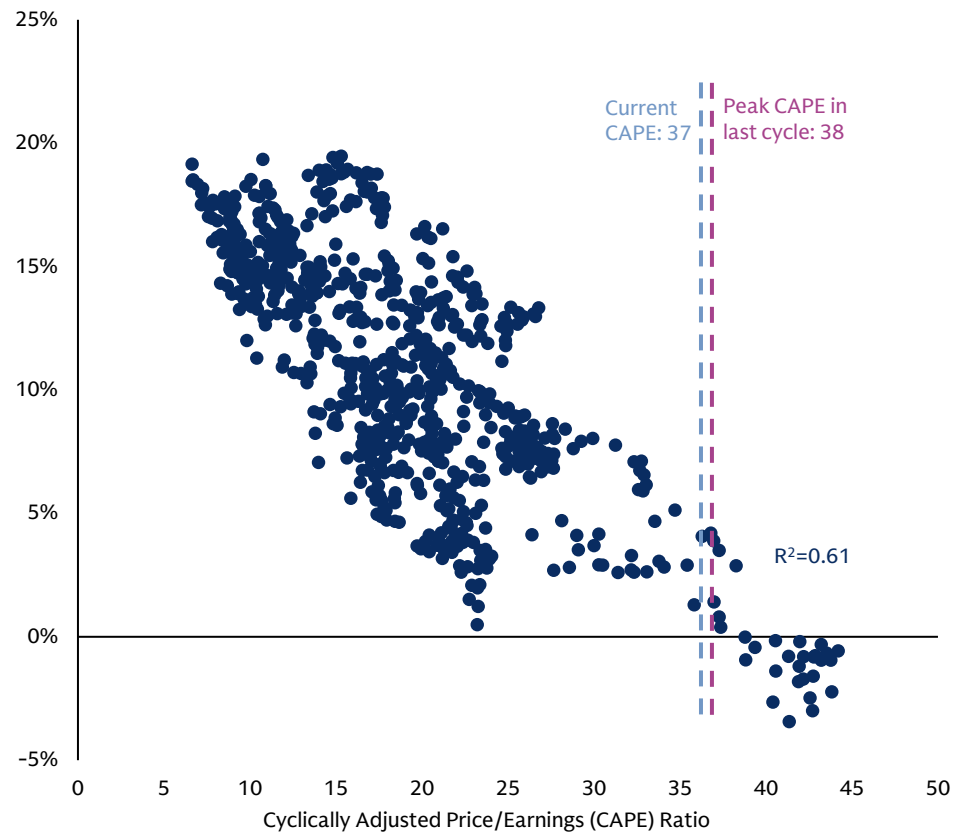
# Investing in the Next Cycle

## Equities

US equity strength may persist in the near term but level off in the long term

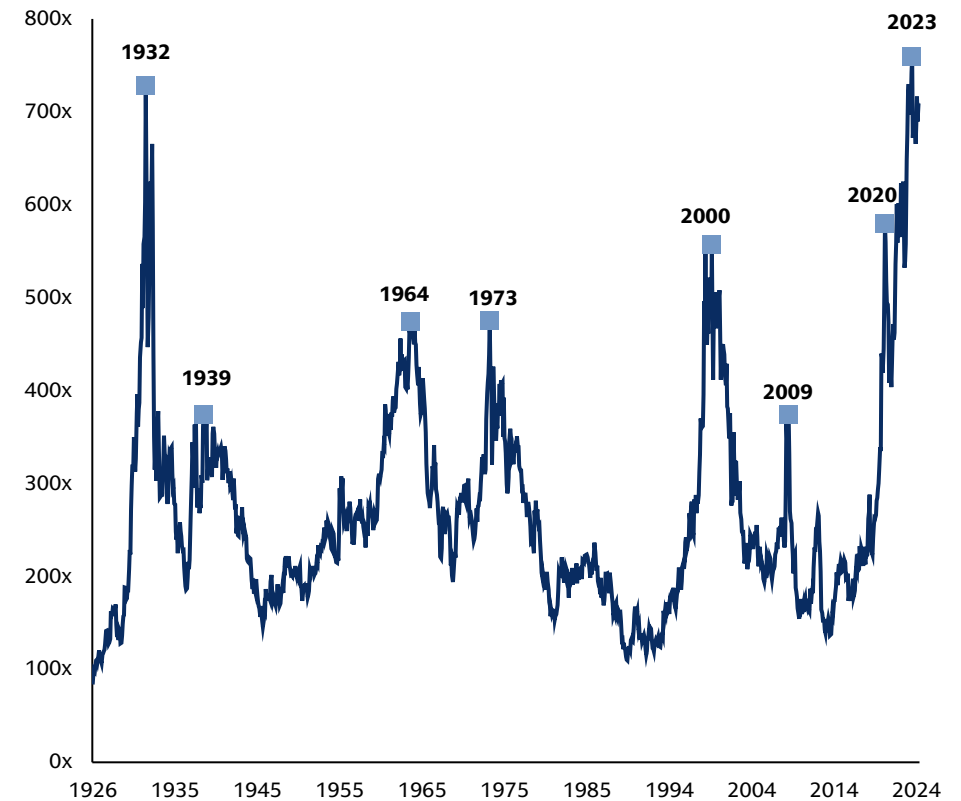
### Starting Absolute Valuation

S&P 500 Forward 10-Year Returns Annualized (%)



### Market Concentration

Market Cap of the Largest Stock Relative to the 75th Percentile Stock



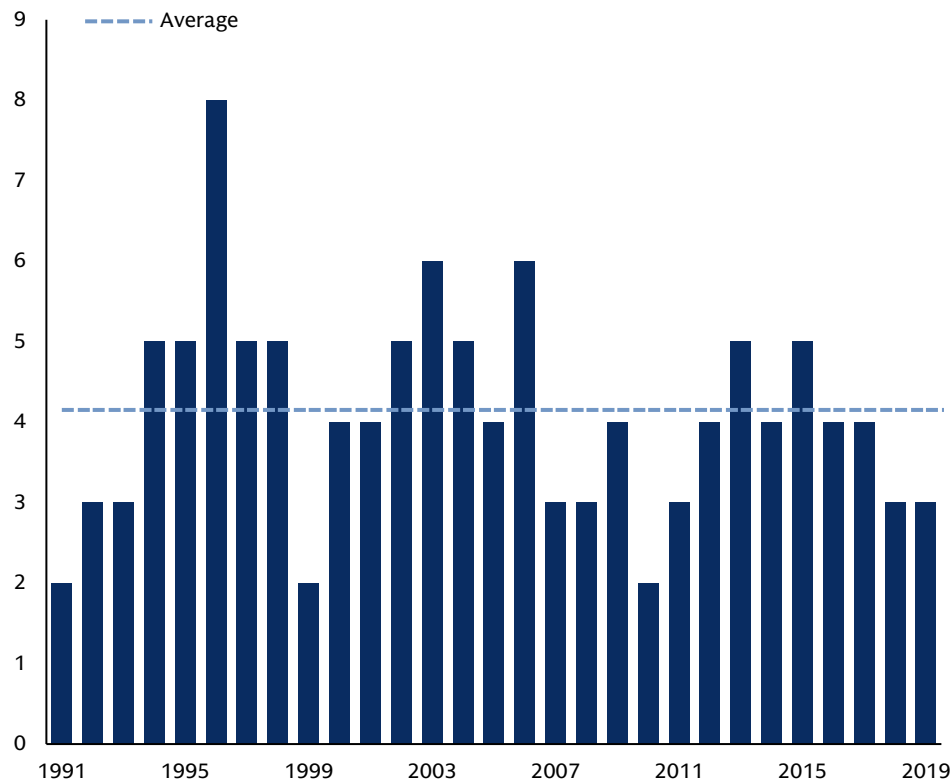
Left chart notes: Source: Robert Shiller, Bloomberg, and Goldman Sachs Asset Management. As of January 31, 2025. Data from 1950 through 2024, though scatterplot stops in 2013 as chart requires 10-year forward S&P 500 returns. “CAPE” refers to cyclically adjusted price/earnings. “R2” refers to a statistical measure of how close the data are fitted together. Past correlations are not indicative of future correlations, which may vary. Right chart notes: Source: Goldman Sachs Global Investment Research. As of November 30, 2024. For illustrative purposes only. **Past performance does not guarantee future results, which may vary.**

# A Closer Look at the Top Equities

Industry dominance often invites competition and regulation

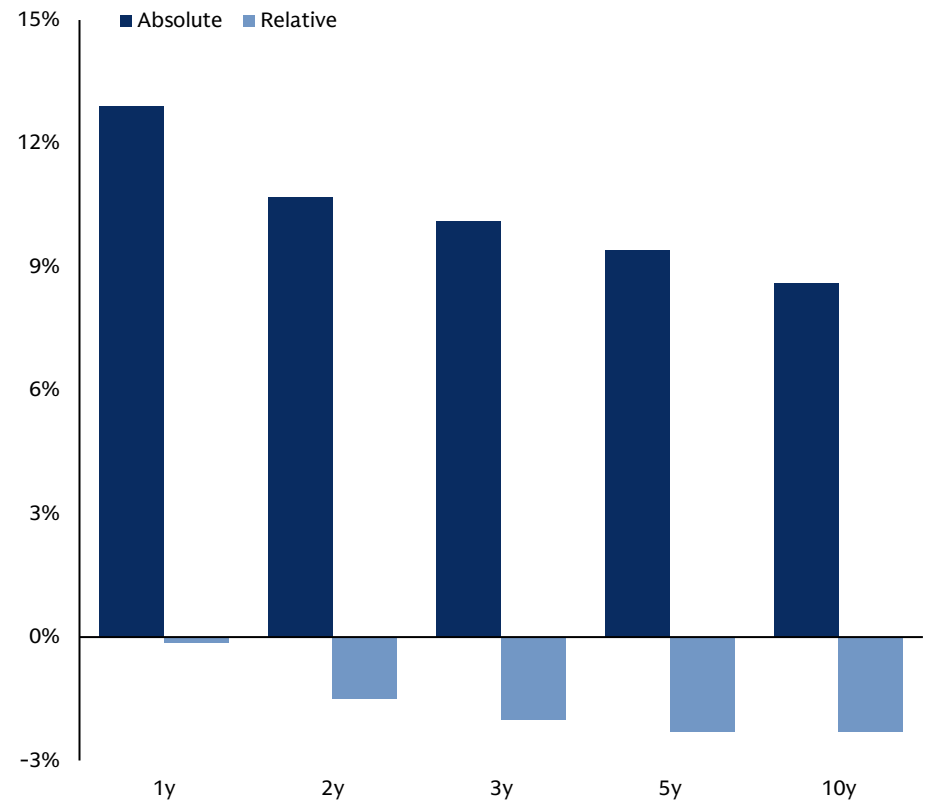
## Hard To Get To The Top, Hard To Stay At The Top

Number of Top 10 S&P 500 Companies Not Among the Top 10 Companies 5 Years Later (Rolling Basis)



## Nothing Last Forever

Forward Returns of 10 Largest US Companies (Average, %)



Left Section Notes: Bloomberg and Goldman Sachs Asset Management. As of January 31, 2025. Chart shows percentage of top 10 S&P 500 companies by market cap weight that were not among the top 10 companies 5 years later, on a rolling basis. Right Section Notes: GS Global Investment Research and Goldman Sachs Asset Management. As of May 28, 2024. Chart shows average forward returns for the top 10 US companies in terms of market capitalization on both an absolute and relative basis, dating back to 1980. For illustrative purposes only. Please see additional disclosures at the end of this document.

**Past performance does not predict future returns and does not guarantee future results, which may vary.**

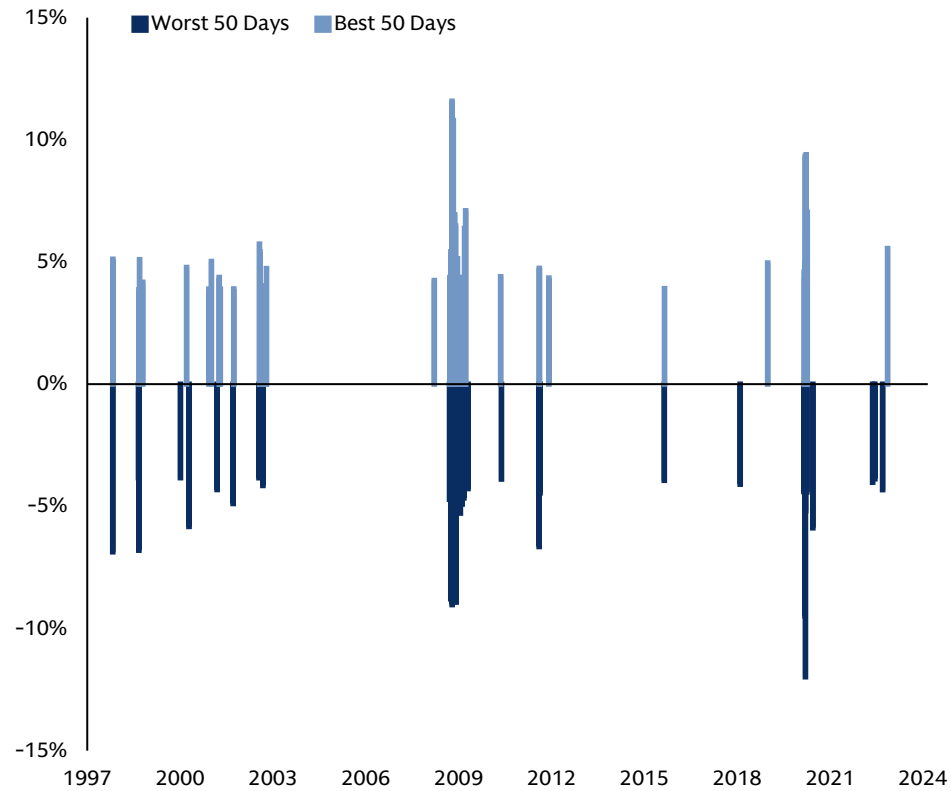
# Strategic Reminders

## Equities

Even amidst periods of uncertainty, equities can be a strategic and effective long-term play

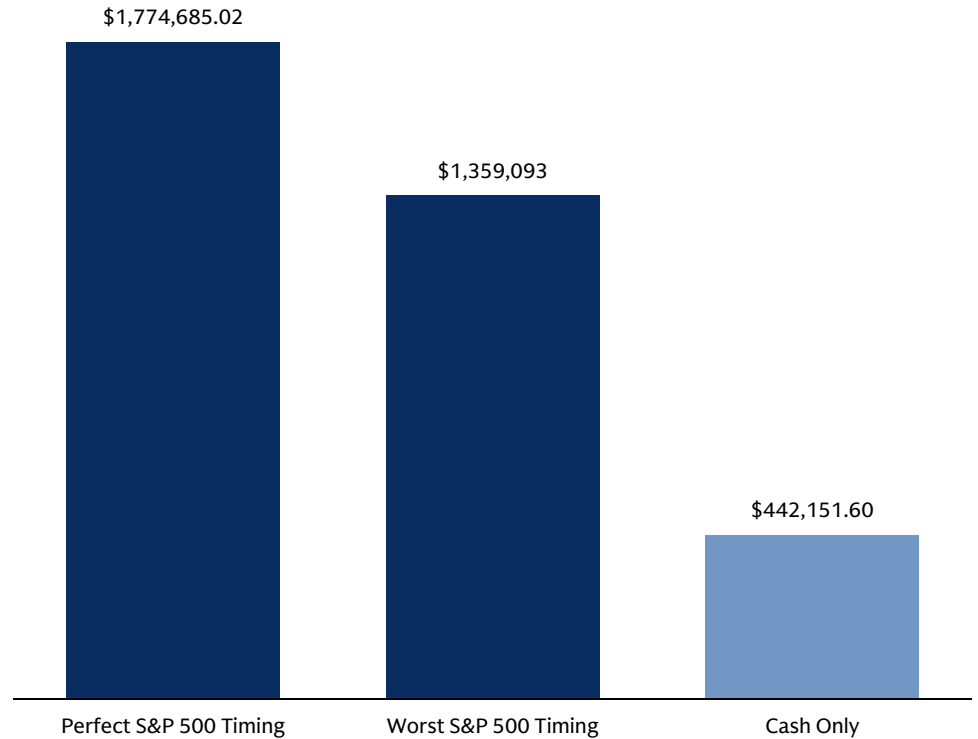
### Volatility Clusters

Largest Daily Total Returns for the S&P 500 from 1997 – 2024 (%)



### The Only Wrong Thing To Do Is Nothing

Hypothetical Portfolio Value with \$12k Annual Cash Injection (2000 – 2025)



Left Source: Bloomberg and Goldman Sachs Asset Management. As of January 31, 2025. “Volatility” is a measure for variation of price of a financial instrument over time. Right Source: Bloomberg and Goldman Sachs Asset Management. As of January 6, 2025. “Perfect Timing” refers to an investment strategy in which someone invested \$12,000 into the S&P 500 at its lowest closing value each year from 2000-2025. “Worst Timing” refers to an investment strategy in which someone invested \$12,000 into the S&P 500 at its highest closing value each year from 2000-2025. “Cash” refers to an investment strategy in which someone invested \$12,000 into the 3-month US Treasury bill on the first trading day of a year. **Past performance does not guarantee future results, which may vary.**

# Fixed Income Views

## Fixed Income

With attractive current yields and further rate cuts likely ahead, opportunity exists in fixed income

### Rates

- Moderating growth and decelerating inflation may be supportive of bonds across the curve.
- That said, US policy including mounting fiscal pressures may limit the rally on the long end.
- We expect interest rate curves to steepen gradually.

### Credit

- The outlook is generally stable, though there is limited scope for further spread tightening.
- Corporate liquidity buffers appear resilient, and strong starting balance sheets may prevent meaningful credit deterioration.
- Ultimately, a combination of deteriorating fundamentals and weakening technicals is needed to catalyze a valuation reset. Neither scenario is in our baseline case for 2025.

### Policy Rate Cuts

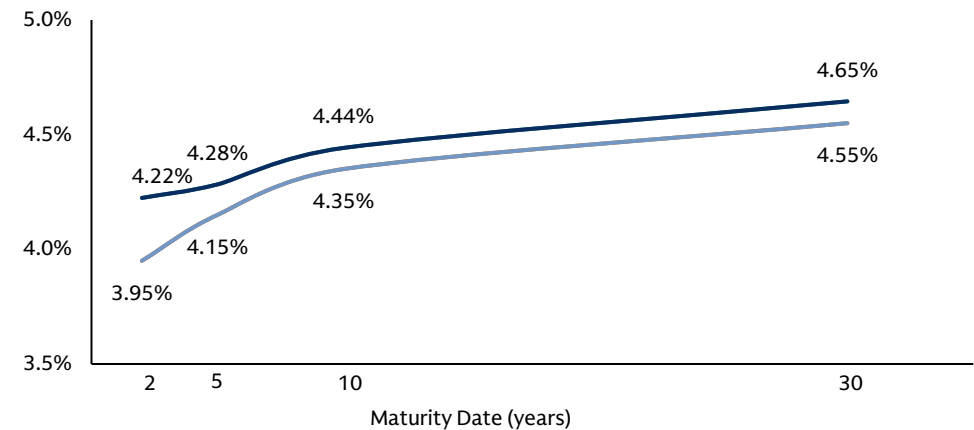
- We think a steepening bias is the right one for a world where the Fed is more focused on growth than inflation risks.
- We expect cuts from all G10 central banks except the BoJ in 2025.

### Municipal Bonds

- Being mindful of tax legislation, munis may still benefit from attractive relative yields, stable credit, and investor demand for duration.

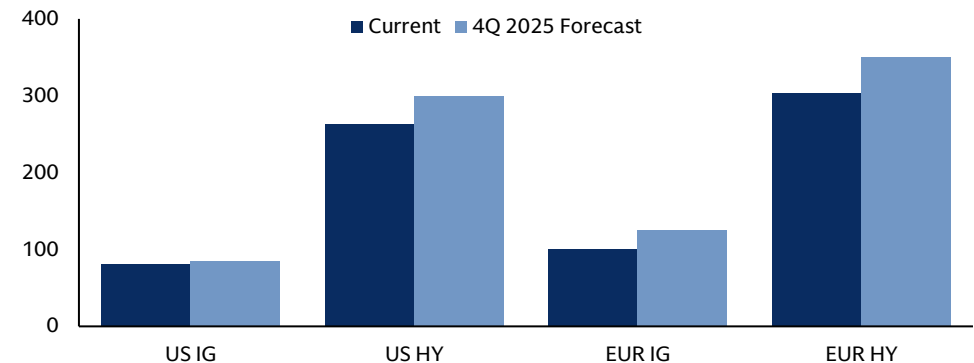
### Slow and Steady Re-Steepening

US Treasuries Yield-to-Worst (%)



### Credit Standstill

Credit Spread (bps)



Charts Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of February 6, 2025, or latest available. For illustrative purposes only. “We” refers to Goldman Sachs Asset Management. 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. **Past performance does not predict future returns and does not guarantee future results, which may vary.** Please see additional disclosures at the end of this presentation.

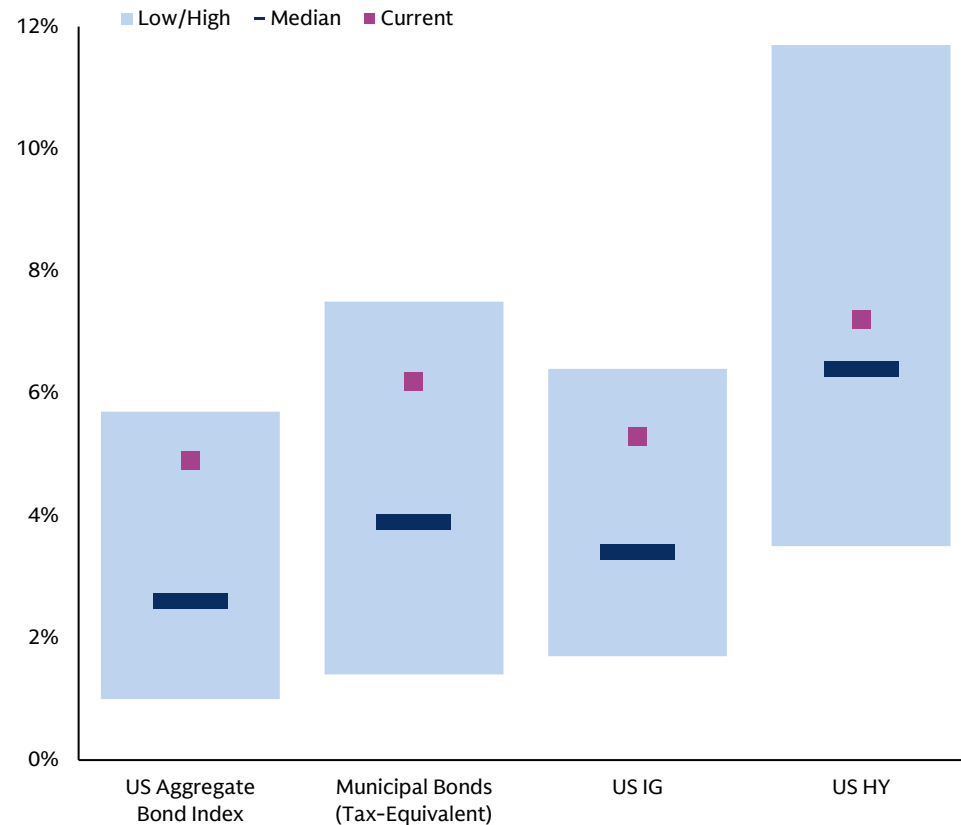
# Yield is Only One Part of the Equation

## Fixed Income

Core bonds offer attractive features today and may be relied on over correctly predicting rate cuts

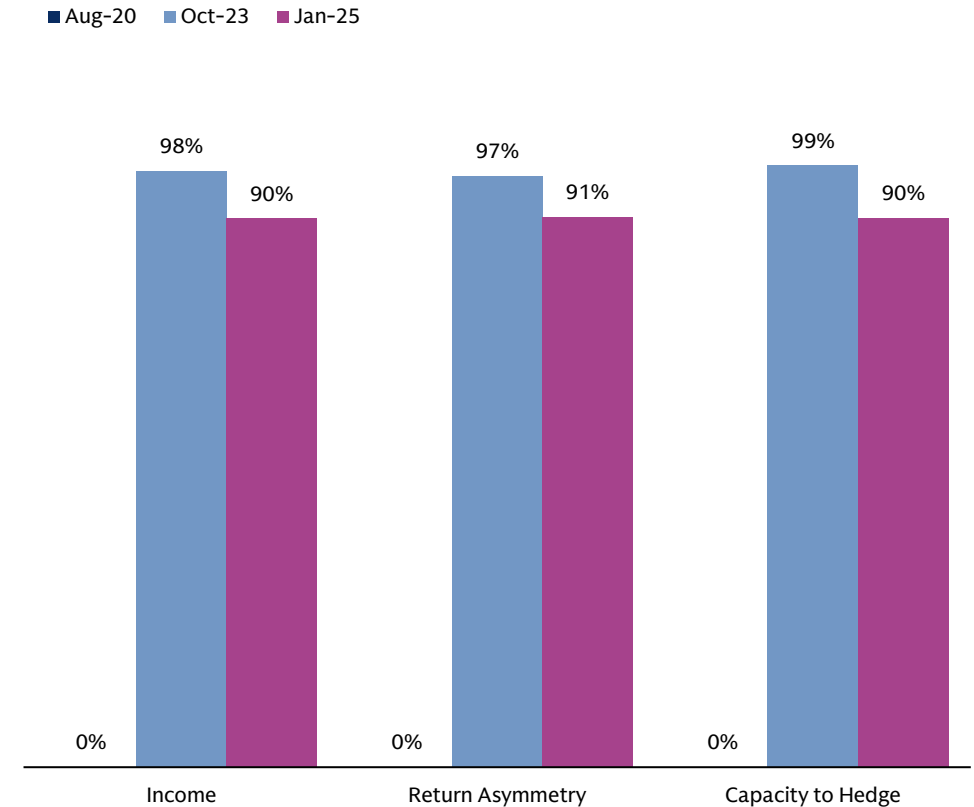
### Above Average Yields

Yield to Worst (% , Prior Ten Years)



### Bonds Have Come A Long Way

Benefits of Intermediate Fixed Income (Percentile, % 20-Year Trailing)



Left Chart Source: Bloomberg and Goldman Sachs Asset Management. As of January 31, 2025. Charts shows the minimum, maximum, median, and current yield-to-worst of various fixed income markets considering prior ten years of yields. Right Chart Source: Bloomberg and Goldman Sachs Asset Management. As of January 31, 2025. Chart shows the illustrative total return of a 10-Year US Treasury bond, calculated by summing the modified duration price impact of a 1pp change in rates with the bond's yield at the time. August 2020 was chosen as it was the month the 10-Year US Treasury yield hit an all-time low. The results are based on the historical returns of the indices used and no representation is made that an investor achieved similar results. The example provided does not reflect the deduction of investment advisory fees and expenses which would reduce an investor's return. The results will vary based on market conditions. **Past performance does not guarantee future results, which may vary.** Please see additional disclosures at the end of this presentation.

# FX and Commodities

US policy shifts may lead to a ‘stronger for longer’ USD and hedging opportunities within commodities

## FX

- **USD:** We expect the dollar to be ‘stronger for longer’ in 2025 as tariff risks and divergent growth prospects support USD strength. We had expected the dollar to gradually decline as global growth moved into better balance. However, Dollar challengers still struggle to mount a better case.
- **EUR:** The Euro Area faces a challenging set of circumstances and is highly vulnerable to global trade policy uncertainty. Bearish sentiment is already embedded into the currency, mostly due to investor pessimism regarding the macro trajectory.
- **JPY:** Gradual BoJ rate hikes are not an impediment towards a weaker Yen, which may allow for more sustained policy tightening.

## Global FX Forecasts

Currencies	Current		GIR Forecast			LT GIR Forecast		
	Spot	3m	6m	12m	2026	2027	2028	
EUR/USD	1.04	1.00	0.97	0.97	1.06	1.10	1.13	
GBP/USD	1.24	1.23	1.22	1.20	1.29	1.28	1.28	
USD/JPY	154	160	161	162	145	132	119	
USD/CNY	7.24	7.40	7.50	7.50	7.30	7.10	6.90	

## Commodities

- The unusually wide range of potential US policy shifts in 2025 may strengthen the diversifying role of commodities in portfolios.
- Long gold and oil positions, in particular, can act as critical inflation and geopolitical hedges in tail scenarios, including tariff escalation, geopolitical oil supply disruptions, and debt fears.

## Commodity Positions Can Act as Inflation Hedges

Inflation Shocks	Inflation Risks Post US Elections	Commodity Hedge
Positive Demand Shock (Bonds ↓)	Fiscal Easing	1. Industrial Metals 2. Oil 3. Natural Gas <sup>1</sup> 4. Agriculture <sup>1</sup> 5. Copper/ Aluminum <sup>2</sup>
Negative Supply Shock (Equities ↓; Bonds ↓)	Hawkish on Iran Oil Supply	1. Oil 2. Natural Gas <sup>1</sup> 3. Agriculture <sup>1</sup> 4. Gold
Central Bank Credibility Loss/Geopolitics (Equities ↓; Bonds ↓)	Fed Subordination, Tariffs, and/or Debt Fears	1. Gold

Left Chart Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of January 31, 2025, or latest available. “LT” refers to Long-term. Right Chart Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of December 31, 2024. 1 reflects a green substitute commodity hedge. 2 reflects a green enhancement commodity hedge. “We” refers to Goldman Sachs Asset Management. 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. For illustrative purposes only.

# High Conviction Investment Strategies

Our highest conviction investment strategies for investing in today's market environment

Investment Strategy	Rationale and Key Risks
<b>Tax-Advantaged Equity SMAs</b>	<ul style="list-style-type: none"><li>• Stock dispersion and a micro-driven return environment may provide robust opportunities for tax alpha through tax-loss harvesting, in our view.</li><li>• Recent index returns have been driven by the Magnificent 7 while other S&amp;P 500 constituents' performance has been mixed, which may allow for ample loss harvesting opportunities among the index laggards.</li><li>• Key Risk: a bull market with subdued volatility and low dispersion limits opportunities for tax-loss harvesting.</li></ul>
<b>International Equities</b>	<ul style="list-style-type: none"><li>• US equities continue to trade at lofty valuations, which highlights the relative discount of international counterparts.</li><li>• Although valuations alone should not dictate equity allocations, international equities may offer attractive opportunities to get exposure to value, cyclical, and yield at a cheaper price.</li><li>• Key Risks: geopolitical tensions, tariffs, weaker macroeconomic environments, and a strong US dollar.</li></ul>
<b>Municipal Bonds</b>	<ul style="list-style-type: none"><li>• We believe munis could continue to benefit over the near term due to 1) attractive real and tax-equivalent yields, 2) stable credit fundamentals, and 3) a strong retail demand.</li><li>• We expect 9 of 10 G10 central banks to be easing in 2025 and to largely “see through” one-time tariff inflation.</li><li>• Key Risk: US tax policy that could expand SALT tax deductibility.</li></ul>
<b>Small Caps</b>	<ul style="list-style-type: none"><li>• The combination of low current valuations, a relatively healthy economic outlook, and global trade uncertainty may make small-cap equities an attractive alternative to large-cap peers trading at higher valuations, in our view.</li><li>• A small cap catch-up could happen swiftly, should improving sentiment drive higher investor positioning, in our view.</li><li>• Key Risks: higher rates, and in turn a higher cost of capital, may challenge smaller companies' balance sheets. Smaller companies demonstrate higher cyclical and would struggle should GDP growth disappoint expectations.</li></ul>
<b>Liquid Alternatives</b>	<ul style="list-style-type: none"><li>• The correlations between 1) stocks and hedge funds and 2) bonds and hedge funds have decreased considerably, reflecting opportunity for further portfolio diversification through liquid alternatives.</li><li>• Many companies are staying private for longer, generating more of their value while under private ownership, which we believe investors can take advantage of through liquid alts.</li><li>• Key Risks: liquid alternatives may underperform equities in a risk-on environment.</li></ul>

Source: Goldman Sachs Asset Management. As of January 31, 2025. Diversification does not protect an investor from market risk and does not ensure a profit. Past correlations are not indicative of future correlations, which may vary. **Past performance does not predict future returns and does not guarantee future results, which may vary.** Goldman Sachs does not provide accounting, tax or legal advice. Please see additional disclosures at the end of this presentation. There is no guarantee that objectives will be met. For discussion purposes only.

---

# Politics

# 2025 Policy Views

## US Politics

### What We Know Right Now

- The 2024 US elections outcome revealed Donald Trump winning the presidency and Republican control over Congress.
- While this set the stage for policy shifts over the next few years, thin leadership margins and ideological partisanship continue to pose challenges for the legislative process.
- Anti-incumbency seemed to be the common thread across global elections in 2024, as voters expressed discontent with inflation and the status quo, leading to major shifts in global leadership.

### Policy Outlook

- The 119<sup>th</sup> Congress will face key issues such as expiring Trump tax cuts, foreign aid, and border reform.

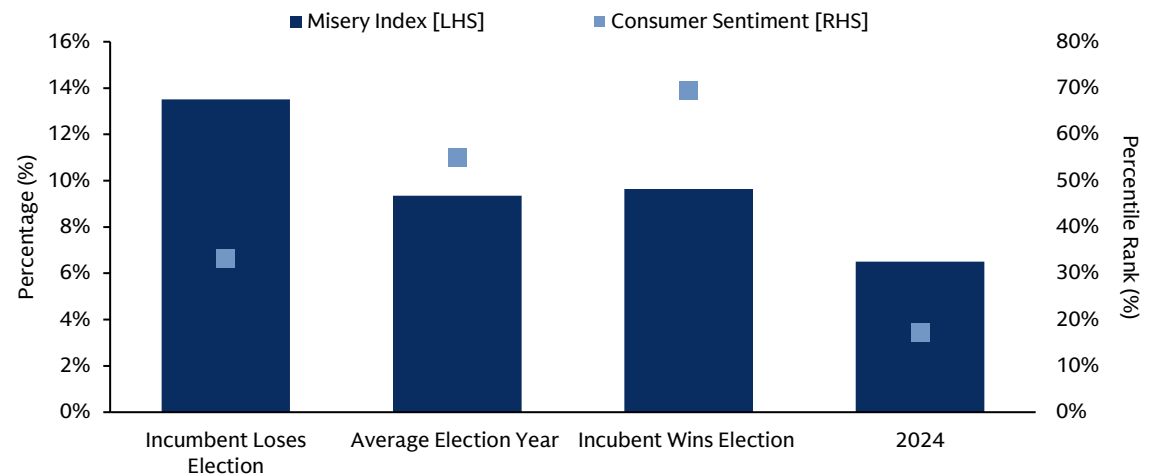
### Congressional Margins

- With a limited legislative window until the midterms and thin margins of leadership, a few key players may continue to hold disproportionately loud voices in the legislative process.
- The 118<sup>th</sup> Congress enacted a mere 270 pieces of legislation, far below the historical average of 472 pieces.

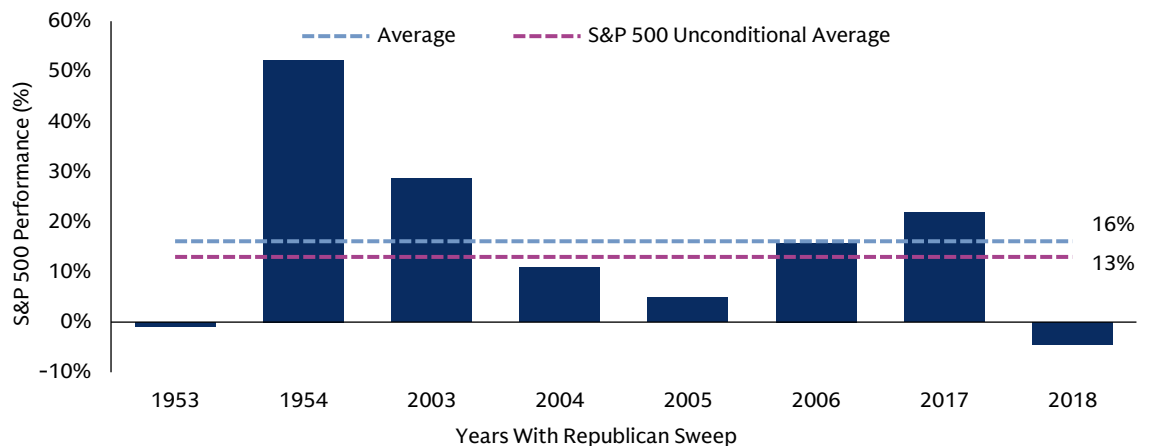
### A Vote, Not a Trade

- Markets have historically proven resilient to politics.
- We believe policy risk is best addressed via strategic portfolio design, rather than tactical risk off positioning.

### Economy Vs Sentiment During Election Years



### History Of Red Sweep Returns



Source: Goldman Sachs Asset Management. As of January 31, 2025. Top Right Chart Source: Bloomberg and Goldman Sachs Asset Management. As of December 31, 2024. “Republican Sweep” refers to a scenario where Republicans control the Presidency and both chambers of US Congress. Bottom Right Chart Source: Bloomberg and Goldman Sachs Asset Management. As of January 31, 2025. The misery index is a measure of economic distress, equal to unemployment plus inflation. For illustrative purposes only. **Past performance does not predict future returns and does not guarantee future results, which may vary.** Please see additional disclosures at the end of this presentation.

# General Policy Outlook

## US Politics

**Post-inauguration policy will be focused on protectionism, border security, tax provisions, and oversight**

### Trade

**Base Case:** The new US administration enacts a 20pp increase in tariffs on imports from China, increased tariffs on autos from the EU and Mexico, and a 4.7pp increase in the effective tariff rate.

**Risk Case:** New US administration increases effective tariff rate by around 10pp, fully implements tariffs on Canada and Mexico, issues a global auto tariff, issues a broad tariff on the EU, and/or a 60pp tariff on all imports from China.

### Immigration

**Base Case:** Net immigration slows to 750k/year on the back of increased funding and tighter law enforcement.

**Risk Case:** Selective deportation of immigrants with criminal records and/or forced deportations of up to 2.1mm individuals.

### Fiscal

**Base Case:** Republicans leverage red honeymoon to enact:

1. Full extension of expiring Trump tax cuts in early 2025
2. Expand SALT deduction
3. Exclude select taxes from overtime and tips
4. Lower corporate tax for domestic manufacturers to 15%
5. Reinstate more generous corporate incentives
6. Allow enhanced ACA subsidies to expire
7. Set limitations on green subsidies

### Regulation

**Base Case:** Republicans focus on three key areas:

1. Antitrust: Enforcement eases slightly with scrutiny around tech sector likely continuing
2. Energy: Easier approval for new energy projects, growing LNG exports, and removing restrictions on greenhouse gas emission
3. Financial: Near-term easing of regulatory burden on consumer finance firms alongside medium-term easing of capital and liquidity requirements

Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. "LNG" refers to Liquefied Natural Gas. As of January 31, 2025. For illustrative purposes only.

# General Policy Outlook

## US Politics

### Potential Avenues for Policy Implementation

#### Bi-Partisan Legislation

- Bill, passing with majority vote in House and 60 votes in the Senate in identical form.
- Once President signs, bill is law, but if vetoed, Congress can override with 2/3rds vote.
- However, potential legislation is subject to filibuster.

#### Senate Votes Needed

60 of 100

#### 2025 Areas of Focus

1. China-Related Legislation
2. Crypto Framework
3. Defense
4. Immigration
5. Spending Reappropriation

#### Reconciliation

- Way for Congress to enact legislation with fiscal or budgetary component by a simple majority.
- Reconciliation bills cannot be filibustered and used most when same party controls presidency, but lacks 60 Senate votes.
- At most, three per year, each addressing revenue, spending, or the federal debt limit (subject to Byrd Rule).

#### Senate Votes Needed

51 of 100 or  
50 + VP tie-breaker vote

#### 2025 Areas of Focus

1. Extend TCJA - With Provisions Such as SALT Deductions and Taxes on Overtime and Tips
2. National Defense and Immigration Bill

#### Executive Order

- Issued by President to implement policies that may face legislative gridlock.
- Can be flexible and powerful, but can also be impermanent as a later President can revoke or modify.
- Congress can reverse current President's executive orders with 2/3rds vote in both chambers.

#### Senate Votes Needed

0

#### 2025 Areas of Focus

1. Targeted Tariffs and Trade Policy
2. Immigration
3. Energy – Exploration, Permitting Drilling
4. Limited-Scope Spending Reductions (DOGE)

Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. “LNG” refers to Liquefied Natural Gas. As of January 31, 2025. For illustrative purposes only.

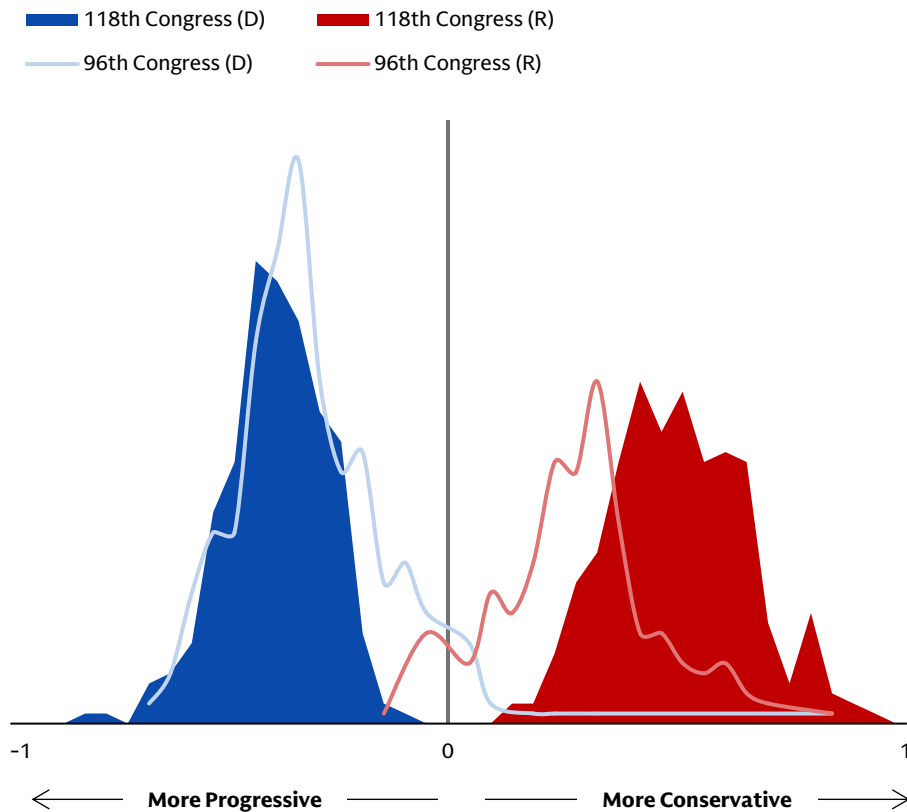
# Ideologically Challenged

## US Politics

As Congress has become more polarized, the middle of the ideological aisle has hollowed

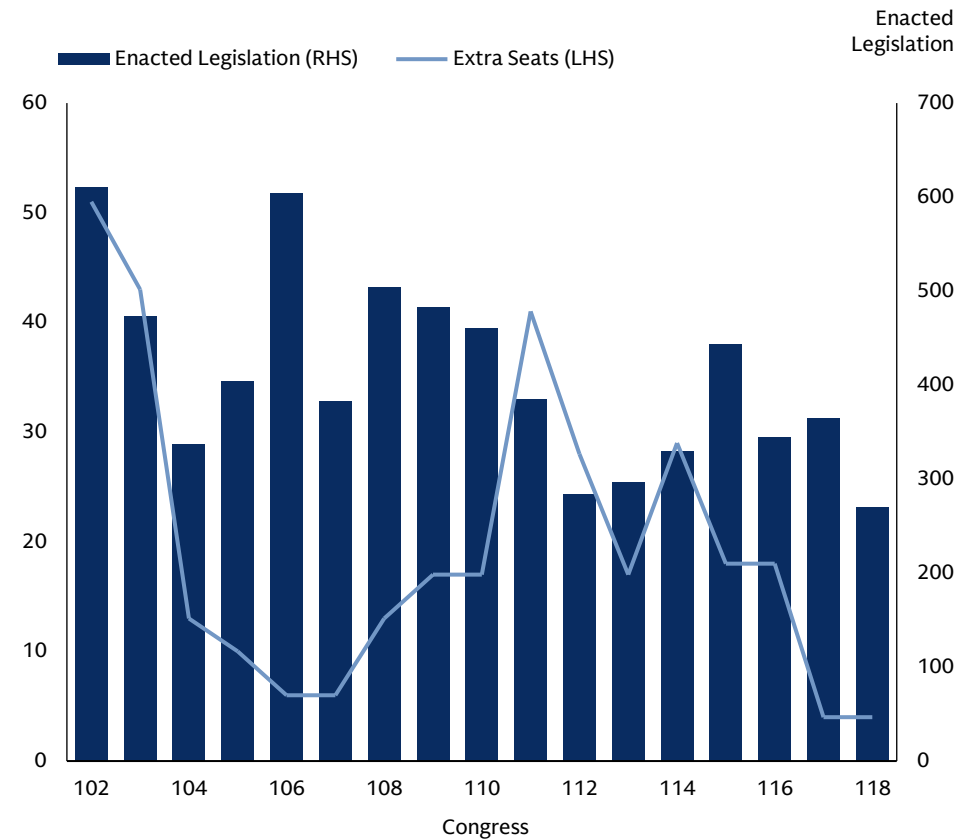
### Wide Divide

Congressional Ideology (DW-Nominate Score)



### Slim Majorities

Excess Seats Held By Controlling Party in House



Source: VoteView, GovTrack, and Goldman Sachs Asset Management. As of December 31, 2024. Left Chart Notes: Chart shows the ideology of members of the 118<sup>th</sup> Congress based on their voting history, with -1 being more liberal and 1 being more conservative. Right Chart Notes: “Extra Seats” refers to the number of seats held above 217 that the controlling party of the House of Representatives held. For illustrative purposes only.

---

# Key Takeaways

---

## **We Believe:**

- Market conditions in 2025 call for balanced portfolio positioning
- Widening opportunities **across** asset classes calls for deliberate investing **within** asset classes
- Policy uncertainty calls for seeing through the noise and sticking to the plan

Source: Goldman Sachs Asset Management. As of January 31, 2025. There is no guarantee that objectives will be met. For discussion purposes only.

# Glossary

## Additional Notes

Page 2 Notes: “Fed” refers to Federal Reserve. “GIR” refers to Goldman Sachs Global Investment Research. “EM” refers to Emerging Markets. “WACC” refers to Weighted Average Cost of Capital. “GDP” refers to Gross Domestic Product. “Core PCE” refers to Personal Consumption Expenditures, excluding food and energy. “UST” refers to US Treasury.

Page 3 Notes: Bottom Right Chart shows the actual Consumer Price Index and assumed Consumer Price Index under the Federal Reserve’s 2% year-over-year inflation target, indexed to 100 beginning from the year 2020.

Page 4 Notes: The misery index is a measure of economic distress felt by the people within an economy, defined as the sum of current, seasonally adjusted unemployment plus the current inflation rate.

Page 19 Notes: Right Chart shows the 10-Year US Treasury Note’s 20-year relative percentile across three characteristics on three different dates. The first characteristic is the security’s yield. The second characteristic is the illustrative distribution of total returns if the 10-Year interest rate moves 1pp higher and 1pp lower. The illustrative total return in the case of a 1pp increase in the interest rate is calculated by adding the 10-Year US Treasury Note’s yield to its respective modified duration price impact of a 1pp increase in interest rates. The illustrative total return in the case of a 1pp decrease in the interest rate is calculated by adding the 10-Year US Treasury Note’s yield to its respective modified duration price impact of a 1pp decrease in interest rates. The distribution of total returns is calculated by dividing those two figures. The third characteristic is the ability of a 10-Year US Treasury Note to hedge an equity market drawdown via price appreciation assuming interest rates fall to 0%. This is calculated by multiplying the yield of a 10-Year US Treasury Note by its modified duration. Goldman Sachs Asset Management’s and Bloomberg’s products are not related, and Bloomberg has not endorsed either Goldman Sachs Asset Management or its products.

Page 21 Notes: “Tax alpha” refers to the return of a portfolio conducting tax-loss harvesting less the return of the portfolio not conducting tax-loss harvesting. “Alpha” refers to risk adjusted excess returns. “SMA” refers to separately managed account. “Magnificent 7” refers to NVDA, MSFT, AMZN, META, TSLA, AAPL, AND GOOG. “Correlation” refers to the amount by which two investments vary relative to each other.

Page 23 Notes: Top right chart shows the misery index and consumer sentiment percentile dating back to 1980 for four election scenarios: 1) the incumbent president loses the election, 2) the incumbent president wins the election, 3) the average election year, and 4) the current levels, as of October 31, 2024. Bottom right chart shows S&P 500 historical performance in all years with a Republican sweep from 1933-2023.

## Equities

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 Euro Stoxx 600 Index represents the performance of 600 publicly-traded companies based in one of 18 EU countries.

The TOPIX Index is a free-float adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the Tokyo Stock Exchange First Section.

The MSCI Asia Pacific ex-Japan Index captures large and mid cap representation across 4 of 5 Developed Markets countries (ex Japan) and 9 Emerging Markets countries in the Asia Pacific region.

The MSCI EAFE is an equity index which captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the US and Canada.

The MSCI All Country World Index is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 24 emerging markets.

## Fixed Income

The 10-Year Treasury is a US Treasury debt obligation that has a maturity of 10 years.

The Bloomberg U.S. Aggregate Bond Index measures the performance of investment grade, U.S. dollar-denominated, fixed rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Bloomberg Municipal Bond Index tracks the market for tax-exempt municipal securities in the US.

# Glossary, Risk Considerations, and General Disclosures

## **Other**

The CBOE S&P 500 Buy-Write Index is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500.

Euro area refers to the Eurozone. The Eurozone is comprised of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

P/E or price/earnings is a ratio for valuing a company that measures its current share price relative to its earnings per share.

Volatility is a measure of variation of a financial instrument's price.

## **Risk Considerations**

Equity securities are more volatile than fixed income securities and subject to greater risks. Small and mid-sized company stocks involve greater risks than those customarily associated with larger companies.

Investments in foreign securities entail special risks such as currency, political, economic, and market risks. These risks are heightened in emerging markets.

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.

An investment in real estate securities is subject to greater price volatility and the special risks associated with direct ownership of real estate.

Investments in fixed-income securities are subject to credit and interest rate risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and principal. This risk is higher when investing in high yield bonds, also known as junk bonds, which have lower ratings and are subject to greater volatility. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Buy-write strategies are subject to market risk, which means that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular sectors and/or general economic conditions. They are also subject to the risks associated with writing (selling) call options, which limits the opportunity to profit from an increase in the market value of stocks in exchange for up-front cash at the time of selling the call option. In a rising market, the strategy could significantly underperform the market, and the options strategies may not fully protect it against declines in the value of the market.

Bonds are subject to interest rate, price and credit risks. Prices tend to be inversely affected by changes in interest rates.

Although Treasuries are considered free from credit risk, they are subject to interest rate risk, which may cause the underlying value of the security to fluctuate. Income from municipal securities is generally free from federal taxes and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains, if any, will be subject to taxes. Income for some investors may be subject to the federal Alternative Minimum Tax (AMT).

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. Such transactions are considered suitable only for investors who are experienced in transactions of that kind. Currency fluctuations will also affect the value of an investment.

The above are not an exhaustive list of potential risks. There may be additional risks that are not currently foreseen or considered.

## **General Disclosures**

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.

This material is provided for informational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and 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.

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.

# General Disclosures

Goldman Sachs does not provide legal, tax or accounting advice, unless explicitly agreed between you and Goldman Sachs (generally through certain services offered only to clients of Private Wealth Management). Any statement contained in this presentation concerning U.S. tax matters is not intended or written to be used and cannot be used for the purpose of avoiding penalties imposed on the relevant taxpayer. Notwithstanding anything in this document to the contrary, and except as required to enable compliance with applicable securities law, you may disclose to any person the US federal and state income tax treatment and tax structure of the transaction and all materials of any kind (including tax opinions and other tax analyses) that are provided to you relating to such tax treatment and tax structure, without Goldman Sachs imposing any limitation of any kind. Investors should be aware that a determination of the tax consequences to them should take into account their specific circumstances and that the tax law is subject to change in the future or retroactively and investors are strongly urged to consult with their own tax advisor regarding any potential strategy, investment or transaction.

Neither MSCI nor any other party involved in or related to compiling, computing, or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability, or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities.

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.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by Goldman Sachs Asset Management 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.

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.

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 Goldman Sachs Asset Management 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 advisors before buying or selling any securities. This information may not be current and Goldman Sachs Asset Management has no obligation to provide any updates or changes.

**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.**

## **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.

## **Confidentiality**

No part of this material may, without Goldman Sachs Asset Management's prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient.

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

© 2025 Goldman Sachs. All rights reserved.

Date of First Use: January 9, 2025. Compliance Code: 405042-OTU-2176493.