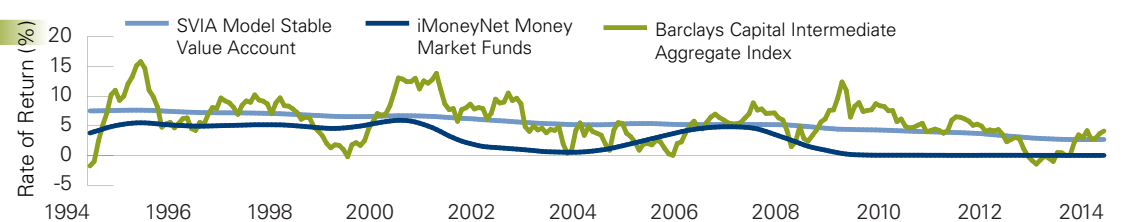




# Stable Value: A Consistent Investment Option for Capital Preservation

Stubbornly low returns on money market funds, coupled with recent regulatory reform present defined contribution (“DC”) plan sponsors and their advisors with an opportunity to re-evaluate their capital preservation options. We believe that stable value continues to offer an attractive combination of preservation, yield potential and participant liquidity.

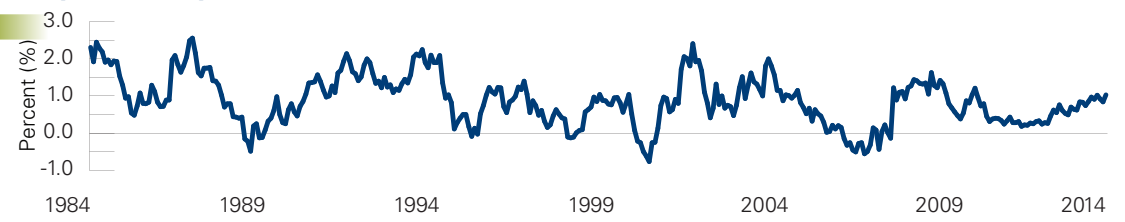
Stable value has generally outperformed money market alternatives, over the last 20 years, providing an average annual gross excess return of approximately 2.00%.



Source: SVIA. SVIA Model Stable Value Account is a “wrapped” fund using Barclays Intermediate Gov/Credit Index as 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. Barclays Capital data source: Barclays Capital Indices, POINT. ©2015 Barclays Capital Inc. Used with permission. POINT is a registered trademark of Barclays Capital Inc. The performance results for the SVIA Model Stable Value Account are back-tested 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. **Past performance does not guarantee future results, which may vary.**

The investment flexibility and the general positive slope of the yield curve has provided an attractive yield advantage for stable value funds. Over the time period shown below, there has been an 89 basis point average differential between the US 3-year Treasury note and the US 3-month Treasury bill.

## Historical Monthly Spread of US 3-month Treasury Bill versus US 3-year Treasury Note (July 1984–July 2014)



Source: Bloomberg. Past performance does not guarantee future results, which may vary. Returns shown do not reflect any GSAM product.

Stable value funds allow DC plan participants to benefit from this additional yield while offering the same level of principal stability as money market funds. While the market anticipates a potentially higher Fed Funds rate, it is important to consider that stable value has outperformed money market funds on a reliable and consistent basis across interest rate cycles. This is primarily due to the fact that negatively sloped (inverted) yield curves tend to be infrequent and short-term in nature leading to a positively sloped yield curve approximately 90% of the time over the last 30 years.

In addition, small and medium-sized DC plans may benefit from the ability to utilize stable value pooled vehicles, where new investors inherit the profile of the fund’s previous investment over time. This greatly reduces the timing and interest rate risk associated with the stable value implementation decision.

### Summary

- Stable value funds have historically provided consistent returns in excess of money market funds through various interest rate and market cycles.
- Considering the long time horizon enjoyed by DC plan participants and the power of compounding, the return differential may lead to meaningfully better outcomes for individuals saving for retirement.
- We encourage plan sponsors to consider a long-term strategic approach to their DC plan design rather than a tactical one.

### Risk Considerations

**An investment in a money market portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market portfolio seeks to preserve the value of an investment at \$1.00 per share, it is possible to preserve the value of an investment at \$1.00 per share it is possible to lose money by investing in a money market portfolio.**

**There can be no assurance that any particular stable value will achieve its investment objective or, to the extent applicable, that it will be able to maintain a stable NAV of \$1.00 per Unit. The value of investments and income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.**

Stable value funds typically invest in “stable value contracts,” under which the insurance company or other financial institution contract issuer agrees, subject to certain conditions, to make payments from the contract in connection with redemptions for plan participant-initiated benefit payments. Stable value contract risk includes credit risk with respect to the obligations of contract providers. Stable value contracts have terms that provide contract withdrawals relating to certain redemptions may not be paid at full contract value, and also define certain termination events that permit the provider to terminate the contract in which case the fund could be exposed to losses. These types of provisions could limit a stable value fund’s ability to maintain a stable NAV of \$1.00 per Unit.

Participants in stable value funds are also exposed to risks associated with investing in the fixed income markets, including interest rate risk, credit risk and call/extension risk. For example, changes in interest rates will impact the return earned by the fund as well as the relative market value to book value ratio of a stable value fund.

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.

**Simulated Performance:** 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. 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.

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