



Strategic Income Fund

Monthly Volatility & Attribution

December 2016

Class A: GSZAX | Class C: GSZCX | Class I: GSZIX | Class IR: GZIRX

Overview

Month to date: The Fund was up 0.79% (net, I-Shares) in December. Within macro strategies, the currency strategy contributed to performance driven by our short basket of Asian currencies such as the Korean won and Taiwan dollar. Our country strategy was also positive, where we held long Australian versus short US rates. From a sector perspective, performance was mostly mixed. The emerging markets debt strategy modestly contributed to performance from our exposure to local Brazilian debt. The largest detractor from performance came from our municipal exposure across Puerto Rico sales tax-backed bonds. Our corporate exposure also detracted on the month as we held shorts in CDX while the broad corporate sector rallied during the month.

Year to date: The Fund was up 2.53% (net, I-Shares) in 2016. During the year, global policy divergence was evident, creating a supportive environment for our relative value strategies. In particular, the country strategy received strong performance from a handful of trades throughout the year, ranging from long European and US rates versus short Japanese and UK rates to long Canadian versus short US rates. Our outright long in Australian rates also modestly contributed to performance. On the structured credit side, exposure to mortgage-backed securities (MBS) and collateralized loan obligations (CLOs) were positive on the year. In government/swaps, we saw positive performance in various yield curve steepeners¹ and Treasury inflation-protected securities (TIPS) positions. Our Puerto Rico municipals also meaningfully contributed to performance. On the currency side, negative performance came from our shorts in Asian currencies as well as our longs in the Swedish krona and Mexican peso. Corporate credit was the largest detractor on the year as individual selection within high yield had been challenging in addition to being short via CDX while corporate credit rallied on the year.

Performance Summary in USD (%) (NAV, I-Shares)

GS Strategic Income Fund						
Annualized	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*	
Net Return	2.53	-0.04	3.86		2.95	
Calendar Years	2016	2015	2014	2013	2012	2011
Net Return	2.53	-2.08	-0.50	6.43	13.71	-2.16

Performance Statistics (NAV, I-Shares)

GS Strategic Income Fund	
Rolling 12-Month Returns (%)	
Best / Worst	15.62 / -5.18
Quarterly Returns	
Number of Positive / Negative Quarters	18 / 8 out of 26
Best / Worst Quarterly Return (%)	5.35 (Q3 '12) / -3.20 (Q3 '11)

Inception Date: June 30, 2010

¹ Steepener implies shorter-maturity interest rates fall and/or longer-maturity interest rates rise.

Standardized Total Returns (I-Shares as of December 31, 2016): 1 Year: 2.53%, 5 Year 3.86%, 10 Year: N/A, Since Inception: 2.95%.

The returns represent past performance and do not guarantee future results. 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 www.GSAMFUNDS.com to obtain the most recent month-end returns. The returns assume reinvestment of all distributions at net asset value.

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. Because Institutional Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns.

Expense Ratios (I-Shares), net/gross: 0.57% / 0.57%

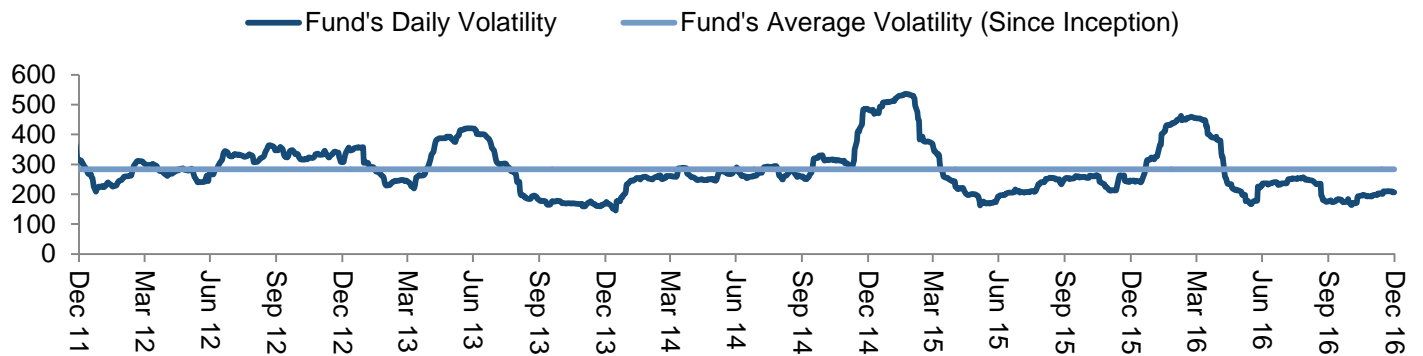
The expense ratios of the Fund do not have a fee waiver and expense limitation. The Net and Gross expense ratios will be the same.

Performance Summary and Statistics are shown net of fees (I-Shares). Returns less than one year are cumulative, not annualized.

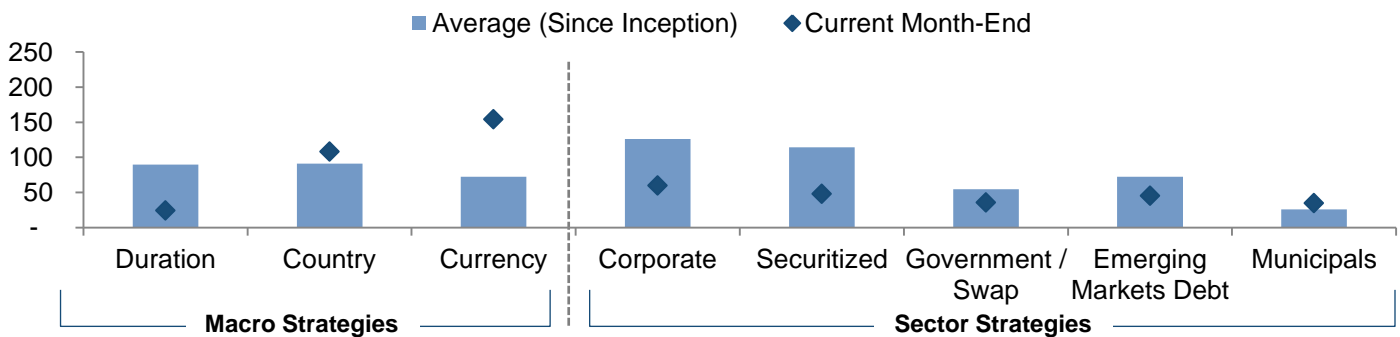
Fund holdings and allocations shown are unaudited, and may not be representative of current or future investments. Fund holdings and allocations may not include the Fund's entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and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

Risk Summary

Realized Volatility¹ (bps²)



Contribution to Risk by Strategy (bps)³



Attribution Summary (bps)⁴

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016	2015	2014	2013	2012	2011	2010
Total Portfolio (Gross)²	134	278	42	-144	309	-155	10	709	1447	-150	251
Duration	9	5	-28	1	-13	-60	-264	-33	73	-4	-23
Country	53	105	-38	-31	89	105	104	177	38	-7	31
Currency	30	-22	-10	-7	-9	-26	168	33	102	-59	-32
Securitized	45	89	43	-21	156	15	68	234	653	-100	183
Corporate	-30	8	38	-124	-108	-164	22	271	242	47	100
Gov't / Swaps	29	21	5	16	71	21	-18	68	107	25	-55
Emerging Markets Debt	-11	14	30	3	36	-13	-38	-54	247	-14	39
Municipals	-11	27	13	3	31	-59	-12	16	0	3	0

The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns. Past performance does not guarantee future results, which may vary.

As of December 31, 2016. Inception Date: June 30, 2010.

- 1 Realized volatility based on rolling 60-day returns. A statistical measure of volatility indicates the "risk" associated with a return series. To calculate the Fund's current volatility, greater than a single day's return is needed as volatility is a function of the difference in magnitude from one return to another. We believe using 60-day volatility is a common measure for short term risk.
- 2 Bps or basis points. 1% change = 100 basis points, and 0.01% = 1 basis point.
- 3 Based on realized risk. Risk quoted as of month-end calculated using previous 60-day returns. Risk quoted for "since inception (average)" calculated using annualized monthly volatility of the strategies. Sector strategies' attribution include both sector as well as selection decisions.
- 4 Attribution summary represents gross returns for the portfolio, and its eight contributing strategies: Duration, Country, Currency, Securitized, Corporate, Emerging Markets Debt, Government/Swaps, and Municipals. Eight strategies represent excess return and do not include intraday/transaction returns; eight strategies will not sum to total portfolio (gross) performance. Attribution is produced by GSAM Fixed Income through our proprietary risk model, and the assignment of attribution from varying trades and positions to the underlying strategies is done at the discretion of the manager.

The **Goldman Sachs Strategic Income Fund** invests in a broadly diversified portfolio of U.S. and foreign investment grade and non-investment grade fixed income investments including, but not limited to: U.S. government securities, non-U.S. sovereign debt, agency securities, corporate debt securities, agency and non-agency mortgage-backed securities, asset-backed securities, custodial receipts, municipal securities, loan participations and loan assignments and convertible securities. Investments in fixed income securities are subject to the risks associated with debt securities generally, including **credit, liquidity and interest rate risk**. Investments in **mortgage-backed securities** are also subject to, among other risks, prepayment risk (*i.e.*, the risk that in a declining interest rate environment, issuers may pay principal more quickly than expected, causing the Fund to reinvest proceeds at lower prevailing interest rates). **High yield, lower rated investments** involve greater price volatility, are less liquid 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. The Fund is also subject to the risk that the issuers of **sovereign debt** or the government authorities that control the payment of debt may be unable or unwilling to repay principal or interest when due. The Fund may be more sensitive to adverse economic, business or political developments if it invests a substantial portion of its assets in bonds of similar projects or in particular types of **municipal securities**. The Fund may invest in **loans** directly, through loan assignments, or indirectly, by purchasing participations or sub-participations from financial institutions. Indirect purchases may subject the Fund to greater delays, expenses and risks than direct obligations in the case that a borrower fails to pay scheduled principal and interest. **Derivative instruments** may involve a high degree of financial risk. These risks include the risk that a small movement 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; risks of default by a counterparty; and liquidity risk. At times, the Fund may be unable to sell certain of its **illiquid investments** without a substantial drop in price, if at all. The Fund is subject to the risks associated with implementing short positions. Taking **short positions** involves **leverage** of the Fund's assets and presents various other risks. Losses on short positions are potentially unlimited as a loss occurs when the value of an asset with respect to which the Fund has a short position increases.

The Investment Adviser will not manage the investment program of the Fund by reference to a benchmark index (*i.e.*, unconstrained). By removing benchmark constraints, the Fund is able to invest across the global fixed income spectrum without regard to sector, quality, maturity or market capitalization limitations, including in asset classes in which more traditional or benchmark-constrained fixed income funds do not typically invest (or do not invest to such an extent). Due to this flexible strategy, the Fund's risk exposure may vary, and the Fund may underperform traditional fixed income indices. There can be no assurance that the discretionary element of the investment processes of the Investment Adviser will be exercised in a manner that is successful or that is not adverse to the Fund, or that the Fund will outperform more traditional or benchmark-constrained fixed income funds.

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 (retail - 1-800-526-7384) (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.

There is no guarantee that the Fund's dynamic management strategy will cause it to achieve its investment objective.

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