Goldman Sachs Asset Management

STRATEGIC ADVISORY SOLUTIONS

Market Pulse

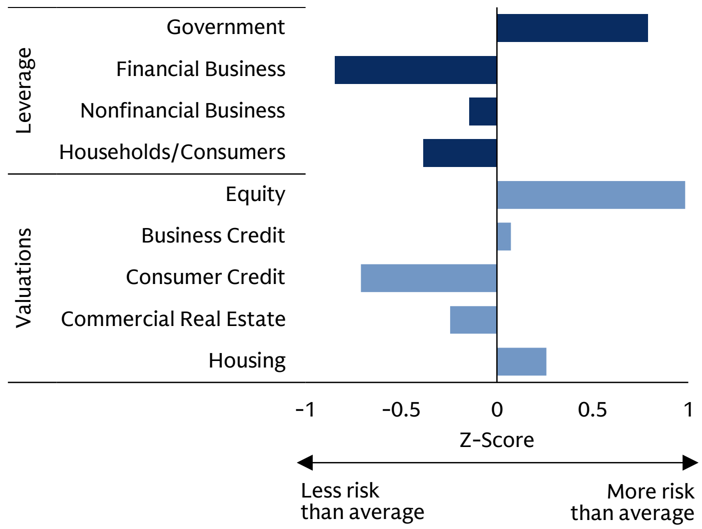
Macro Views

Growth: Global growth continues to diverge, with the US running slightly below trend while GS economists have again upgraded their forecasts for Europe, Japan, and China. Better-than-expected trade deals plus supportive monetary and fiscal policy have led GS Global Investment Research to raise its global GDP growth forecast to 2.5% in 2025 and 2.3% in 2026.

Monetary Policy: In his Jackson Hole speech, Fed Chair Powell noted that the risk between inflation and employment was shifting, warranting adjustment to the Fed's policy stance. We expect a 25bp rate cut later this month. Additionally, the FOMC released its updated monetary policy framework announcing a return to flexible inflation targeting, as expected.

Risk: The US economy is showing signs of slowdown: a softening labor market, depressed sentiment, and fiscal drag. However, financial risks remain largely in check. Outside of government debt and equity prices, most sectors look healthy relative to history. This stability has allowed markets to see through policy-induced macro volatility, and unless real evidence of recession risk emerges, we believe risk assets can continue to rise.

Chart of the Month: Financial Risk Monitor



Market Views

Equities: US equity valuations reflect an optimistic outlook with the market pricing an estimated 1.9% US GDP growth in 2026. This full pricing could leave the market vulnerable to material economic deterioration, further tariff price shocks, or AI disruption. While we remain constructive, we prefer focusing on high-quality companies and strategies that may help manage episodic volatility.

Rates: We see opportunity at the front-end in the US, as signs of labor market weakness have shifted the balance of risks between higher inflation and slower growth, which we believe is not yet fully reflected in market pricing (~55bp of cuts priced by YE). Similarly, we believe we could see a rally in UK gilts as a softer labor market outweighs price pressures for deeper-than-expected easing.

Currencies: We expect the dollar to depreciate in the medium-term as US exceptionalism is tested and Fed cuts exert downward pressure on the currency. Dollar weakness since the start of the year and heightened FX volatility have strengthened the case for foreign investors to hedge their dollar exposure, while providing an additional tailwind for US investors allocated abroad in local FX.

Asset Class Forecasts

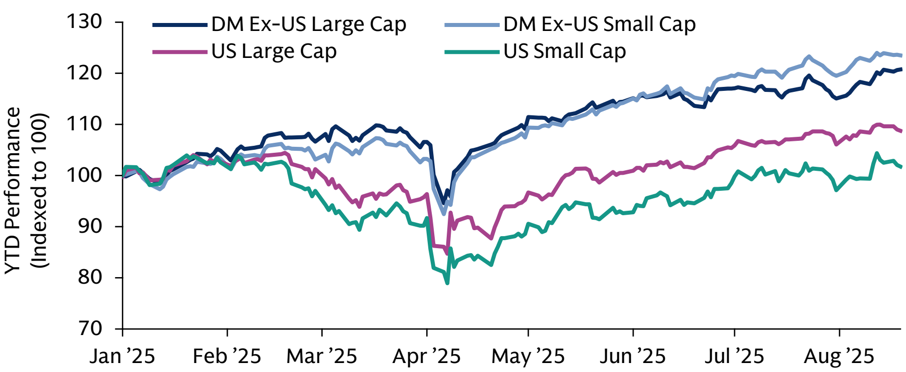
	Current	3m	12m	% Δ to 12m
Equities				
S&P 500 ($)	6,502	6,400	6,900	6.1
STOXX Europe (€)	554	550	570	2.9
MSCI Asia-Pacific Ex Japan ($)	664	660	710	7.0
TOPIX (¥)	3,090	3,050	3,200	3.6
Rates				
10-Year Treasury	4.2	4.4	4.4	18 bp
10-Year Bund	2.7	2.0	1.9	-77 bp
10-Year JGB	1.6	1.4	1.7	5 bp
Currencies				
Euro (€/$)	1.17	1.17	1.25	7.1
Pound (£/$)	1.35	1.35	1.39	2.8
Yen ($/¥)	147	142	135	-8.2
Real Assets				
Brent Crude Oil ($/bbl)	68.6	65	55	-19.8
London Gold ($/troy oz)	3,412	3,610	4,120	20.8

Source: Goldman Sachs Asset Management, GIR, and MSCI. As of August 31, 2025. "We/Our" refers to Goldman Sachs Asset Management. The macro and market views expressed may differ from those of GIR and other divisions of Goldman Sachs and its affiliates. See page 3 for additional disclosures. 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. **Past performance does not predict future returns and does not guarantee future results, which may vary.**

Global Equities: Broadening Out and Down

Investors just watching the top of the US equity market may be missing opportunities, in our view. Global small caps have been one of the best performing asset classes this year, led by small cap stocks in developed markets outside of the US. Going forward, we see cyclical and structural tailwinds that can continue to support this trend. For example, small cap companies servicing datacenters, providing critical input materials, or deploying agentic AI may be ways to enhance exposure to innovation at more attractive prices.

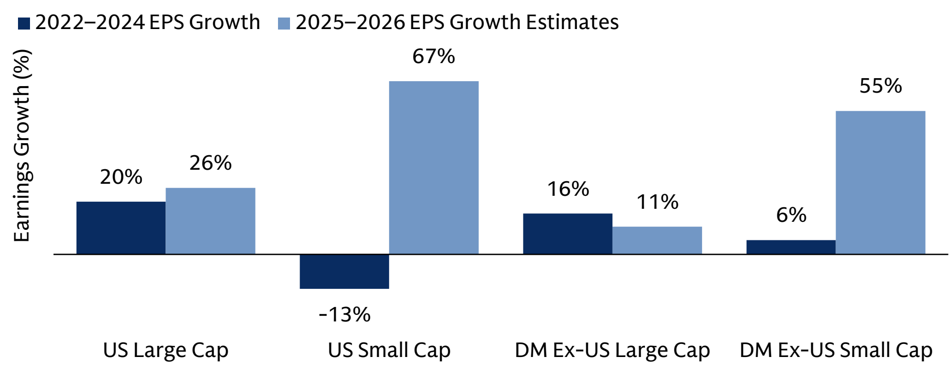
Ex-US Markets Large and Small Have Outperformed



Source: Bloomberg and Goldman Sachs Asset Management. As of August 20, 2025.

Small caps outside of the US have outperformed their large cap peers YTD on the tailwinds of upward growth revisions, central bank easing, and improved profitability. Within the US, small caps lagged to start the year but have actually outperformed since the April 8 lows as the economic outlook has improved. As the cyclical themes that can be supportive of small caps migrate to the US, we believe there may be more opportunity for equity market broadening.

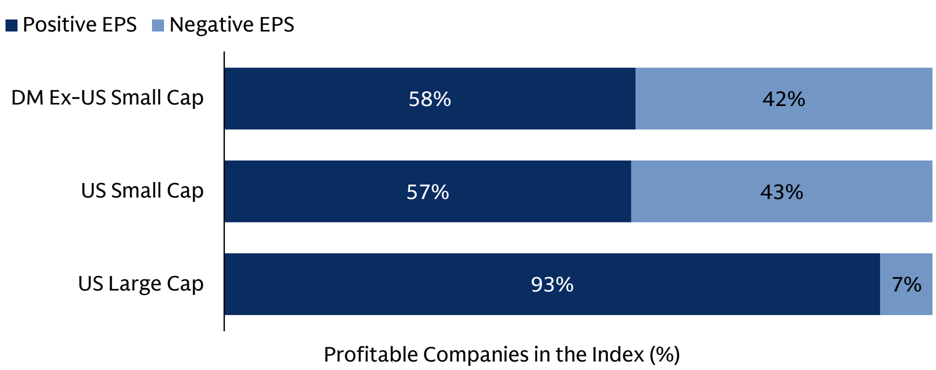
Earnings are Expected to Catch Up



Source: Bloomberg and Goldman Sachs Asset Management. As of August 14, 2025.

Exceptional US large cap earnings growth has driven better performance in recent years. Going forward, we expect profits to expand across markets. Domestically oriented policy in the US, Europe, and Japan could support consumption effects, while tariffs may prove less of a headwind on domestic revenue streams globally. Even if these bottom-up EPS estimates are revised downward – as they historically have been – it would still represent an environment constructive for a catch-up.

Large Alpha Opportunities



Source: Bloomberg and Goldman Sachs Asset Management. As of August 14, 2025.

Still, we believe an active investment approach is critical in small cap markets, where only half the index has historically been profitable. There are more than 2,000 companies in both the US and ex-US small cap indices, with limited analyst coverage and significant earnings dispersion. In our view, a data-driven, idiosyncratic approach is crucial for both identifying quality earnings and managing performance variability. But for the active investor, we believe there are an abundance of interesting opportunities.

Important Information

1. Chart of the Month: Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of July 1, 2025. Chart shows the relative financial risk across sectors relative to history, as measured in z-scores. Z-score refers to a standardized number of standard deviations by which the value of a raw score is above or below the average. For illustrative purposes only.
2. Asset Class Forecasts: Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: “Summer data-only update.” As of August 29, 2025.

Page 1 Definitions

Fed refers to Federal Reserve.

FOMC refers to Federal Open Market Committee.

FX refers to foreign exchange.

GDP refers to Gross Domestic Product.

GIR refers to Goldman Sachs Global Investment Research.

Pp refers to percentage points.

Page 2 Notes

AI refers to artificial intelligence.

Alpha refers to the excess return of an investment compared to a benchmark index.

DM refers to developed market.

EPS refers to earnings per share.

Top Section Notes: DM Large Cap refers to the MSCI World ex-US Index. DM Small Cap refers to the S&P DM ex-US Small Cap Index. US Large Cap refers to the S&P 500 Index. US Small Cap refers to the Russell 2000 Index.

Middle Section Notes: Chart shows earnings per share (EPS) growth for calendar years 2022-2024, and the Bloomberg Consensus Estimate for EPS growth for calendar years 2025 and 2026.

Bottom Section Notes: Chart shows the average proportion of profitable versus unprofitable companies, based on earnings from the last four quarters.

Index Benchmarks

The S&P 500 Index is the Standard & Poor's 500 Composite Stock Prices Index of 500 stocks, an unmanaged index of common stock prices. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries in Europe.

The Japan TOPIX Index is a capitalization-weighted index of the largest companies found in the First Section of the Tokyo Stock Exchange.

The MSCI AC Asia ex Japan Index captures large and mid cap representation across 2 of 3 DM countries (excluding Japan) and 8 EM countries in Asia.

The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries-excluding the United States. With 778 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The S&P Developed Ex-U.S. SmallCap Index seeks to measure the stocks representing the lowest 15% of float-adjusted market cap in each developed country, excluding the US.

The Russell 2000 Index is a small-cap US stock market index that makes up the smallest 2,000 stocks in the Russell Index.

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

RISK CONSIDERATIONS

Equity securities are more volatile than bonds and subject to greater risks. Foreign and emerging markets investments may be more volatile and less liquid than investments in US securities and are subject to the risks of currency fluctuations and adverse economic or political developments. Investments in commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. The currency market affords investors a substantial degree of leverage. This leverage presents the potential for substantial profits but also entails a high degree of risk including the risk that losses may be similarly substantial. Currency fluctuations will also affect the value of an investment.

Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity, interest rate, prepayment and extension risk. 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. The value of securities with variable and floating interest rates are generally less sensitive to interest rate changes than securities with fixed interest rates. Variable and floating rate securities may decline in value if interest rates do not move as expected. Conversely, variable and floating rate securities will not generally rise in value if market interest rates decline. Credit risk is the risk that an issuer will default on payments of interest and principal. Credit risk is higher when investing in high yield bonds, also known as junk bonds. Prepayment risk is the risk that the issuer of a security may pay off principal more quickly than originally anticipated. Extension risk is the risk that the issuer of a security may pay off principal more slowly than originally anticipated. All fixed income investments may be worth less than their original cost upon redemption or maturity.

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