



**Asset  
Management**

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# **Goldman Sachs Long Short Fund**

**Contextualizing Historical Performance**

**Goldman Sachs Asset Management**

January 2016

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# Risk Considerations



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**The Goldman Sachs Long Short Fund** invests primarily in the global equity markets, with a focus on securities listed on North American and European exchanges, through the use of long and/or short positions. The Fund may also invest in global fixed income, commodity and currency instruments. The Fund's equity investments are subject to **market risk**, which means that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular sectors or governments and/or general economic conditions. The securities of **mid- and small-capitalization companies** involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements. The Fund is subject to the risks associated with **short selling** of securities, which involves **leverage** of the Fund's assets and presents various other risks. The Fund may be obligated to cover its short position at a higher price than the short price, resulting in a loss. Losses on short sales are potentially unlimited as a loss occurs when the value of a security sold short increases. The Fund's borrowing and use of derivatives result in **leverage**, which can make the Fund more volatile. The Fund's fixed income investments are subject to the risks associated with debt securities generally, including **credit, liquidity and interest rate risk**. **High yield, lower rated investments** involve greater price volatility and present greater risks than higher rated fixed income securities. **Foreign and emerging markets investments** may be more volatile and less liquid than investments in U.S. securities and are subject to the risks of currency fluctuations and adverse economic or political developments. **Derivative instruments** (including swaps and forward foreign currency transactions) may involve a high degree of financial risk. These risks include the risk that small movements in the price of the underlying security or benchmark may result in a disproportionately large movement, unfavorable or favorable, in the price of the derivative instrument; risk of default by a counterparty; and liquidity risk (i.e., the risk that an investment may not be able to be sold without a substantial drop in price, if at all). The Fund's investments in **other investment companies** (including exchange-traded funds) subject it to additional expenses. At times, the Fund may be unable to sell certain of its **illiquid investments** without a substantial drop in price, if at all. **Different investment styles** tend to shift in and out of favor, and at times the Fund may underperform other funds that invest in similar asset classes. Certain shareholders, including clients or affiliates of the investment adviser, may from time to time own or control a significant percentage of the Fund's shares. Redemptions by these shareholders of their shares of the Fund may impact the Fund's liquidity and NAV. The Fund is "**non-diversified**" and may invest more of its assets in fewer issuers than "diversified" funds. Accordingly, the Fund may be more susceptible to adverse developments affecting any single issuer held in its portfolio and to greater losses resulting from these developments.

**The investment program of the Fund is speculative, entails substantial risks and includes alternative investment techniques not employed by traditional mutual funds. The Fund should not be relied upon as a complete investment program. The Fund's investment techniques (if they do not perform as designed) may increase the volatility of performance and the risk of investment loss, including the loss of the entire amount that is invested, and there can be no assurance that the investment objective of the Fund will be achieved.**

# Contextualizing Performance



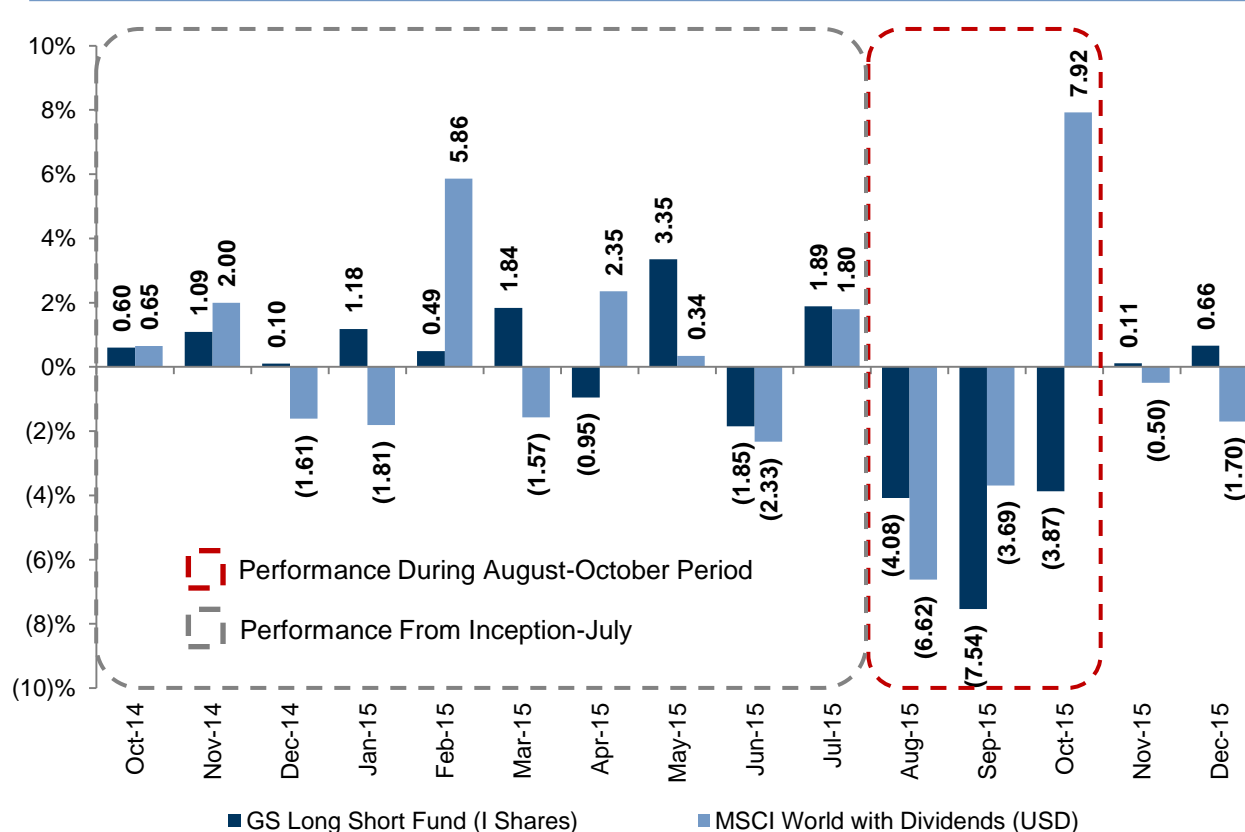
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## Annualized Total Return (Inception to December 31, 2015)

	GS Long Short Fund (I Shares)	HFRX Equity Hedge Index	MSCI World Index
Performance	(5.69)%	(0.97)%	1.50%
Volatility	8.77%	6.16%	12.57%
Beta to MSCI World	0.34	0.42	1.00

Source: PerTrac, Opal, Hedge Fund Research, Inc. [www.hedgefundresearch.com](http://www.hedgefundresearch.com). The GS Long Short Fund's benchmark is the Bank of America Merrill Lynch US Dollar 3-Month Libor Constant Maturity Index.

## Monthly Net Returns of GS Long Short Fund (I Shares) versus MSCI World Index



As of December 31, 2015. The Fund's inception date was September 30, 2014.

MSCI World Index was chosen for comparison purposes given its recognition as a widely followed global stock index which we believe is the nearest proxy to the scope of our strategy. We chose to use the HFRX indices as they are widely used indices for gauging hedge fund performance. Equity Hedge strategies maintain positions both long and short in primary equity derivative securities, which is a similar characteristic to the GS Long Short Fund.

**The returns represent past performance. Past performance does not guarantee future results. The Fund's investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. Please visit our Web site at: [www.GSAMFUNDS.com](http://www.GSAMFUNDS.com) to obtain the most recent month-end returns.**

GS Investment Strategies, LLC, the investment manager of the Funds, is a US-registered investment adviser and is a wholly-owned subsidiary of The Goldman Sachs Group, Inc.

Beta is a measure of the risk of a security or portfolio relative to the risk of the market and indicates a security's or portfolio's volatility. A statistical measure of volatility indicates the "risk" associated with a return series.

# Standardized Total Returns

Period Ending September 30, 2015



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	Class A: 1 Year	Class A: Since Inception	Class I: 1 Year	Class I: Since Inception
Goldman Sachs Long Short Fund	-9.12%	-9.90%	-4.30%	-4.29%

The Standardized Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value. These returns reflect the maximum initial sales charge of 5.50% for Class A Shares. Because Institutional Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns. The returns represent past performance. Past performance does not guarantee future results. The Fund's investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. Please visit our Web site at: [www.GSAMFUNDS.com](http://www.GSAMFUNDS.com) to obtain the most recent month-end returns.

Performance reflects cumulative total returns for periods of less than one year and average annual total returns for periods of greater than one year. Since inception returns for periods of less than one year are cumulative. All Fund performance data reflect the reinvestment of distributions.

The expense ratios of the Fund, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations) are as set forth above. Pursuant to a contractual arrangement, the Fund's waivers and/or expense limitations will remain in place through at least April 30, 2016 and prior to such date the Investment Adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees. \* Goldman Sachs Investment Strategies has agreed to limit total annual operating expenses (excluding acquired fund fees and expenses, taxes, dividend and interest payments on securities sold short, interest, brokerage fees, shareholder meeting, litigation, indemnification and extraordinary expenses) of Class A to 2.15% and Class I to 1.75%.

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# During the Drawdown, Negative Alpha Drove the Underperformance While Our Hedges Performed as Expected

- We typically hedge our long positions with market or sector shorts and run low net long exposure to equity markets
- Our market/sector shorts performed as expected and generated positive returns in August and September and negative returns in October; however, our longs significantly underperformed our shorts over the period (see Long/Short Attribution)
- Negative “alpha” from security selection drove the underperformance while the “beta” impact from market exposure was in line with our portfolio positioning (see Alpha/Beta Attribution)

	Aug	Sep	Oct	Sum <sup>1</sup>
<b>Long/Short Attribution</b>				
Longs	-11.45%	-8.48%	1.93%	-18.00%
Shorts	7.37%	0.94%	-5.80%	2.51%
<b>Total Net Return</b>	<b>-4.08%</b>	<b>-7.54%</b>	<b>-3.87%</b>	<b>-15.49%</b>
<b>Alpha/Beta Attribution</b>				
Security Selection (“Alpha”)	-2.00%	-4.58%	-5.30%	-11.87%
Market Exposure (“Beta”)	-3.05%	-1.99%	3.15%	-1.89%
Other (Including Certain Hedges)	0.97%	-0.97%	-1.72%	-1.72%
<b>Total Net Return</b>	<b>-4.08%</b>	<b>-7.54%</b>	<b>-3.87%</b>	<b>-15.49%</b>
<b>MSCI World Index</b>	<b>-6.57%</b>	<b>-3.64%</b>	<b>7.95%</b>	<b>-2.81%</b>

As of November 30, 2015 Source: PerTrac, Opal. The GS Long Short Fund’s benchmark is the Bank of America Merrill Lynch US Dollar 3-Month Libor Constant Maturity Index.

**Long Exposure:** Long investments, including exposure of derivatives, as a percentage of net assets. A long investment in a security, such as a stock or a bond, means the holder of the position will profit if the price of the security goes up. **Short Exposure:** Short investments, including exposure of derivatives, as a percentage of net assets. A short investment in a security, such as a stock or a bond, means the holder of the position will profit if the price of the security goes down. **Net Exposure:** Calculated as long exposure less absolute value of short exposure of the Fund’s investments. For example, a strategy 30% long stock A and 25% short stock B would have 5% net exposure. Net exposure is an indication of the Fund’s directional exposure (whether the fund is positioned long or short in the market)

Holdings weights and investment themes referenced in the above commentary are as of (November 30, 2015) **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.**

Fund holdings and allocations shown are unaudited, and may not be representative of current or future investments. Fund holdings and allocations may not include the Fund’s entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities. Current and future holdings are subject to risk. Attribution based on GSIP analysis. Alpha is the portion of the total return on the portfolio not attributable to the portfolio’s exposure to its benchmark or index. 1. The Sum is calculated by adding the returns for each of the three months shown.

# For 2015 YTD, Our Largest Long Positions were Subject to Significant Sell-offs and Detracted from Performance



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## Performance Attribution 2015 YTD

Top 5 Detractors	2015 YTD	Action
Valeant	-2.68%	Initially reduced position and added puts Recently increased position and added calls
Altice	-1.41%	Increased position
Mallinckrodt	-1.33%	Maintained position
Baxalta	-0.78%	Exited position
RBS	-0.60%	Maintained position
Top 5 Contributors	2015 YTD	Action
China Internet	0.59%	Took profits after strong rally
Fresenius SE	0.59%	Exited position as investment thesis was realized
Facebook	0.39%	Exited position as investment thesis was realized
Allergan	0.34%	Maintained position sizing
Lamar	0.24%	Maintained position sizing

As of November 30, 2015.

Source: PerTrac, Opal. The GS Long Short Fund's benchmark is the Bank of America Merrill Lynch US Dollar 3-Month Libor Constant Maturity Index.

Investment thesis is based on pursuing asymmetric risk-reward opportunities that the Investment Advisor believes have great potential for gains than losses.

The returns represent past performance. Past performance does not guarantee future results. The Fund's investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. Please visit our Web site at: [www.GSAMFUNDS.com](http://www.GSAMFUNDS.com) to obtain the most recent month-end returns.

# How have We Responded to Performance Volatility?



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- Reduced overall risk levels in the portfolio by approximately 20%
  - Added sector-specific hedges (through puts and additional short exposure) in seeking to risk manage our net exposure to healthcare and financials
  - Re-evaluated every impacted position and re-underwrote our investment thesis for most of them\*
  - In many instances, our fundamental views and investment theses did not change significantly and we either added to positions or maintained our position size

*As of November 30, 2015*

*Source: GSAM*

*\*We re-evaluated the 8 largest detractors (i.e., every position that detracted 0.5% or more) throughout the period and re-underwrote 7 of them.*

# GS Long Short Fund

## Current Positioning



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### Summary Statistics (as of 30-Nov-2015)

AUM (All Share Classes) (\$mm)	\$190.5
Long Exposure (% of Net Assets)	89.6%
Short Exposure (% of Net Assets)	(50.8)
Net Exposure (% of Net Assets)	38.9

### Top Five Long Holdings (as of 30-Nov-2015)

	November 2015
Lamar Advertising Co-a	7.6%
Time Warner Cable	7.3
Shire Plc	7.3
Vodafone Group Plc	6.2
Mallinckrodt Plc	5.9
<b>Total</b>	<b>34.3%</b>

As of November 30, 2015.

Top 5 Long Holdings: Includes the net exposure of the fund's long positions in single name corporate equities, as a percentage of the Fund's total Net Asset Value

Source: PerTrac, Opal. The GS Long Short Fund's benchmark is the Bank of America Merrill Lynch US Dollar 3-Month Libor Constant Maturity Index.

# Investment Themes and Positions



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## Investment Themes

- **Healthcare Special Situations:** Healthcare names that are actively participating in the ongoing healthcare consolidation, or where thesis is based on a company transformation or restructuring
- **Special Situations / Opportunistic:** Potential positions with specific catalysts in the future, such as select merger arbitrage situations
- **Cable Companies:** We believe the sector benefits from strong secular growth and certain companies offer very attractive business models
- **European Financials:** We have positions in certain European banks which are currently undergoing restructurings
- **US Financials:** The Fund is seeking exposure to names that we believe have fundamentally attractive businesses and that should also benefit from a rising interest rate environment

## Positions

- **Shire (7.3%), Mallinckrodt (5.9%), Valeant (2.7%), Endo (4.4%)**
- **Baker/Halliburton (4.1%/-3.4%), Lamar (7.6%)**
- **Liberty Global (4.7%), Time Warner Cable (7.3%), Altice (4.1%)**
- **RBS (2.1%), UBS (4.4%)**
- **Citizens Financial (4.5%), Charles Schwab, (3.8%),**

As of November 30, 2015.

Source: GSAM

Fund holdings and allocations shown are unaudited, and may not be representative of current or future investments. Fund holdings and allocations may not include the Fund's entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities. Current and future holdings are subject to risk.

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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.**

Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of the securities discussed in this document.

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A basis point (bps) is 1/100th of a percent. Percentages may not sum to 100% due to rounding.

Goldman, Sachs & Co., distributor of the Fund(s), is not a bank, and Fund shares distributed by Goldman, Sachs & Co. are neither deposits nor obligations of, nor endorsed, nor guaranteed by any bank or other insured depository institution, nor are they insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency. Investment in the Funds involves risks, including possible loss of the principal amount invested.

The **MSCI World Index** captures large and mid-cap representation across 23 Developed Markets countries. It is not possible to invest in an unmanaged index.

The **HFRX Equity Hedge Index** is designed to be representative of the overall composition of the equity long short hedge fund universe. It is comprised of all eligible equity long short/hedge fund strategies.

**A summary prospectus, if available, or a Prospectus for the Fund containing more information may be obtained from your authorized dealer or from Goldman, Sachs & Co. by calling (institutional – 1-800-621-2550). Please consider a fund's objectives, risks, and charges and expenses, and read the summary prospectus, if available, and the Prospectus carefully before investing. The summary prospectus, if available, and the Prospectus contains this and other information about the Fund.**

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