

Investment Outlook

The Quantitative Investment Strategies team makes eight active decisions within the Models Portfolios based on our current outlook on global equity, fixed income and currency markets. On a quarterly basis, we shift assets away from the strategic allocation

maintaining our strong overweight toward emerging versus developed equity markets.

In global bond markets, we have decreased our allocations, but still slightly tilt towards international fixed income relative to domestic fixed income and high yield fixed income relative to investment grade fixed income.

For over a year now, we have preferred stocks relative to bonds. We still find value in holding an overweight position in global stocks as we believe the interest rate and inflationary environments remain favorable for global equities. Conversely, our relatively bearish view on global bonds, which has tempered some in response to increased market risk, is largely the result of unattractive yields.

Tactical Decision	Investment Opportunity	2Q08 Investment Outlook	Strength
1. Asset class timing	Are U.S. stocks, U.S. bonds or cash more attractive?	Overweight stocks	4/5
2. Regional equity selection	Are U.S. or non-U.S. equities more attractive?	Overweight non-U.S. equities	4/5
3. Regional bond selection	Are U.S. or non-U.S. bonds more attractive?	Overweight non-U.S. bonds	1/5
4. U.S. equity style timing	Are U.S. value or U.S. growth equities more attractive?	Overweight growth stocks	2/5
5. U.S. equity size timing	Are U.S. large-cap or U.S. small-cap equities more attractive?	Overweight small-cap stocks	1/5
6. Equity country selection	Which international countries are most attractive?	Overweight France and Belgium	3/5
7. High yield timing	Are high yield or core fixed income securities more attractive?	Overweight high yield	2/5
8. Emerging/Developed equity timing	Are emerging or developed equities more attractive?	Overweight emerging equities	5/5

(tilting our positions in certain asset classes and countries from their long term weights) in order to benefit from changing conditions in global capital markets.

From an asset class perspective, we remain bullish on stocks relative to bonds.

Within the domestic equity market, we continue to prefer growth stocks versus value stocks and small-cap stocks versus large-cap stocks. In addition, we have modestly increased our international equity exposure, while

We remain bullish on stocks relative to bonds.

There has recently been widespread fear about the U.S. falling into recession as the housing market slows, energy prices rise, credit markets further deteriorate and consumer confidence declines. Generally, during such times of financial distress and economic uncertainty investors tend to shift their portfolios to less risky assets, such as bonds, and decrease allocations to more risky assets, such as stocks. However, at this point, we continue to overweight stocks relative to bonds.

Equity Market Outlook

We continue to favor international equity relative to U.S. equity, emerging equity relative to developed equity, growth stocks relative to value stocks and small-cap stocks relative to large-cap stocks.

- Among global equity markets, we favor France and Belgium this quarter. Our least favorite equity markets are Italy and Spain.
- We strongly prefer international equity versus U.S. equity as we find that international equity markets offer more compensa-

tion for risk and we also view international equity as relatively inexpensive when compared to domestic equity.

- We have maintained our overweight toward emerging relative to developed equity markets primarily due to strong relative long-term momentum.
- Although we perceive value stocks to be relatively inexpensive in comparison to growth stocks, we continue to favor growth stocks as a result of favorable business conditions and strength in corporate earnings.
- While we continue to find small-cap stocks relatively attractive when compared to large-cap stocks, increased market risk has caused us to decrease our overweight position.

Fixed Income Market Outlook

We have decreased our allocations, but still slightly tilt towards international fixed income relative to domestic fixed income and high yield fixed income relative to investment grade fixed income.

- We remain slightly overweight international fixed income as yields on U.S. bonds remain unattractive and foreign risk premiums and macroeconomic conditions continue to appear more favorable.
- Our view on the equity versus fixed income return spread continues to drive our overweight to high yield relative to investment grade bonds

Note: All views were generated by our quantitative models and will be effective in the Models as of April 1, 2008.

All views are subject to change. Opinions expressed are current opinions as of the date appearing in this material only.

Actual Fund weightings in the Models may differ slightly from the figures shown on next page due to rounding, capital gains and/or losses, or both. Portfolio ranges may change over time and the strategy ranges and investments in each underlying fund may be changed from time to time.

A prospectus for the Goldman Sachs Funds containing more complete information may be obtained from your authorized dealer or from Goldman Sachs & Co. by calling 1-800-526-7384. Please consider the Fund's objectives, risks and charges and expenses, and read the prospectus carefully before investing. The prospectus contains this and other information about the Funds.

Goldman, Sachs & Co., distributor of the Goldman Sachs Funds, 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. Copyright © 2008 Goldman, Sachs & Co. All Rights Reserved. Date of First Use: April 3, 2008. 08-7076.MF / AAMQ / 03-08

Goldman Sachs Style Analysis Graph

