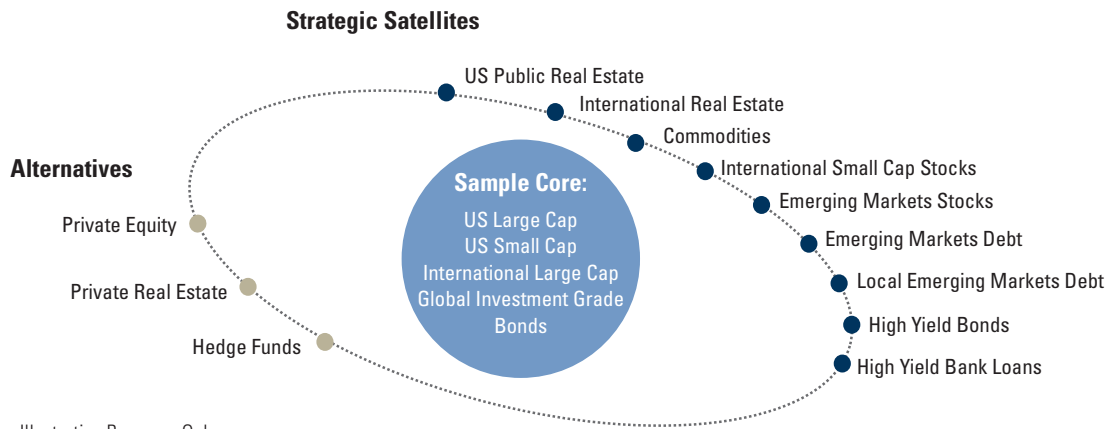


Educated Investor

Building Better Portfolios with Satellites

We believe one of the most effective ways to build portfolios is through Core and Satellite portfolio construction. Core investments provide a broad foundation comprising of US stocks, large cap international stocks and global investment grade bonds, while Satellite investments, such as emerging markets stocks and high yield bonds, provide diversification and the potential for higher return.

Sample Core and Satellite Investments



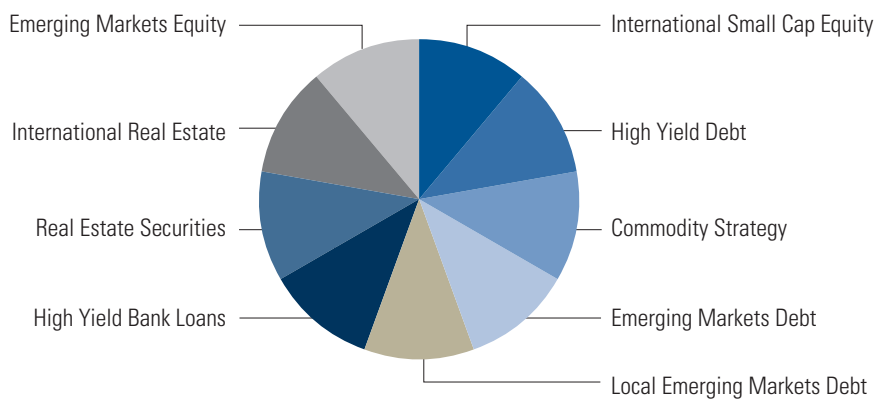
For Illustrative Purposes Only.

The potential benefits of adding Satellites to a core portfolio include:

1. Increased diversification
2. Lower potential risk
3. Higher possible reward

To demonstrate the benefits of adding Satellites to a Core portfolio, we assembled a hypothetical combination of Satellite asset classes using corresponding indexes. Let's assume the equal weight allocations below were unchanged for 10-years ending December 31, 2013.

Hypothetical Combination of Satellite Asset Classes



For Indexes used to represent each asset class please see footnote 3 on page 2.

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.

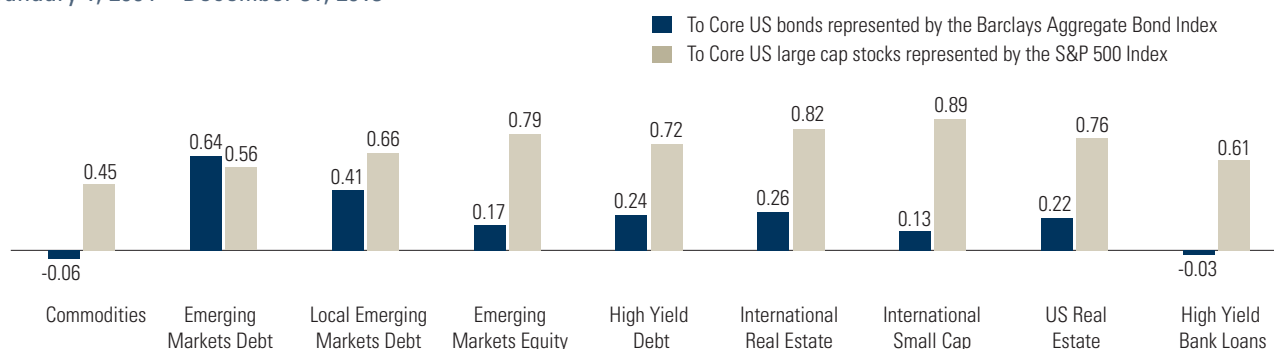
Diversification does not protect an investor from market risk and does not ensure a profit. These examples are for illustrative purposes only and are not actual results. If any assumptions used do not prove to be true, results may vary substantially.

1. Increased Diversification

One of the basic tenets of investing is to diversify and avoid putting all your eggs in one basket because it's impossible to predict which investment will perform best in any given period of time. Not only do the Satellite asset classes in our hypothetical combination perform differently than each other, they also perform differently than Core asset classes, making them an excellent portfolio diversifier over the long term.

Satellite Asset Class Correlations¹ with Core US Asset Classes

January 1, 2004 – December 31, 2013



Source: Bloomberg, GSAM.

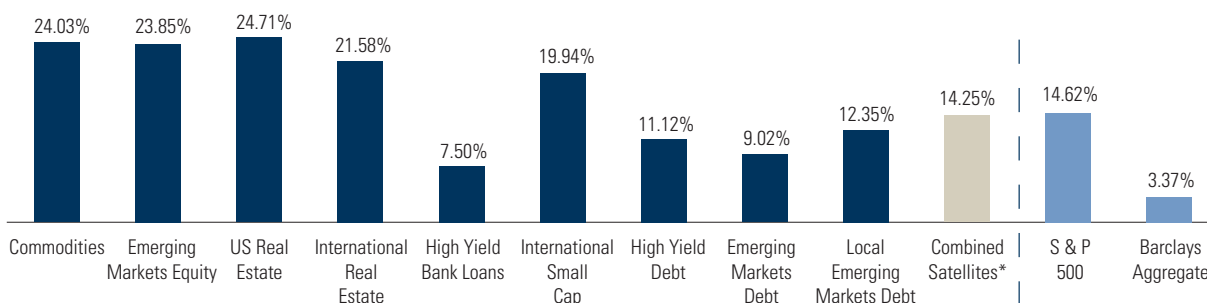
¹ Correlation – A statistical measure of how two securities move in relation to each other. Past correlations do not indicate future correlations, which may vary.

2. Lower Potential Risk

Several of the individual Satellites in the hypothetical combination are quite risky, or volatile – they move up and down in value dramatically over a short period of time. But when bundled together, the hypothetical combination of Satellites is less volatile than many of the individual satellites, and has similar volatility to a Core US large cap stock portfolio represented by the S&P 500 Index.

Annualized Volatility² Levels of Satellite Asset Classes

January 1, 2004 – December 31, 2013



Source: Bloomberg.

² Volatility is measured by standard deviation. Standard deviation is the amount of dispersion (or deviation) of a portfolio's returns from their average return over a defined period. The higher the standard deviation, the greater the risk.

All charts on this page based on respective benchmark data: MSCI EM Unhedged Index for Emerging Market Equity, Barclays US High Yield – 2% Issuer Cap for High Yield Debt, J.P. Morgan EMBI Global Diversified Index for Emerging Market Debt, J.P. Morgan Government Bond Index - Emerging Markets (GBI-EM) Global Diversified Index for Local Emerging Markets Debt, S&P GSCI Commodity Index for Commodities, S&P-Citigroup EMI World ex-US Index for International Small Cap, DJ Wilshire RESI (Full Cap) for US Real Estate, FTSE EPRA/NAREIT Diversified ex-US Real Estate Index (Gross) for International Real Estate and Credit Suisse Leveraged Loan Index for High Yield Bank Loans. Long-term volatilities and correlations based on monthly excess returns over cash for each asset class over the longest period of time for which data are available, from 1/1/04 through 12/31/13.

*"Combined Satellites" reflects equal weights across the nine satellite asset classes.

The hypothetical historical returns were created with the benefit of hindsight using the percentage allocations indicated above. Any changes will have an impact on the hypothetical historical performance results, which could be material. Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved. Simulated performance results do not reflect actual trading and have inherent limitations. No representation is made that a client will achieve results similar to those shown. Please see additional disclosures.

Past performance does not guarantee future results.

Index Benchmarks: Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices. The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of "failed" or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

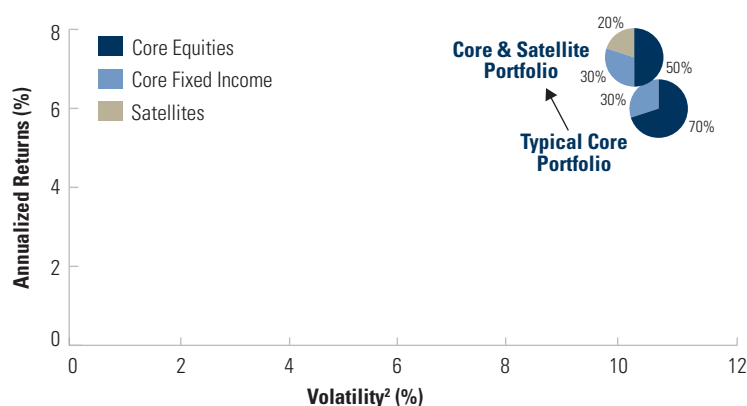
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3. Higher Possible Reward

Diversifying a portfolio with a 20% exposure to Satellites can not only potentially lower the volatility of the overall portfolio, making it less risky, it ultimately may increase the possible return of the portfolio over time.

Typical Core and Core/Satellite Portfolios: Hypothetical 10-year Risk/Return Analysis

January 1, 2004 – December 31, 2013



	Typical Core Portfolio		Core & Satellite Portfolio	
	Return (%)	Risk (%)	Return (%)	Risk (%)
1 Year	20.25	6.44	14.65	6.14
3 Years	11.61	8.62	9.62	8.27
5 Years	13.57	11.33	12.87	10.72
10 Years	6.83	10.54	7.02	10.22

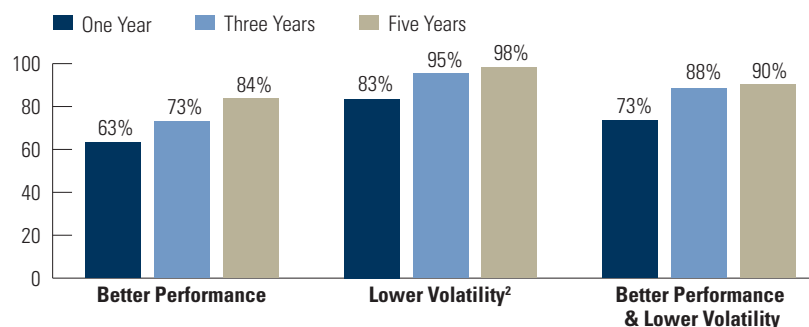
See below for a complete explanation of portfolio allocation.

Periods ending December 31, 2013. These hypothetical portfolios are intended to demonstrate the benefit of implementing a “Core and Satellite” asset allocation strategy and are not representative of any Goldman Sachs product.

Conviction in Diversification: Frequency of Success of a Core/Satellite Portfolio over a Typical Core Portfolio

(Rolling Monthly Periods January 2004 – December 2013)

The chart to the right further illustrates the potential diversification benefits of a Core and Satellite portfolio versus a typical Core portfolio. From January 2004 through December 2013, the hypothetical Core and Satellite portfolio frequently achieved *both* better performance *and* lower volatility compared to the traditional portfolio over rolling one, three, and five-year time periods.



The Result → Satellites Can Help Build Better Portfolios

A “typical core” portfolio consists of 70% core equities [includes an 59.5% allocation to core US equities that was modeled with the S&P 500 index and a 10.5% allocation to core international equities that was modeled with the MSCI EAFE index] and 30% core bonds [includes an allocation to core fixed income that was modeled with the Barclays Aggregate index]. This is representative of many portfolios we encounter in practice; it is not a recommendation.

A diversified “core and satellite” portfolio consists of 20% of the “hypothetical satellite combination” [identified in the pie chart on page 1] funded from the equity component of the “typical core” portfolio. The specific allocations were 42.5% core US equity, 7.5% core international equity, 30% core fixed income, and 20% in the hypothetical satellite combination. Allocations are subject to change.

The hypothetical historical returns were created with the benefit of hindsight using the percentage allocations indicated above. Any changes will have an impact on the hypothetical historical performance results, which could be material. Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved. Portfolios are comprised of underlying indices.

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Risk Considerations

Hedge funds and other private investment funds (collectively, "Alternative Investments") are subject to less regulation than other types of pooled investment vehicles such as mutual funds. Alternative Investments may impose significant fees, including incentive fees that are based upon a percentage of the realized and unrealized gains and an individual's net returns may differ significantly from actual returns. Such fees may offset all or a significant portion of such Alternative Investment's trading profits. Alternative Investments are not required to provide periodic pricing or valuation information. Investors may have limited rights with respect to their investments, including limited voting rights and participation in the management of such Alternative Investments. Alternative Investments often engage in leverage and other investment practices that are extremely speculative and involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, **including the loss of the entire amount that is invested**. There may be conflicts of interest relating to the Alternative Investment and its service providers. Similarly, interests in an Alternative Investment are highly illiquid and generally are not transferable without the consent of the sponsor, and applicable securities and tax laws will limit transfers.

Equity securities are more volatile than bonds and subject to greater risks. Small and mid-sized company stocks involve greater risks than those customarily associated with larger companies. Bonds are subject to interest rate, price and credit risks. Prices tend to be inversely affected by changes in interest rates. High-yield, lower-rated securities involve greater price volatility and present greater credit risks than higher-rated fixed income securities. 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 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.

Index Definitions

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The **Barclays US Corporate High Yield Bond Index**, 2% Issuer Capped covers the universe of US dollar denominated, non-convertible, fixed rate, noninvestment grade debt. Index holdings must have at least one year to final maturity, at least \$150 million par amount outstanding, and be publicly issued with a rating of Ba1 or lower. 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 unmanaged **MSCI EAFE Index (net)** (unhedged) is a market capitalization weighted composite of securities in 22 developed markets as of May 30, 2010. The Index figures do not include any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The **J.P. Morgan EMBI Global Diversified Index** is an unmanaged index of debt instruments of 31 emerging countries. 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 **J.P. Morgan Government Bond Index - Emerging Markets (GBI-EM) Global Diversified Index** is an unmanaged index of debt instruments of 14 Emerging Countries. 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 GSCI Commodity Index** is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. Individual components qualify for inclusion in the GSCI on the basis of liquidity and are weighted by their respective world production quantities. The Index is unmanaged and the figures for the Index do not include any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The **S&P/Citigroup EMI World ex-US Index (Gross)** covers the smallest 20% of companies, ranked by total market capitalization, which first qualify for inclusion in the country index. This includes approximately 4,610 securities from 24 developed markets with a general regional allocation of 64% Europe, 18% Japan, 11% Australasia and 7% North America. The Index figures do not reflect any deduction for fees, expenses or taxes. An investor cannot invest directly in an index.

The **Dow Jones Wilshire Real Estate Securities Index** is an unmanaged index of publicly traded REITs and real estate operating companies. The Index figures do not include any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The **FTSE EPRA/NAREIT Diversified ex-US Real Estate Index** is a market capitalization weighted index comprised of REITs and non-REITs within the international (global ex us) real estate securities market. The market capitalization for each constituent is adjusted for each constituent is adjusted for free float. It is not possible to invest directly in an unmanaged index.

The **S&P 500 Index** is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the US. Please note an investor cannot invest directly in an index.

The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the US dollar denominated leveraged loan market.

The **Barclays Aggregate Bond Index** (formerly the Lehman Brothers 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.

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

Simulated performance is hypothetical and may not take into account material economic and market factors, such as liquidity constraints, that would impact the adviser's actual decision-making. Simulated results are achieved by retroactively applying a model with the benefit of hindsight. The results reflect the reinvestment of dividends and other earnings, but do not reflect fees, transaction costs, and other expenses a client would have to pay, which would reduce returns. Actual results will vary.

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