Following 12 months of underperformance, we have placed the **Goldman Sachs Global CORE® Equity Portfolio "Under Review"** to reassess the alpha drivers and performance drift of the strategy. At this stage, this is not a change in the rating of the fund, and it does not mean that we advise to sell.

Key features

The Goldman Sachs Global CORE® Equity Portfolio is managed by the Quantitative Investment Strategies (QIS) team in GSAM. Founded in 1989, the QIS team employs a fundamentally driven quantitative investment process with cutting-edge technology to generate results that are expected to be stable, explainable and repeatable.

The strategy seeks to provide long term capital growth by translating a large amount of data into actionable investment ideas. At its core, the investment philosophy is grounded in identifying high-quality businesses with attractive valuations that are exposed to positive sentiment in the market and are the beneficiaries of global economic trends.

The Equity Alpha Investment Pillars:

- Fundamental Mispricings: buying high-quality businesses at a fair price leads to strong performance in the long run
- High Quality Business Models: focus on companies generating high-quality revenues with sustainable business models and aligned management incentives.
- Themes & Trends: global markets are increasingly theme and trend-driven. Alternative data sources can provide a lens into trends affecting companies globally; trends that other investors may not be seeing.
- Sentiment Analysis: other market participants can provide valuable information to supplement GSAM own analysis. By analyzing broader market sentiment, they can gain insight into future stock performance.

Performance review

GS Global CORE® Equity Portfolio has experienced mixed performance over the past 12 months returning +1.3% versus +8.5% for its benchmark, the MSCI World NR (in USD, for the clean fee share class, as of 30.06.2019) While both, the US Small Cap and Global Small Cap CORE Equity Portfolios have performed broadly in line with the benchmark, the large cap Portfolios have been challenged across all regions.

The global fund has suffered from various reversals in equity markets, particularly over the last 9 months. The speed of reversals has been outpacing the typical capture timeline for faster-moving themes (Sentiment and Themes & Trends) leading them to detract from performance.

While the fundamental investment themes, i.e High-Quality Business Models and Fundamental Mispricings, are usually expected to provide diversification in times when faster-moving themes are challenged, there has been no support recently. In particular, Fundamental Mispricings has been a drag on performance. The strategy aims to buy stocks that trade at attractive prices, but recently investors experienced an environment where expensive growth stocks became even more expensive and cheap stocks remained cheap. This resulted in a key headwind for the fund, in particular in 2019 YTD.

The proprietary signals helped mitigate the drawdown. For example, cross-company linkage signals, that leverage vast amount of data sources and advanced Machine Learning technology, held up better than more traditional price momentum signals within Themes & Trends during the growth sell-off in October 2018. Some of the alternative

data indicators within High-Quality Business Models helped anticipate some of the winners of the FY2018 earnings season in January 2019, thus contributing to excess returns.

WSP conclusions

While the last 9 months undoubtedly posed a challenging environment for the GS Global CORE® Equity Portfolio, and quantitative of systematic strategies globally, the recent underperformance is within the bands of scenario expectations and outcome range. While not expected to occur frequently, the fund may temporarily underperform. However, long-term performance remains solid for this global equity strategy and for the whole fund range, with 5 out of 6 CORE® Equity Portfolios outperforming their respective benchmark over 5 years.

In fact, since 2012, when alternative data sources first became a substantial portion of the process, the large cap GS CORE® Equity Portfolios have outperformed their benchmarks in 93% of the monthly rolling 3-year periods. In the case of the Europe and Emerging Markets CORE Equity Portfolios, investors who have stayed invested for at least 3 years have always seen positive performance compared to the benchmark after fees (see charts below), evidencing GSAM's ability to generate consistent alpha over the medium to long term.
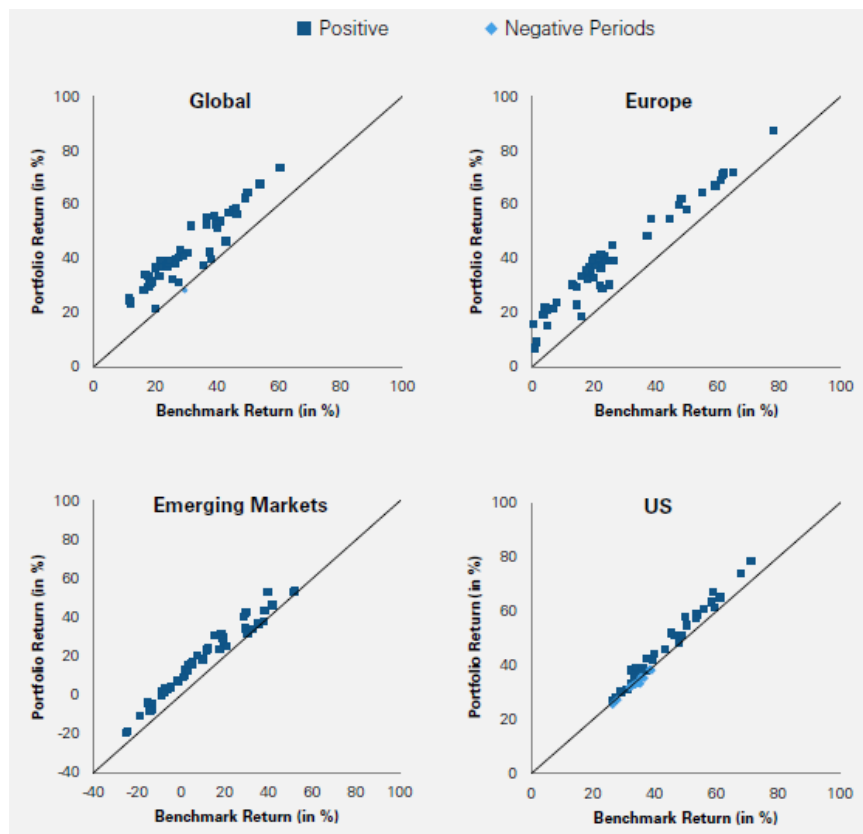


Monthly rolling three-year performance of the large cap GS CORE Equity Portfolios –1st January 2012 to 31st May 2019 – Source: GSAM

In conclusion, despite the underperformance for the last 12 months, we maintain **the GS Global CORE® Equity Portfolio** with the **"Selected"** status in our **Master List.** However, we will closely monitor the near-term performance to ensure that the drift can reverse at some point in time. We will keep you informed if any change in the status of the fund occurs during this review period.

## GS Global CORE® Equity Portfolio

### Trailing Returns

As of Date: 30.06.2019    Currency: US Dollar

| | YTD | Peer group decile | 1 year | Peer group decile | 3 years | Peer group decile | 5 years | Peer group decile |
|---|---|---|---|---|---|---|---|---|
| GS Global CORE® Eq R Acc USD Snap | 13.99 | 8 | -0.94 | 9 | 11.71 | 3 | 7.83 | 1 |
| MSCI World NR USD | 16.98 | | 6.33 | | 11.77 | | 6.60 | |
| EAA Fund Global Large-Cap Blend Equity | 14.74 | | 2.05 | | 9.28 | | 3.80 | |

### Calendar Year Returns

Currency: US Dollar

| | 2018 | Peer group decile | 2017 | Peer group decile | 2016 | Peer group decile | 2015 | Peer group decile | 2014 | Peer group decile |
|---|---|---|---|---|---|---|---|---|---|---|
| GS Global CORE® Eq R Acc USD Snap | -11.13 | 5 | 25.45 | 3 | 7.82 | 2 | 4.07 | 1 | 10.99 | 1 |
| MSCI World NR USD | -8.71 | | 22.40 | | 7.51 | | -0.87 | | 4.94 | |
| EAA Fund Global Large-Cap Blend Equity | -12.33 | | 23.13 | | 3.37 | | -2.32 | | 1.02 | |

### Excess Rolling Returns

Time Period: 01.07.2014 to 30.06.2019

Currency: US Dollar    Rolling Window: 1 Year 1 Month shift
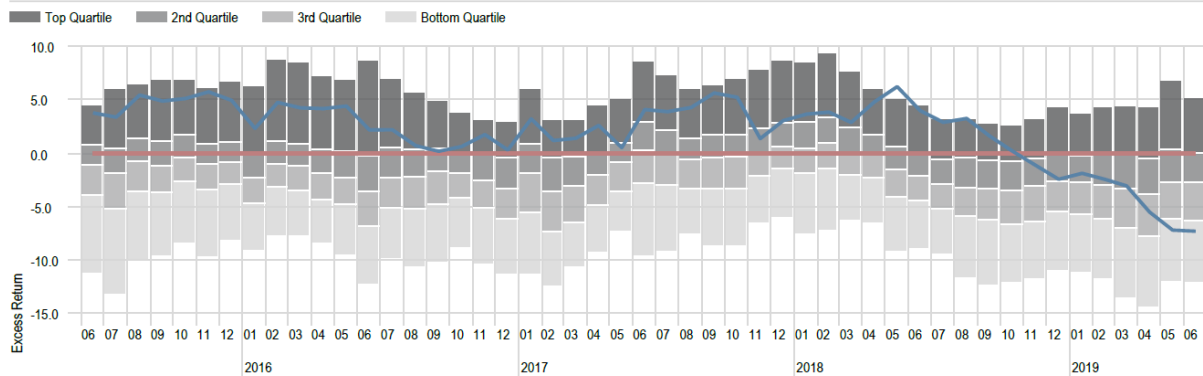


### Drawdown

Time Period: 01.07.2014 to 30.06.2019
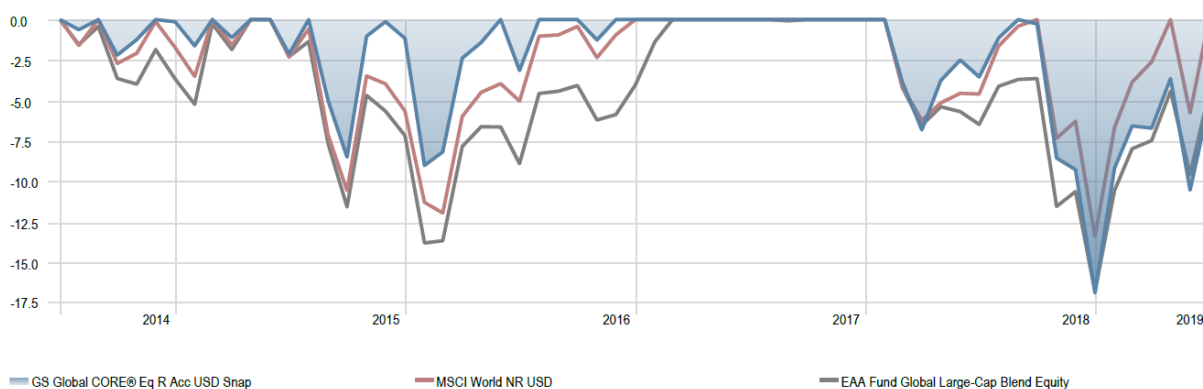


*Source: WS Partners- Morningstar*