

Market Know-How 2Q 2025

KEY TAKEAWAYS

1

A Fast-Evolving Backdrop

Downside risks to growth have increased and US exceptionalism faces an increasingly uphill battle amid US policy uncertainty and Europe's wake-up call.

2

Risks Are Rising

Elevated policy uncertainty warrants a more cautious asset allocation, in our view, with government bonds providing a good hedge against growth risk.

3

Stay Active and Diversified

We believe investors should consider enhancing their portfolios with active ETFs, broadening their equity exposure, and position for potential US dollar upside.

Nexus

A set of sweeping "reciprocal tariffs" announced by the Trump administration on April 2 has sparked the latest bout of risk-off sentiment, adding to escalating uncertainty for investors. Economies, financial markets and geopolitics have always been interlinked. But in recent years, the nexus has become more complex, as governments have introduced tariffs and other protectionist measures in response to a more fractured geopolitical landscape. We believe this creates both complex challenges and new opportunities.

The evolution from a world of US unipolarity to a more fractured and multipolar geopolitical landscape has significant ramifications for policymakers and investors alike. Long-delayed investments in areas related to security and defense have been catalyzed by recent developments, perhaps most notably in Europe. This has tangible consequences for fiscal dynamics, alongside relative growth and inflation rates across economies, but also for bond issuance and global capital flows—the net impact of which may be to make exchange rates more volatile in response to a fluid geopolitical-economic nexus. For investors, questions around whether to hedge FX exposures become paramount.

Similarly, in a world in which performance across and within economies, asset classes and sectors may become more dispersed, strong flows into purely passive investment strategies until now may be partly supplanted by demand for a more active overlay: active ETFs therefore look set to become a more widely utilised building bloc within multi-asset portfolios.

And for firms with complex, international supply-chains, the lessons to be drawn from both the debilitating experiences of COVID and the recent geopolitical disharmony, include a need to build-in enhanced resiliency to production processes. This suggests a continued and accelerated shift away from "just in time" production models, to "just in case" industrial bases in which there is equal regard to both efficiency and robustness. The resulting adoption of "China+1" models may be to the benefit of economies such as India which can offer large pools of skilled labor and comparatively lower costs of production, while being situated in jurisdictions that are not at the epicentre of current geopolitical confrontations.

In this latest edition of the Market Know-How, we unpack various elements of that nexus of geopolitics, economics and financial markets, to think about solutions around not only *where* to invest and *which* asset classes, but also *how* to invest. Each dimension of that question requires careful consideration and, potentially, a re-examination of pre-existing approaches to investing.

This material is addressed to an audience familiar with macroeconomic data, market dynamics, industry trends and other broad-based economic and market conditions. For further information, please consult an authorized financial advisor. 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 April 2025 and may be subject to change, they should not be construed as investment advice. This financial promotion is provided by Goldman Sachs Asset Management B.V.

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Short-Term Macro Themes

We expect global growth to remain resilient amid robust private sector fundamentals and looser monetary policy. That said, downside risks have increased and the US exceptionalism narrative—an important driver of markets for the past few years—faces an increasingly uphill battle amidst ongoing US policy uncertainty and Europe's wake-up call.

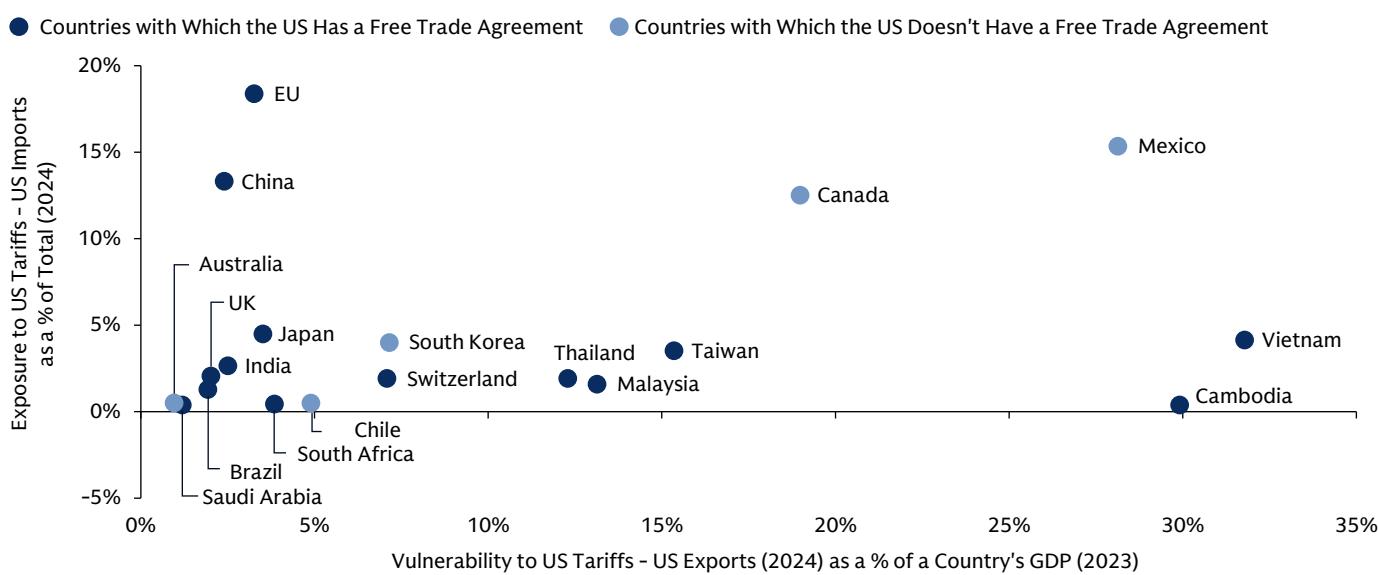
US Exceptionalism No More?

- Our base case scenario is still one in which trade and policy uncertainty eventually subsides allowing global growth to remain resilient, the disinflationary process to continue, and central banks to cut rates further, albeit with regional differences. However, recent data have put US exceptionalism into question.
- We have always been of a view that the sequencing and the details of the Trump Administration's policies, together with the broadening of AI-related capital spending, would be key factors in sustaining US growth this year. Since the start of 2025, a much tougher stance on tariffs, extensive DOGE cuts, as well as a focus on fiscal austerity and the release of new AI models in China [have challenged US growth expectations](#). At the same time, an unprecedented U-turn on fiscal policy in Germany, combined with EU defense spending, have significantly improved prospects for the European economy, pointing to a reduction in the growth gap between the two regions.

Tariffs, Tariffs Everywhere

- On April 2, President Trump announced a broad "reciprocal" tariff plan with two parts: a 10% baseline tariff on imports from all countries (excluding Canada and Mexico) starting April 5, and additional tariffs on major trading partners from April 9, including China, India, Japan and the EU. Our colleagues in Goldman Sachs Global Investment Research estimate that reciprocal tariffs and other tariffs announced year-to-date would raise the US effective tariff rate by 18.8pp to roughly 21%.

Vulnerability/Exposure to US Tariffs by Country



Source: Office of the United States Trade Representative, Macrobond, and Goldman Sachs Asset Management. As of April 1, 2025.

- If the announced tariffs are implemented and maintained, they could materially raise growth risks in the US and globally over the coming year, while lifting inflation and potentially complicating the response of central banks. Estimates suggest that the tariffs announced so far could increase US core PCE inflation by nearly 2%, while reducing growth by 1-3%.
- The lasting macro and market implications will depend on various factors, including the duration of proposed tariffs, retaliatory actions, and fiscal support offsets. Assuming limited retaliation from other countries, we expect the negative growth impact to outweigh inflation risks outside the US, strengthening the case for central bank easing in economies such as the Euro area, UK, and emerging markets. The Fed previously indicated that tariff-related inflation might be 'transitory,' suggesting a willingness to

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resume rate cuts in response to growth risks. However, with inflation still above target and facing upside risks, clearer evidence of weakness in employment, consumer spending, and business investment will likely be needed for the Fed to act.

Europe Plays Defense

- Talks of a potential long-lasting ceasefire in Ukraine have intensified since President Trump took office in January. While the economic impact of an end to the Ukraine war will depend on what kind of deal is eventually reached, a ceasefire could boost Euro area GDP and lower Euro area inflation if it led to significantly lower European natural gas prices, stronger consumer confidence and business sentiment, and higher expenditure for reconstruction.
- Even if a peace deal between Russia and Ukraine were to be reached, geopolitical tensions would remain extremely elevated, requiring a re-evaluation of security and defense policies across countries. Faced with reduced support from the US, both Germany and the EU Commission have announced plans to increase defense expense. In addition to a €500 billion off-budget fund to finance additional infrastructure and climate protection investments over 12 years, and increased deficit limits for the federal states, Germany's CDU/CSU, SPD and Greens agreed on an exemption of defense spending above 1% of GDP from the debt brake limits. At the same time, the EU Commission announced it would mobilize close to EUR 800 billion by 2030 "for a safe and resilient Europe", of which €150bn of new joint EU borrowing that would be lent to EU governments to fund pan-European capabilities in areas such as air and missile defense, artillery systems, missiles, ammunition, drones and other needs, and €650bn in additional fiscal space at national level, outside of the scope of the Excessive Deficit Procedure.
- The economic impact of this increased defense spending will, of course, depend on the type of expenditure and whether it is imported or produced locally. Europe bought a substantial amount of military equipment from non-EU suppliers immediately after Ukraine was invaded by Russia. Assuming that imports of military supplies are gradually substituted with domestic products and that the higher spending initially focuses on equipment and infrastructure, GIR estimates that additional spending on defense will have a fiscal multiplier of 0.5¹, so a cumulative €800bn increase in investment would boost EU GDP by €400bn, which is equivalent to ~2.5% of GDP² over four years. With a large part of "ReArm Europe" expected to be financed at national level, government finances are going to be increasingly stretched, putting upward pressure on inflation over the medium term.

China: The Best Is Yet to Come

- Top policymakers reiterated their supportive stance in March, placing increased priorities on consumption and high-tech manufacturing, even though so far announced stimulus fell short of previous fiscal packages in 2015 and 2020. That said, the Ministry of Finance hinted at the possibility for extra-budget funding arrangement later this year if growth downside risks were to emerge, and the PBOC pointed to continued monetary policy easing, though the exact timing of RRR cuts and policy rate cuts could be somewhat data dependent. We expect the government policy to remain reactive, but also more flexible in response to the uncertain external environment and trade policies.

Central Banks: Walking a Tightrope

- Central banks are walking a tightrope this year, having to balance inflation risks stemming from tariffs and increased fiscal stimulus in some countries, as well as growth risks as a result of trade and policy uncertainty. While our base case is for continued disinflation and rate cuts, there is a risk that inflation in the US may re-accelerate due to tariffs, or a clamp-down on immigration, forcing the Fed to halt its cutting cycle prematurely even as the economy slows further. Regardless, we think that the Fed is unlikely to cut rates before June, given heightened policy uncertainty.
- Meanwhile, the case for the ECB to cut below 2% has weakened following announced fiscal plans in Germany and at European level. That said, recent tariff announcements have strengthened the case for further ECB easing. Finally in Japan, recent data confirmed that inflation is becoming more entrenched. We therefore expect the BoJ policy normalization to continue, especially in the event of further Yen weakness.

¹ <https://www.goldmansachs.com/insights/articles/how-much-will-rising-defense-spending-boost-europes-economy>

² Based on Macrobond data of €17.9 trillion for EU GDP in 2024.

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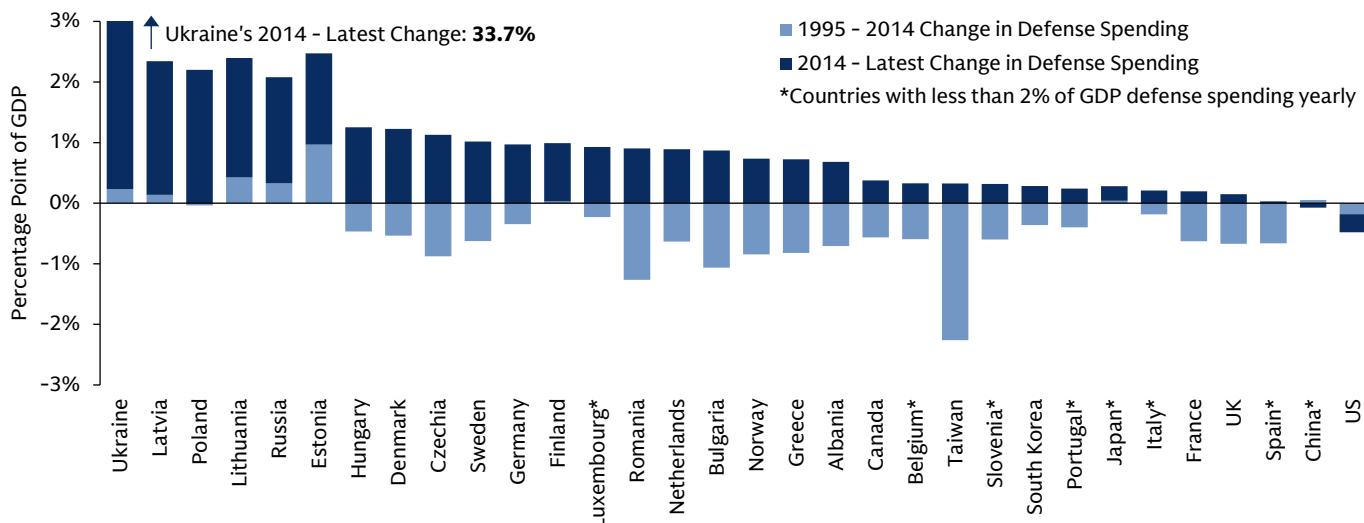
Long-Term Macro Themes

In our view, the next economic cycle will be characterised by higher inflation, elevated interest rates and heightened macroeconomic volatility, driven by 6 key factors. Thus, we believe investors need to position their portfolios for CHANGE.

CHANGE

Climate transition – High level of debt – Ageing demographics – New finance – Global fragmentation – Evolving technology

Shifting Sands: Geopolitical Instability and Evolving National Priorities is Driving Global Defense Spending



Source: SIPRI, NATO and Goldman Sachs Asset Management. As of April 1, 2025. Data for China, Russia, Ukraine and South Korea are SIPRI estimates. 'Latest' refers to 2024 for all countries but for Japan, South Korea, India, Taiwan, Russia, Ukraine, Switzerland and China that have data as of 2023. The available 2024 data points are NATO estimates. The economic and market forecasts presented herein are for informational purposes as of the date of this document. There can be no assurance that the forecasts will be achieved.

- Geopolitical instability, rising cross-continental tensions and global fragmentation have placed defense spending at the forefront of national priorities. This has led to a significant increase in defense budgets across a number of countries and we expect this trend to continue in the near future. We believe that the rising uncertainty stemming from the geopolitical landscape present long-term macro and market opportunities for investors.
- Following Russia's annexation of Crimea in 2014, NATO urged member countries to allocate 2% of their GDP annually to defense by 2024. This target is expected to rise over the next few years, reflecting a broader shift in global defense priorities. The subsequent increase in defense spending is evident across many NATO nations, particularly in the UK and Germany. More recently, the war in Ukraine has served as a profound wake-up call for Europe, prompting a reassessment of security strategies and a renewed commitment to improving defense capabilities. This has translated into further increases in military spending across the continent, with nations like Germany making historic shifts in their defense budgets to address emerging threats. However, this surge in defense expenditure is poised to place considerable strain on government finances, especially at a time when many countries are already dealing with substantial debt burdens.
- The surge in defense spending offers diverse investment opportunities across various asset classes. Defense and defense-related sectors (eg. Materials, Industrials, etc.) are likely to benefit from this increased demand. Additionally, raw materials needed for defense equipment production (eg. industrial metals and rare earth minerals) also present attractive investment avenues as defense manufacturing scales up globally. As governments issue more debt to finance military spending, government bond yields may rise, putting downward pressure on prices. Infrastructure upgrades related to military facilities offer further investment prospects on both the public and private side.

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Market Themes

Elevated policy uncertainty warrants a more cautious asset allocation, in our view, with government bonds reasserting themselves as a good hedge against growth risk. That said, we remain moderately constructive on equities through year-end given resilient global growth, healthy earnings prospects and ongoing easing by major central banks.

US Growth Deceleration

After four years of above-trend growth, investors have re-calibrated for a slower US economy as elevated trade uncertainty may delay domestic investment and weigh on consumer sentiment. [US equity markets now reflect some slowdown](#) in economic growth but remain vulnerable if activity data continue to surprise to the downside.

Key Implications

Investors that are concerned about a more severe growth deceleration may consider pivoting to more defensive and dividend-paying stocks, extending duration by increasing exposure to long-dated bonds and adding alternatives, such as multi-strategy hedge funds or gold, which have historically offered some protection against those episodes.

Inflation Re-Acceleration

The odds of inflation staying above 2% in both the US and the Euro area have risen, although for different reasons. In the US, the prospects of higher tariffs, slower immigration and a rise in inflation expectations may lead to more rapid growth in consumer prices, at least in the short term. In the Euro area, the newly announced fiscal package may create renewed inflationary pressures in the medium term if not accompanied by a productivity boost.

Key Implications

In our view, the best tactical inflation hedges are non-traditional diversifiers like gold, trend-following hedge funds or private assets. That said, investors can also adjust their core exposure by favoring the short-end of the curve within fixed income and high-dividend stocks within equities.

Ukraine Ceasefire

A potential ceasefire in Ukraine could have important repercussions for the European economy. The geopolitical relief could boost business and consumer sentiment and benefit Euro area growth as a result. While European energy prices may move somewhat lower, full resumption of Russian gas flow through Ukraine now seems less likely reducing the potential disinflationary effect.

Key Implications

European equities (DM and EM) may outperform on the back of a valuation boost. Given the extent of the reconstruction job, infrastructure would also probably benefit.

Large China Stimulus

Chinese authorities have become incrementally more supportive of the economy recently, and we think that fiscal and monetary policy stimulus might be ramped up in the event of a further tariff escalation.

Key Implications

Chinese equities would be the biggest beneficiaries of a large stimulus package, especially A shares which have lagged H shares so far this year. Stronger growth and consumption in China would also support Asia credit and European equities, in our view.

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Active ETFs

OUTLOOK

Mapping the Growth in Active ETFs

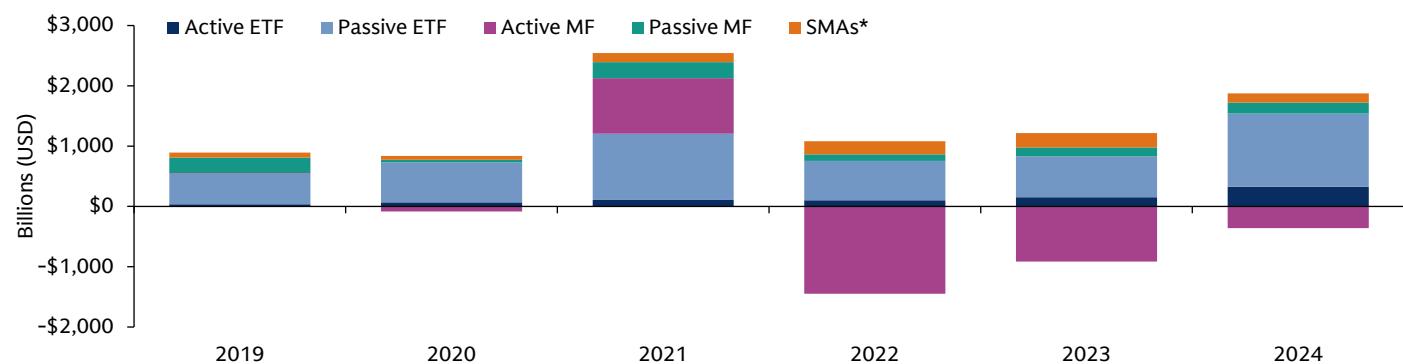
[Actively managed exchange-traded funds](#) have gained increasing investors' interest in recent years. Flows into active ETFs in 2024 have more than doubled from the previous year and we think that this trend will continue. Increased appetite for active management suggests that investors are finding it valuable to allocate part of their portfolios into this space in order to achieve desired outcomes that might not be possible by having beta exposure only. While passive ETFs are mandated to closely track the performance of the index, active strategies are designed to achieve specific goals like generating alpha over relevant benchmarks, enhancing income, or positioning the portfolios to capture dislocations related to duration and credit quality of issuers. We believe active ETFs can complement pure passive plays by offering better risk and return characteristics for investors' portfolios.

The Case for Going Active Has Strengthened

Indeed, active ETF strategies have outperformed across all asset classes over the past year or so, and in relatively inefficient markets, like small caps and fixed income, active ETFs have delivered consistently superior returns for the last 10 years. The main exception is in the large cap space, where excessive concentration and extended valuations make it difficult to generate alpha in excess of benchmarks. But even there, active exposure has delivered better returns in the past couple of years as market volatility has increased. Given ongoing policy uncertainty, heightened geopolitical risks, and macro volatility, we believe the case for active exposure has strengthened.

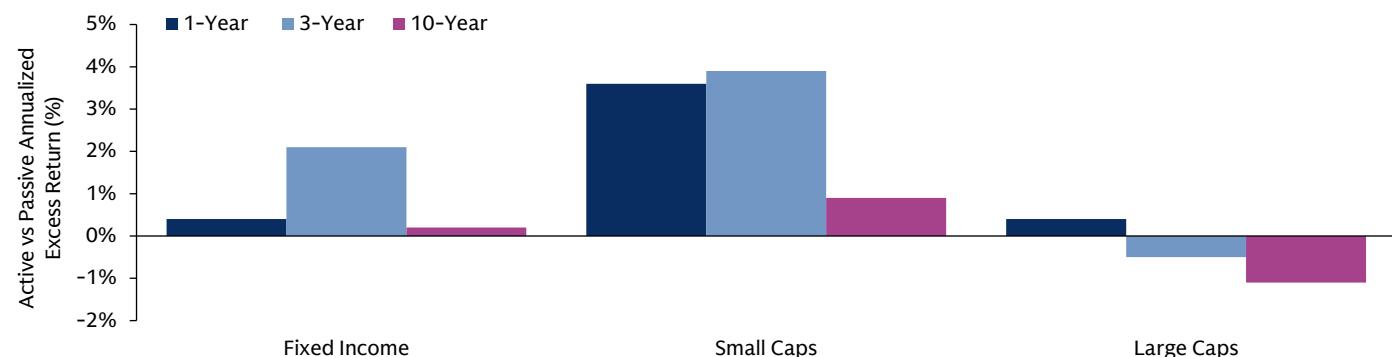
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Flows Into Active ETFs Globally Have More Than Doubled in 2024



Source: Morningstar and Goldman Sachs Asset Management. Funds considered are domiciled across the globe. 'SMA' refers to Separately Managed Accounts. *SMAs flows are till Q3 2024 only. As of April 1, 2025.

Active ETFs Outperforming Passive Exposure in Recent Years



Source: Morningstar and Goldman Sachs Asset Management. Funds considered are domiciled across the globe. Median returns for all the funds in particular category are considered till December 31, 2024. Please see page 14 for additional disclosures. As of April 1, 2025.

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India Equities

OUTLOOK

Capitalizing on India's Compelling Growth Story

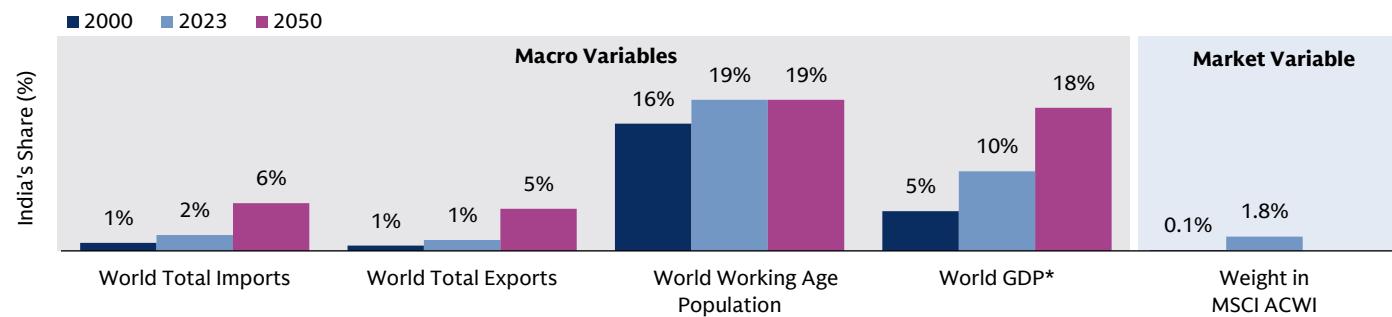
Rising global uncertainty due to escalating trade tensions, heightened geopolitical risks and the ongoing decoupling between the US and China, calls for allocating capital to economies that are structurally and fundamentally strong in the long term, and somewhat less exposed and potentially even benefiting from some of those dynamics. We believe that India's growth story presents one such investment opportunity. Strong underlying fundamentals like favorable demographics, rising per capita incomes and ongoing structural reforms, should ensure that India's share of global trade and growth continues to rise. Industry sources predict that India will make up 6% of world imports, 5% of world exports, 19% of the world working population and 18% of world GDP by 2050. Yet, the MSCI India Index still only represents less than 2% of the MSCI ACWI Index's market capitalization. As the economy grows, we would expect its equity market to grow with it. Indeed, historically, strong GDP growth has translated into robust EPS growth for Indian equities.

Valuations – A Dissipating Conundrum

We think that now it's a good time for investors to capitalize on India's growth story. In the past few years, high valuations have been a major hindrance for investors looking to add Indian equities to their portfolios. After the recent correction, MSCI India's one-year forward P/E ratio is now trading below its 10-year average for the first time in two years. What's more, while foreign investors have taken profit on their holdings after years of strong performance, domestic investors have been buying the dip, which should put a floor under prices. Indian households are under-allocated to equities and over-allocated to cash, compared with other EM. With the RBI cutting rates, we think the reallocation of household wealth away from bank deposits into equities is an additional structural tailwind for Indian equities.

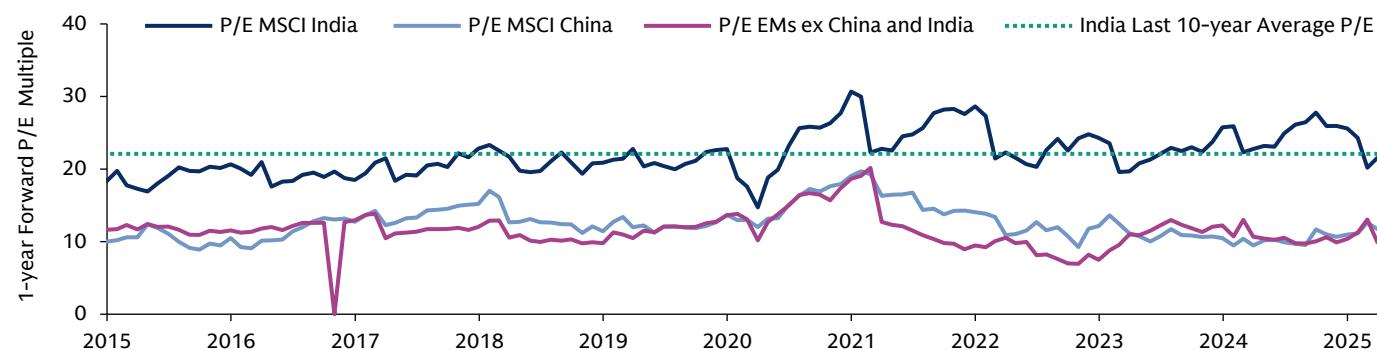
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India's Contribution to Global Growth and Trade Is Expected to Increase



Source: Bloomberg, World Bank, OECD, Department of Business and Trade (UK) and Goldman Sachs Asset Management. *GDP based on 2015 USD Purchasing Power Parity. Please see page 14 for additional disclosures. As of April 1, 2025.

Indian Equities Currently at Discount to 10-year Average 1-year Forward P/E Multiple



Source: Bloomberg and Goldman Sachs Asset Management. Monthly data, latest as of March 2025. 'P/E' refers to price-to-earnings. As of April 1, 2025.

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FX

OUTLOOK

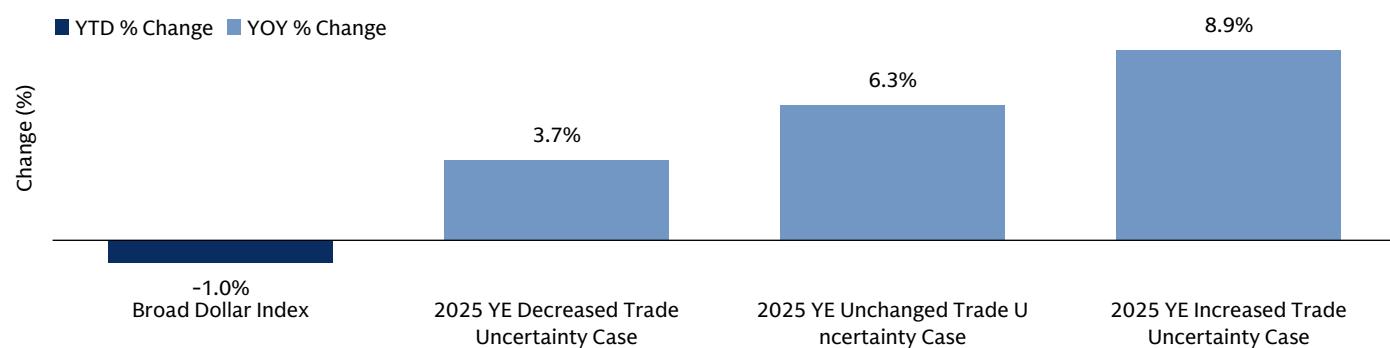
Assessing the Dollar's Sensitivity to Trade Uncertainty

The widespread expectation of continued US economic and market exceptionalism at the start of the year has faced scrutiny, evidenced by the dollar's lagging performance despite trade uncertainty. Weaker growth in the US, stronger economic prospects in Europe and delays in the implementation of tariffs have all been contributing factors. This has surprised many investors as the historical relationship between trade uncertainty and the dollar has usually been positive. Indeed, a simple regression analysis points to a stronger dollar with the current level of trade uncertainty, all else being equal. That said, the increasing worry among investors is that tariffs will hinder economic expansion in the U.S. to a greater extent than in other countries. A softer US growth picture is generally consistent with a weaker dollar, unless it morphs into a negative growth shock that spills over to the rest of the world, triggering the upside tail of the "dollar smile". Further dollar weakness would require evidence that the US economy slows more sharply and more idiosyncratically than we currently expect.

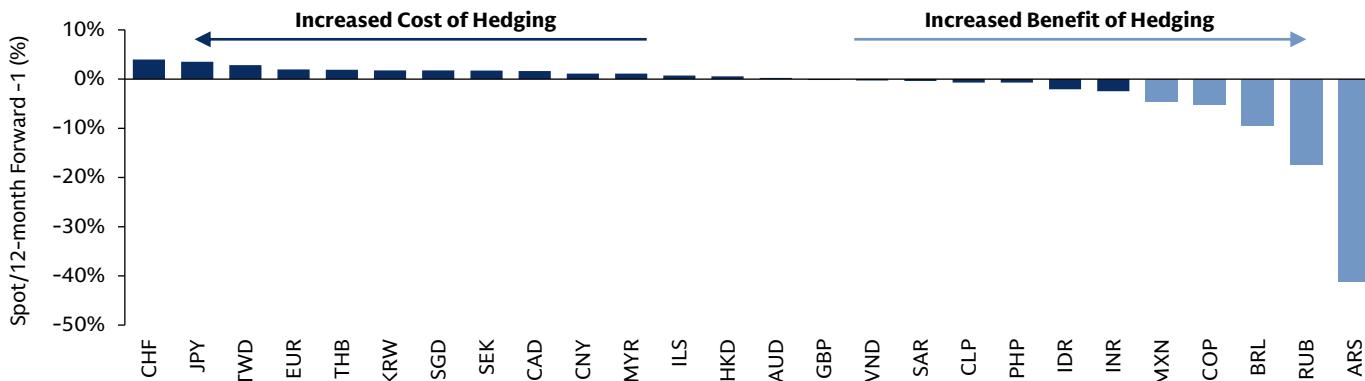
To Hedge or Not to Hedge, That Is the Question

Investors might wonder whether it is prudent to hedge against further possible currency movements. For dollar-denominated assets, the decision to hedge or not to hedge currency exposure for an investor outside of the US will depend on hedging costs. Assuming limited retaliation from other countries, we expect to see the negative growth impact to outweigh inflation risks outside the US, strengthening the case for central bank easing in economies such as the Euro area, UK, and emerging markets alleviating some of the downward pressure on the dollar. Therefore, we wouldn't advocate for hedging unless the costs are low enough or negative. Of course, that assumes that such an investor is willing to accept potential additional volatility stemming from currency fluctuations. We usually recommend hedging diversifiers and risk-mitigating assets within portfolios.

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Regression Implied: Trade Uncertainty Dollar Impact in Different Scenarios

Source: Bloomberg, Macrobond and Goldman Sachs Asset Management. Please see page 14 for additional disclosures. As of April 1, 2025.

Unlocking Hedging's Potential

Source: Bloomberg and Goldman Sachs Asset Management. Cost of hedging is assuming no transaction costs and is calculated as spot/12-month forward - 1. The chart looks at currency pairs in USD/local denomination. As of April 1, 2025.

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Relative Asset Class Calendar-Year Performance

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
Best Performance	Global High Yield 14.3%	Emerging Market Equity 37.3%	Global Agg Bond 1.8%	US Large Cap 30.7%	Emerging Market Equity 18.3%	Commodities 40.4%	Commodities 26.0%	US Large Cap 25.7%	US Large Cap 24.5%	Europe Equity 10.5%
	Global Small Cap 12.7%	Europe Equity 25.5%	Macro/Tactical Hedge Funds -3.7%	Global Small Cap 26.2%	US Large Cap 17.8%	Global Real Estate 35.3%	Macro/Tactical Hedge Funds 6.4%	Japan Equity 20.3%	Commodities 9.2%	UK Equity 9.4%
	Commodities 11.4%	Japan Equity 24.0%	Hedge Funds -4.0%	Global Real Estate 24.3%	Global Small Cap 16.0%	US Large Cap 28.2%	Hedge Funds -5.3%	Europe Equity 19.9%	Global High Yield 9.2%	Commodities 4.9%
	US Large Cap 11.2%	Global Small Cap 22.7%	Global Real Estate -4.1%	Europe Equity 23.8%	Japan Equity 14.5%	UK Equity 17.4%	UK Equity -6.4%	Global Small Cap 15.8%	Hedge Funds 9.1%	Global Real Estate 4.3%
	Emerging Market Equity 11.2%	UK Equity 22.6%	Global High Yield -4.1%	UK Equity 22.1%	Hedge Funds 10.9%	Europe Equity 16.3%	Global Agg Bond -11.2%	Global High Yield 14.0%	Japan Equity 8.3%	Emerging Market Equity 2.9%
	Global Real Estate 10.2%	US Large Cap 21.1%	Emerging Market Debt -4.6%	Japan Equity 19.6%	Global High Yield 7.0%	Global Small Cap 15.8%	Global High Yield -12.7%	UK Equity 13.9%	Global Small Cap 8.2%	Emerging Market Debt 2.3%
	Emerging Market Debt 6.6%	Global High Yield 10.4%	US Large Cap -4.9%	Emerging Market Equity 18.4%	Emerging Market Debt 5.9%	Hedge Funds 6.2%	Europe Equity -15.1%	Emerging Market Debt 10.4%	UK Equity 7.6%	Global High Yield 1.8%
	Global Agg Bond 3.9%	Emerging Market Debt 9.3%	Japan Equity -12.9%	Commodities 17.6%	Global Agg Bond 5.6%	Macro/Tactical Hedge Funds 3.4%	Emerging Market Debt -16.5%	Global Real Estate 10.3%	Emerging Market Equity 7.5%	Global Agg Bond 1.2%
	Japan Equity 2.4%	Hedge Funds 7.8%	Commodities -13.8%	Emerging Market Debt 14.4%	Europe Equity 5.4%	Japan Equity 1.7%	Japan Equity -16.6%	Emerging Market Equity 9.8%	Emerging Market Debt 5.7%	Hedge Funds 0.5%
	Hedge Funds 0.5%	Global Real Estate 6.8%	Global Small Cap -13.9%	Global High Yield 12.6%	Macro/Tactical Hedge Funds 4.8%	Global High Yield 1.0%	US Large Cap -18.5%	Global Agg Bond 7.1%	Macro/Tactical Hedge Funds 4.6%	Japan Equity 0.3%
0%	UK Equity -0.2%	Commodities 5.8%	UK Equity -14.0%	Hedge Funds 8.4%	UK Equity -9.0%	Global Agg Bond -1.4%	Global Small Cap -18.8%	Hedge Funds 6.1%	Global Agg Bond 3.4%	Macro/Tactical Hedge Funds -0.4%
	Europe Equity -0.4%	Global Agg Bond 3.0%	Emerging Market Equity -14.6%	Global Agg Bond 8.2%	Global Real Estate -9.2%	Emerging Market Debt -1.5%	Emerging Market Equity -20.1%	Macro/Tactical Hedge Funds -0.9%	Global Real Estate 2.3%	Global Small Cap -3.7%
	Macro/Tactical Hedge Funds -1.0%	Macro/Tactical Hedge Funds 2.4%	Europe Equity -14.9%	Macro/Tactical Hedge Funds 5.7%	Commodities -23.7%	Emerging Market Equity -2.5%	Global Real Estate -24.0%	Commodities -4.3%	Europe Equity 1.8%	US Large Cap -4.4%

Source: Bloomberg, Macrobond and Goldman Sachs Asset Management. As of April 1, 2025. This example is for illustrative purposes only to show the performance dispersion between various asset classes over time and the potential importance of diversification. Diversification is the process of allocating capital in a way that reduces the exposure to any one particular asset or risk. Diversification does not protect an investor from market risks and does not ensure a profit. Please see additional disclosures on page 12 and 15 of this document.

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Market Solutions

In a world of macro and political uncertainty, a menu of asset classes may serve as potential solutions.

Short-to-Medium Term Solutions		Long-Term Solutions	
Base Case		Key Upside/Downside Risks	> 2 Years
Investment Backdrop	Macro	<ul style="list-style-type: none"> Further product-specific tariffs across a range of countries, and select reciprocal tariffs, including towards the EU Global disinflation continues Further global monetary easing 	<ul style="list-style-type: none"> US Growth Deceleration Inflation Re-Acceleration Ukraine Ceasefire Large China Stimulus <p>Themes (CHANGE)</p> <ul style="list-style-type: none"> Climate transition High Level of Debt Ageing Population New Finance Global Fracturing Evolving Technology
	Fixed Income	<ul style="list-style-type: none"> Core Fixed Income Emerging Market Debt 	<ul style="list-style-type: none"> Core Fixed Income US Short-Duration European Credit Asia Credit
	Equity	<ul style="list-style-type: none"> US Equal Weighted Index Global Small Caps Japan Europe EM 	<ul style="list-style-type: none"> Defensive DM Japan Europe China A <ul style="list-style-type: none"> Industrial Renaissance (Industrials) Digitalization and AI (Tech) Rising Healthcare Needs (Healthcare) Natural Resources (Materials & Energy)
	Alternatives	<ul style="list-style-type: none"> Infrastructure Hedge Funds 	<ul style="list-style-type: none"> Hedge Funds Infrastructure Industrial Metals <ul style="list-style-type: none"> Energy & Industrial Commodities Private Assets Trend and Multi-Strategy Hedge Funds
	FX	<ul style="list-style-type: none"> Slight Dollar Strength 	<ul style="list-style-type: none"> Dollar-Positive Dollar-Positive Dollar-Negative Dollar-Negative
			<ul style="list-style-type: none"> Dollar-Negative

Source: Goldman Sachs Asset Management. As of April 1, 2025. The economic and market forecasts presented herein are for informational purposes as of the date of this document. There can be no assurance that the forecasts will be achieved.

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Glossary

EQUITIES

The **Dow Jones US Select Real Estate Securities Index** tracks companies that are both equity owners and operators of real estate in the US.

The **FTSE 100 Index** is the 100 most highly capitalised blue chips listed on the London Stock Exchange.

The **GPR 250 REIT Index** is a subset of the GPR 250 Index and covers all companies having a REIT-like structure. This in combination with the consistently applied rules for company inclusions results in the GPR 250 REIT Index being a sustainable representation of the global Real Estate Investment Trust market.

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 **MSCI Europe Index** captures large and mid-cap representation across 15 Developed Markets (DM) countries in Europe*. With 420 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The **MSCI Japan Index** is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 217 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The **MSCI World Small Cap Index** captures small cap representation across 23 Developed Markets (DM) countries*. With 4,116 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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 **S&P Developed ex-US Property Index** measures the performance of real estate companies domiciled in countries outside the United States.

The **S&P Developed ex-US Small Cap Index** covers the smallest 15% of companies from developed countries (excluding the US) ranked by total market capitalization.

FIXED INCOME

The **Bloomberg US Aggregate Bond Index** represents an unmanaged diversified portfolio of fixed income securities, including US Treasuries, investment grade corporate bonds, and mortgage backed and asset-backed securities.

The **Bloomberg Global Aggregate Bond Index** is a flagship measure of global investment grade debt from a multitude local currency markets. The index includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

The **Bloomberg Global High Yield Index** provides a broad-based measure of the global high-yield fixed income market.

The **Credit Suisse Leveraged Loan Index** tracks the investable leveraged loan market by representing tradable, senior-secured, US-dollar denominated, non-investment grade loans.

The **ICE BofA 1-3 Month US Treasury Bill Index** measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date.

The **J.P. Morgan Emerging Markets Bond Index Global Core** (EMBIG CORE) tracks liquid, US Dollar denominated emerging market fixed and floating rate debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan CEMBI Broad Diversified Index** tracks the performance of US dollar-denominated bonds issued by emerging market corporate entities.

The **US Treasury Bond** 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.

OTHER

AI refers to Artificial Intelligence.

Basis points (bps) refers to a unit represented by one hundredth of one percent.

The **Bloomberg Commodity Index** offers liquid exposure to physical commodities via futures contracts and aims to produce an attractive risk-return profile over time while ensuring that no single commodity or sector dictates the investment.

CDU/CSU refers to Christian Democratic Union/Christian Social Union.

CEE refers to Central and Eastern Europe.

Core CPI refers to Core Consumer Price Index.

DM refers to Developed Markets.

ECB refers to European Central Bank.

EM refers to Emerging Markets.

ETF refers to Exchange-Traded Fund.

FX refers to Foreign Exchange.

GDP refers to Gross Domestic Product.

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The **HFRI Fund of Funds Composite Index** is an equal weighted, net of fee, index composed of approximately 800 fund-of-funds which report to HFR.

The **HFRX Macro CTA Index** measures the performance of the hedge fund market where macro strategy managers trade a broad range of strategies. In these strategies, the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets.

MSCI ACWI refers to MSCI All Country World Index.

NATO refers to North Atlantic Treaty Organization.

PBOC refers to People's Bank of China.

PCE refers to Personal Consumption Expenditures.

P/E ratio refers to Price-to-Earnings ratio.

Percentage points (pp) refers to the unit for the arithmetic difference of two percentages.

Recession is defined by the NBER as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

RoW refers to rest of the world.

RRR refers to Reserve Requirement Ratio.

SPD refers to Social Democratic Party of Germany.

YoY refers to Year-over-Year.

YTD refers to Year-to-Date.

Important Information

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. Emerging markets investments may be less liquid and are subject to greater risk than developed market investments as a result of, but not limited to, the following: inadequate regulations, volatile securities markets, adverse exchange rates, and social, political, military, regulatory, economic or environmental developments, or natural disasters.

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. 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.

Investors should also consider some of the potential risks of alternative investments: Alternative Strategies. Alternative strategies often engage in leverage and other investment practices that are speculative and involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, including the entire amount that is invested. Manager experience. Manager risk includes those that exist within a manager's organization, investment process or supporting systems and infrastructure. There is also a potential for fund-level risks that arise from the way in which a manager constructs and manages the fund. Leverage. Leverage increases a fund's sensitivity to market movements. Funds that use leverage can be expected to be more "volatile" than other funds that do not use leverage. This means if the investments a fund buys decrease in market value, the value of the fund's shares will decrease by even more. Counterparty risk. Alternative strategies often make significant use of over-the-counter (OTC) derivatives and therefore are subject to the risk that counterparties will not perform their obligations under such contracts. Liquidity risk. Alternative strategies may make investments that are illiquid or that may become less liquid in response to market developments. At times, a fund may be unable to sell certain of its illiquid investments without a substantial drop in price, if at all. Valuation risk. There is risk that the values used by alternative strategies to price investments may be different from those used by other investors to price the same investments. The above are not an exhaustive list of potential risks. There may be additional risks that should be considered before any investment decision.

Concentration in infrastructure-related securities involves sector risk and concentration risk, particularly greater exposure to adverse economic, regulatory, political, legal, liquidity, and tax risks associated with MLPs and REITs. Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs whose underlying properties are concentrated in a particular industry or geographic region are also subject to risks affecting such industries and regions. The securities of REITs involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements because of interest rate changes, economic conditions and other factors. 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.

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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.

There may be additional risks that are not currently foreseen or considered.

Capital is at risk.

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The portfolio risk management process includes an effort to monitor and manage risk but does not imply low risk.

An investment in private credit and private equities is not suitable for all investors. Investors should carefully review and consider the potential investments, risks, charges, and expenses of private equity before investing. They are speculative, highly illiquid, involve a high degree of risk, have high fees and expenses that could reduce returns, and subject to the possibility of partial or total loss of capital. They are, therefore, intended for experienced and sophisticated long-term investors who can accept such risks.

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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.

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Page 6 Additional Notes: To calculate Active vs Passive ETFs Excess returns, we first calculated median performance of active and passive ETF funds in Small/Mid-Caps, Large Caps and Fixed Income categories in each year over the past 10 years. We then calculated compounded annualized return (average annual return over the period considering the effect of compounding) for 1-year, 3-year and 10-year period. Excess returns are then calculated by subtracting passive annualized returns from active annualized returns over the 1-year, 3-year and 10-year period for categories mentioned above. Large Cap includes funds in the Morningstar category Global Large-Cap Equity Blend/Value/Growth domiciled across the world. Small Cap includes funds in the Morningstar category Global Small/Mid-Cap Equity Blend/Value/Growth domiciled across the world. Fixed-Income includes funds in the Morningstar category Global Fixed Income, Global Government Bond, Global Diversified Bond, Global Corporate Bond, Global Inflation Linked-Bond, Global High Yield Bond, Global Bond, Islamic Global Bond, Foreign Bond, Non-Investment Grade Debt, Global Corporate Fixed Income, Multi-Sector Fixed Income, Diversified Credit, and Unconstrained Fixed Income domiciled across the world. The below table shows the number of funds that are considered for the performance across the categories. For 3-year and 10-year period, the numbers shown in the table correspond to the number of funds considered.

	Number of Funds Considered					
	Fixed Income		Large-Cap		Small-Cap	
	Passive	Active	Passive	Active	Passive	Active
1-year	102	54	403	176	39	22
3-year	89	41	371	141	36	19
10-year	59	22	261	77	26	11

Page 7 Additional Notes: India's contribution to world total imports and exports in 2050 is based on the "Global Trade Outlook Report" from The Department for Business and Trade (UK) in 2023. Working age population estimates for 2050 are based on the World Bank's projections. GDP forecasts for 2050 are based on the OECD long-term baseline projections.

Page 8 Additional Notes: The regression analysis presented uses the Year-over-Year (YoY) change in the Board of Governors of the Federal Reserve System's broad USD index (nominal) as the dependent variable and the YoY change in US nominal GDP growth, Trade Policy Uncertainty (TPU) index (Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "[The Economic Effects of Trade Policy Uncertainty](#)," *Journal of Monetary Economics*, 109, pp.38-59), and US core CPI as independent variables. The analysis looks at data from January 2018 until December 2024 to capture the period in which the TPU index became more volatile following tariff threats, announcements, and/or implementations during Trump's first presidency and to consider the current environment. The regression demonstrates strong statistical significance, with p-values of zero for all independent variables and an R² value of 0.61, indicating that 61% of the variance in the broad USD index can be explained by the changes in the selected variables. The 2025 year-end (YE) figures use the Bloomberg consensus for US GDP and US CPI by 2025 YE as of April 1st, 2025. We obtain the YoY figures by assuming, for all three scenarios, that all independent variables behave as per consensus expectations except for trade uncertainty that we changed depending on the scenario. For the 'decreased trade uncertainty' scenario, we assume that the TPU index decreases by 50% from current levels by 2025 YE. For the 'unchanged trade uncertainty' scenario, we assume that the TPU index remains at current levels by 2025 YE. Lastly, for the 'increased trade uncertainty' scenario, we assume that the TPU index increases by 50% from current levels by 2025 YE. We understand the limitations of this model and are aware that factors outside the US are also relevant and that changes in the TPU index might also lead to changes in US GDP and US core CPI market expectations.

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Page 9 Relative Asset Class Calendar-Year Performance Notes: 'US Large Cap' is represented by the S&P 500 Index. 'UK Equity' by the FTSE 100 Index. 'Europe Equity' by the MSCI Europe Index. 'Japan Equity' by the MSCI Japan Index. 'Global Small Cap' by the MSCI World Small Cap Index. 'EM Equity' by the MSCI Emerging Markets Index. 'Global Agg Bond' by the Bloomberg Barclays Global Aggregate USD Value Hedged Index. 'Global High Yield' by the Bloomberg Barclays Global High Yield Value Unhedged Index. 'Global Real Estate' by the USD GPR 250 REIT Index. 'Emerging Market Debt' by the J.P. Morgan Emerging Markets Bond Index Global Core. 'Commodities' by the S&P GSCI Commodity Index. 'Hedge Funds' by the HFRI Fund of Funds Index. 'Macro/ Tactical Hedge Funds' by a 50/50 blend of the HFRX Macro/CTA Index and the HFRI Macro Index. 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.

	Commodities	Global Agg Bond	Global High Yield	Global Small Cap	US Large Cap	Emerging Market Equity	Europe Equity	Japan Equity	UK Equity
Mar-2024 - Mar-2025	4%	5%	9%	0%	8%	8%	7%	-2%	14%
Mar-2023 - Mar-2024	11%	4%	13%	16%	29%	8%	14%	26%	11%
Mar-2022 - Mar-2023	-10%	-4%	-5%	-9%	-8%	-11%	1%	-5%	-1%
Mar-2021 - Mar-2022	65%	-4%	-4%	-1%	15%	-11%	4%	-6%	11%
Mar-2020 - Mar-2021	50%	2%	25%	81%	56%	58%	45%	40%	36%

The currency perspective is USD.

	Hedge Funds	Macro/Tactical Hedge Funds	Emerging Market Debt	Global Gov Bonds	Broad Dollar Index
Mar-2024 - Mar-2025	5%	-2%	7%	4%	4%
Mar-2023 - Mar-2024	10%	8%	10%	3%	2%
Mar-2022 - Mar-2023	-2%	0%	-6%	-5%	4%
Mar-2021 - Mar-2022	1%	5%	-6%	-4%	1%
Mar-2020 - Mar-2021	24%	9%	14%	-1%	-7%

The currency perspective is USD.

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