

Capital Preservation — Navigating an Evolving Landscape

Summary

- Stable value funds have historically provided consistent returns in excess of money market funds by approximately 200 basis points annually¹
- While the short end of the yield curve has recently come up, a variety of factors may still limit the attractiveness of money market funds relative to stable value funds
- The Goldman Sachs Stable Value Collective Trust (the Fund) would provide participants with the same daily liquidity features as a money market fund
- The Fund is currently available and portable across approximately 30 recordkeeping platforms, mitigating the full plan redemption risk should the plan look to change platforms in the future²

Capital Preservation Landscape

We believe that the combination of regulatory, fiduciary and market factors have contributed to a renewed focus regarding the evaluation of capital preservation alternatives for Defined Contribution (DC) plans

- Many DC plans use money market and/or a stable value fund as their primary capital preservation option
- The capital preservation allocation tends to be the most conservative option within the DC investment menu; the majority of plans utilize a Government money market or stable value fund as their primary option
- Performance of stable value products has been relatively range bound in recent years but could be poised to diverge
- We believe the market environment, DC fee compression and the increased focus on plan fiduciary responsibility, presents an opportunity for advisors and plan sponsors to re-evaluate stable value products

What is a Stable Value Fund?

- Stable value funds utilize insurance contracts designed to preserve principal, provide stable income and smooth the impact of market fluctuations
- Stable value's smoothing function provides the ability to track interest rate changes without the volatility of a traditional bond fund
- Like a money market fund, participant liquidity is available on a daily basis, although, full plan redemptions may be subject to a 12-month hold

¹Source: Stable Value Investment Association (SVIA)

²As of 03/31/18

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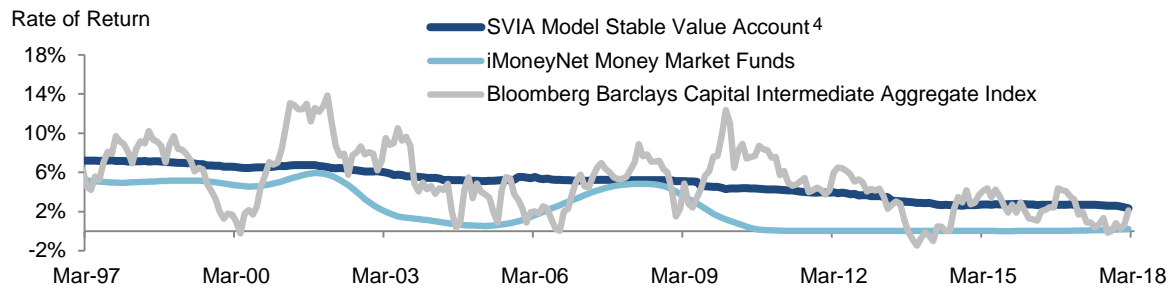
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Why Stable Value

- Stable value funds offer a return comparable to an intermediate bond fund by benefitting from the general positive slope of the yield curve and access to a broader set of securities than money market funds
- As a result, stable value has provided an average annual excess return of approximately 200 basis points over money market funds through a variety of different market environments over the last 20+ years³

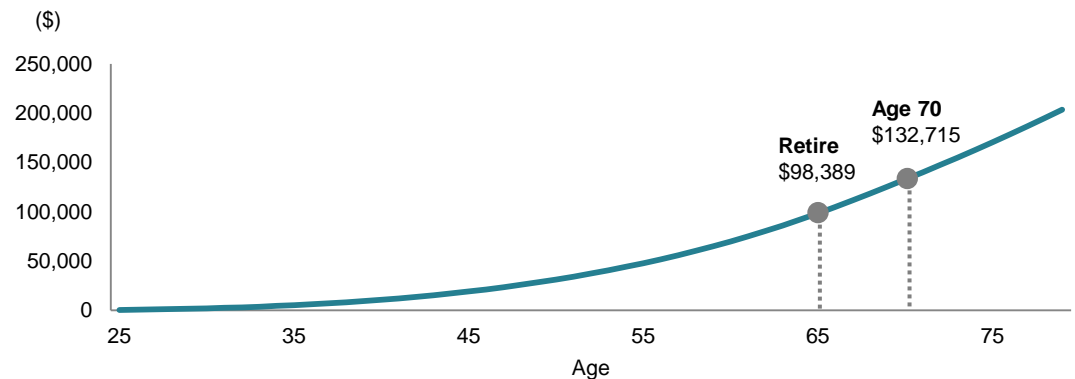
Rolling 1 Year Returns



Source: Stable Value Investment Association (SVIA). As of 3/31/17

Most importantly and as outlined below, considering the long time horizon enjoyed by many DC plan participants and the power of compounding and assuming an average return differential of 200 basis points, a consistent allocation to stable value may lead to a meaningfully better outcome versus money market funds over a participant's investment horizon.

Excess Value of Stable Value Investment versus Money Market⁵



Source: GSAM

³Stable Value Investment Association (SVIA).

⁴The SVIA Model Stable Value Account ("Model") represents a hypothetical "wrapped" account created using Bloomberg Barclays Intermediate Government/Credit Bond Index data to represent underlying fixed income investments. The iMoneyNet Money Fund Average Index is the all-taxable money fund report average, a product of iMoneyNet, Inc., and is presented net of certain fees and expenses. Bloomberg Barclays Capital data source: Bloomberg Barclays Capital Indices, POINT. ©2018 Bloomberg Barclays Capital Inc. Used with permission. POINT is a registered trademark of Bloomberg Barclays Capital Inc. See additional disclosures under SVIA Model Stable Value Account in the disclosures section. Past performance does not guarantee future results, which may vary. The performance for the SVIA Model Stable Value Account is backtested performance and is not actual performance and in no way should be construed as indicative of future results. Backtested performance results are created based on an analysis of past market data with the benefit of hindsight, do not reflect the performance of any GSAM product and are being shown for informational purposes only. Please see additional disclosures.

⁵Illustrative analysis assumes a that participant contributes \$10,000 initially to capital preservation with annual contributions of \$18,000 annually over 40 years allocating 10% to capital preservation, increasing on a pro-rata basis to a 50% deferral over first 40 years (accumulation period). This example is for illustrative purposes only and is not actual results. If any assumptions used do not prove to be true, results may vary substantially.



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SVIA Model Stable Value Account:

The Model is a simulation of book value returns in a hypothetical account holding intermediate term bonds and stable value wrap contracts. The book and market value balances are determined by increasing the prior month's balances by the respective book and market value returns. The book value crediting rate is reset monthly based on an industry accepted crediting rate formula, with each subsequent month's crediting rate created serially thereafter.

The bond returns incorporated into the simulation are monthly market value returns of the Bloomberg Barclays Intermediate Government/Credit Bond Index, with gains/losses reflected in future crediting rates by amortizing market versus book values over intermediate bond index durations. This simulation incorporates no ongoing cash flows into or out of the Model. Cash flow and other factors not reflected in the simulation may materially impact returns. Returns illustrated are gross before any advisory fees.

The Model is intended to be a simplified illustration of the impact of spreading market value performance gains and losses over time. For the purpose of these simplified illustrations, the Model incorporates the use of Bloomberg Barclays Intermediate Government/Credit Bond Index returns as the underlying investment attached to simulated stable value wrap contracts. The incorporation of this "wrapped" bond index with its use of simplified performance spreading techniques should not be construed as representing any actual or intended Stable Value Account or Stable Value Fund. Moreover, the Model is not intended to constitute or represent a benchmark. This Model data and related graphics in relation to the iMoneyNet Money Fund Average Index and the Bloomberg Barclays Intermediate Government/Credit Bond Index are intended solely to simulate the principles of performance amortization techniques and relative levels of yield curves. These materials may be used only with the express permission of the Stable Value Investment Association.

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