The Goldman Sachs Group, Inc.

Goldman Sachs Research

Where to Invest Now

Valuation dislocations

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US equity strategy outlook
Valuation dislocations

Index: S&P 500 year-end 2013 target of 1750 and year-end 2014 target of 1900

- **Economy:** US economic growth accelerating from 1.6% in 2013 to 2.8% in 2014; low inflation; rising 10-year yields.
- **Earnings:** We forecast 2013 / 2014 / 2015 operating EPS of $108 / $116 / $124 reflecting growth of 11% / 8% / 7%.
- **Valuation:** Five approaches triangulate on 1650. Our target implies multiple of 15.0x, a one-point premium to fair value.
- **Money flow:** We forecast $200 billion of net inflow into US equities. $450 billion of Buybacks will offset retail outflow.

Risks to our forecast: Margins and Money Flow

- **Margins:** Net profit margins have weakened. We forecast a slight recovery. Consensus expects expansion.
- **Money flow:** Institutional reallocation to stocks may be higher than we expect, offsetting retail outflow, and lifting P/Es.

Sectors: Cyclicals should outperform given accelerating economic growth

- **Overweight:** Cyclical sectors (Financials and Industrials);
- **Underweight:** Defensive sectors (Consumer Staples and Health Care).

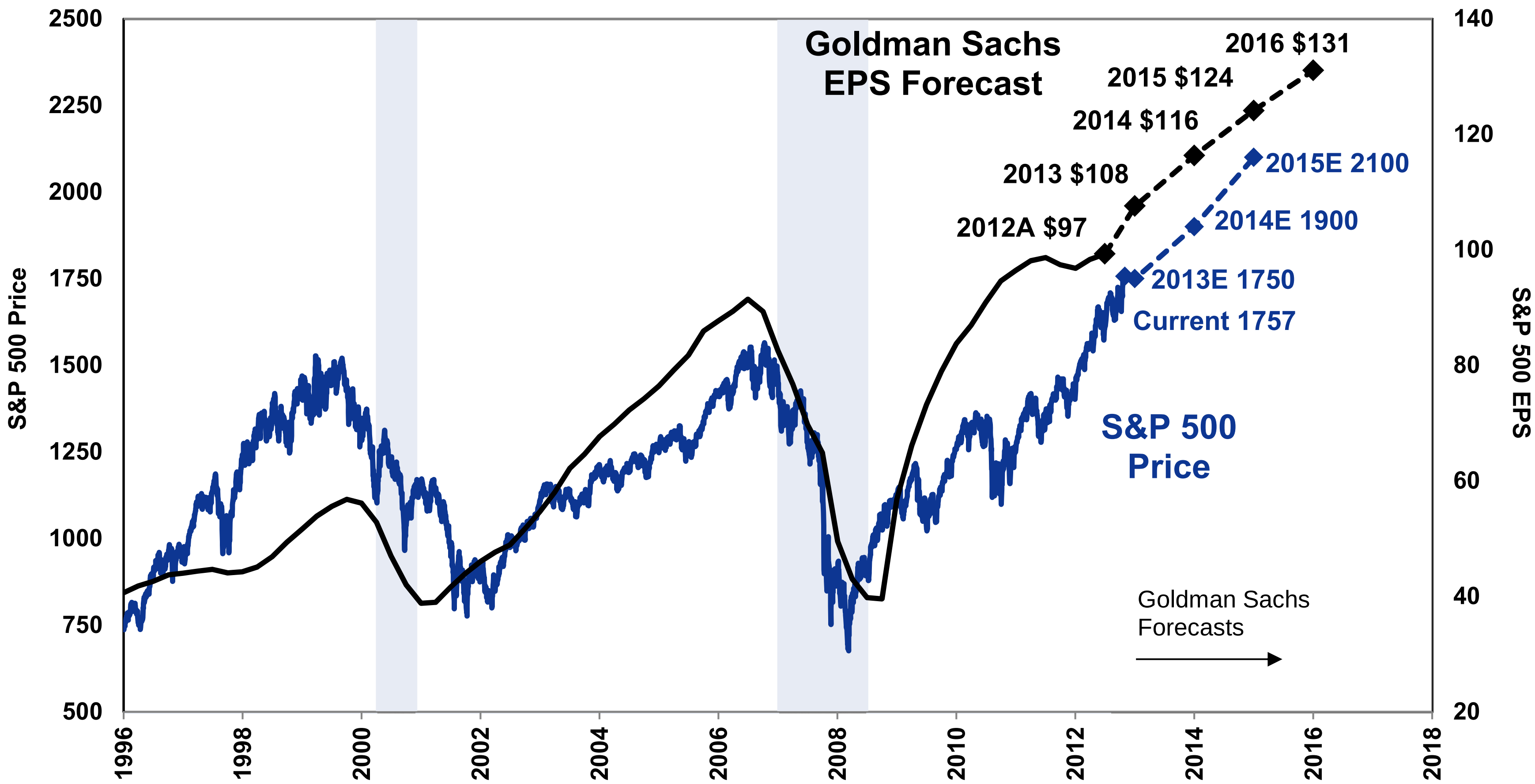
Themes: Seek leverage to economic recovery

1. **Buy stocks / sell bonds.** Re-allocate assets away from US Treasuries and into Equities. Trade has returned 31% YTD.
2. **Operating leverage.** Stocks in each sector that should benefit from acceleration in US GDP growth (<GSTHOPHI>).
3. **Globally Attractive Risk Reward.** 25 globally-facing cyclical laggards will benefit as growth improves (<GSTHGARR>).
4. **High Sharpe Ratio.** Stocks with best prospective risk-adjusted returns have consistently outperformed (<GSTHSHRP>).
5. **Dividend Growth.** Basket offers dividend growth of 16% in 2013 vs. 8% for median S&P 500 stock (<GSTHDIVG>).

Note: The ability to trade baskets will depend upon market conditions, including liquidity and borrow constraints at the time of trade.

Target: Our S&P 500 year-end 2013 target is 1750

Multi-year targets: 1900 by end-2014 and 2100 by end-2015



Source: FactSet, Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013

Path: Median drawdown of 4% during next 2 months

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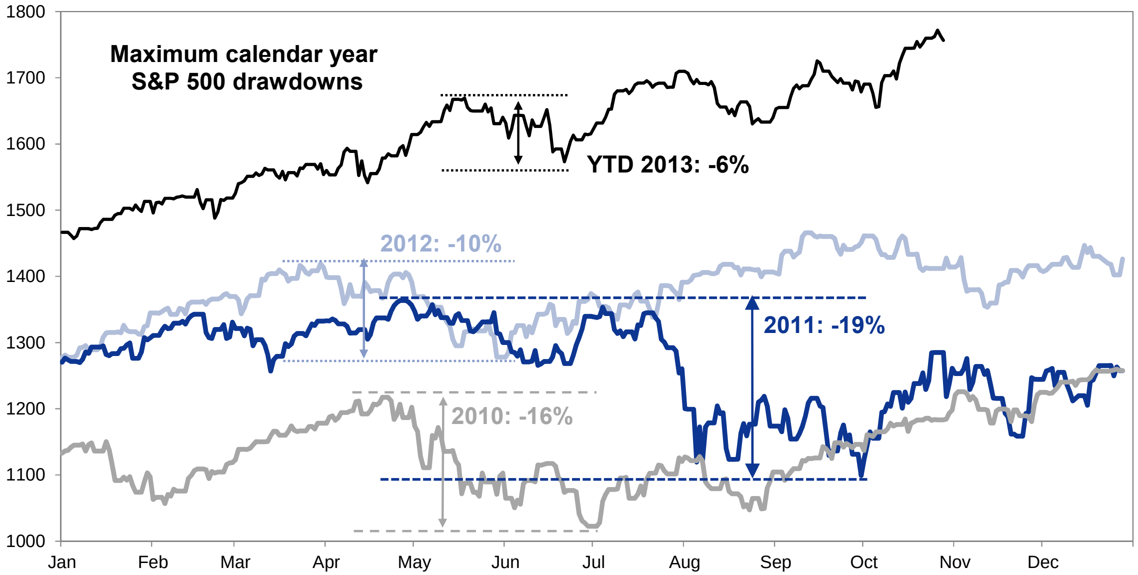
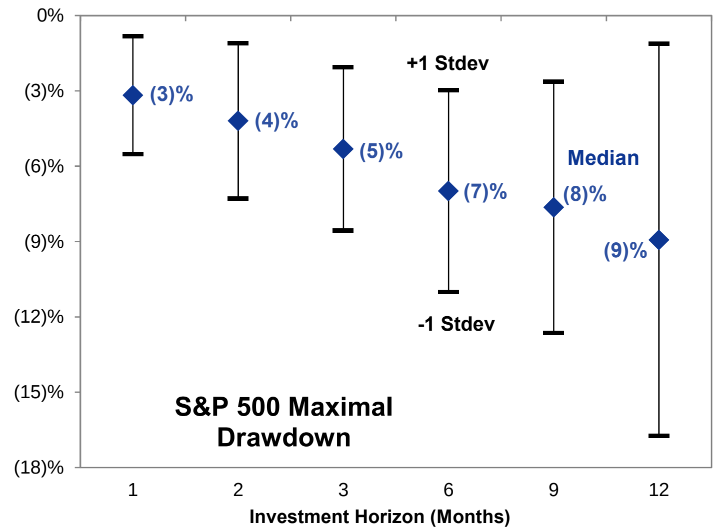
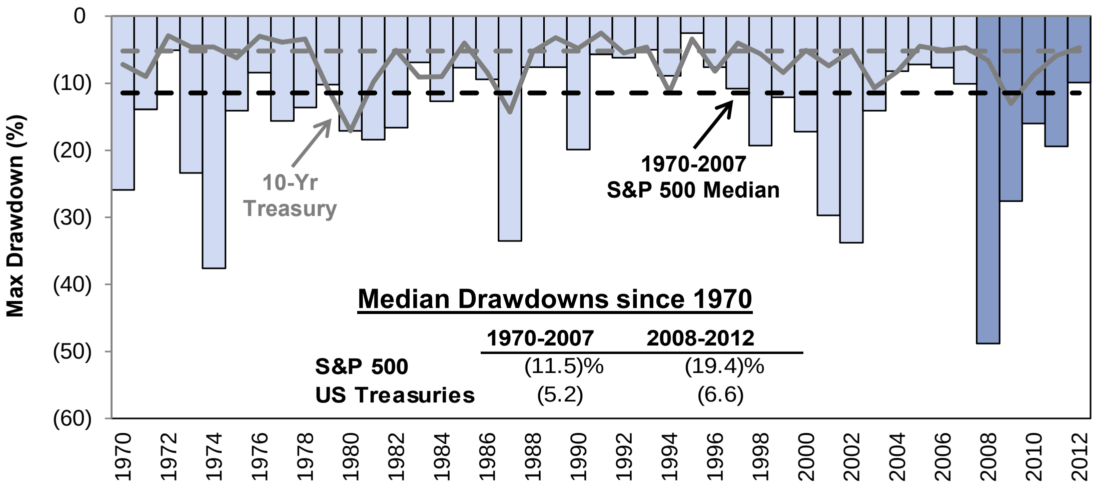
S&P 500 drawdowns since 2010

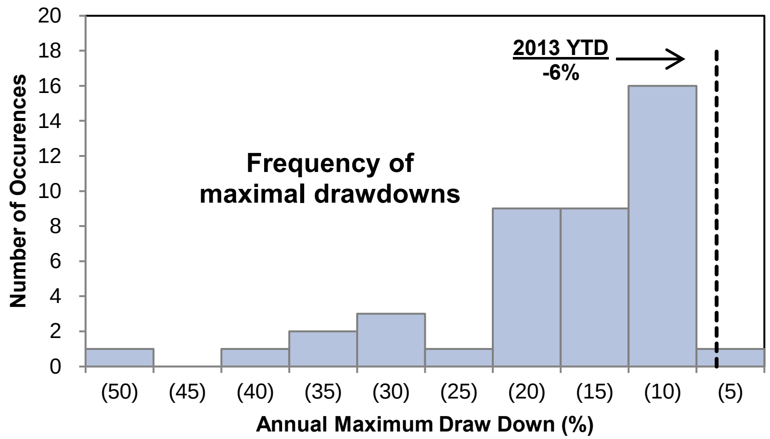


Distribution of drawdowns by horizon





	1970-2007	2008-2012
S&P 500	(11.5)%	(19.4)%
US Treasuries	(5.2)	(6.6)



Source: Goldman Sachs Global Investment Research. As of October 31, 2013

P/E expansion explains most of 2013 YTD return
Multiple expansion cycles have historically peaked at 15x

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S&P 500 P/E expansion cycles since 1982

Dates		S&P 500 Forward P/E			
Trough	Peak	Trough	Peak	Expansion	Months
Mar-82	Dec-83	5.1x	8.2x	60 %	21
Jun-84	Jul-87	6.3	13.2	111	37
Aug-88	Dec-89	8.8	11.5	31	16
Sep-90	Dec-91	9.5	15.0	57	15
Nov-94	Dec-99	11.3	24.3	115	61
Sep-02	Jan-04	13.8	17.8	29	16
Jul-06	Apr-07	14.1	15.5	10	9
Oct-08	Sep-09	10.5	15.5	48	11
Aug-10	Jan-11	11.6	13.3	15	5
9 cycle median		**10.5x**	**15.0x**	**48 %**	**16**
Sep-11	Oct-13	10.6	15.2	44	24

Multiple expansion explains 2013 YTD return

	Price	Change to Next 12 Mo.		Revisions to EPS	
Sector	Return	P/E	EPS	2013	2014
Health Care	33 %	26 %	6 %	(10)%	(5)%
Consumer Discretionary	34	19	12	0	(0)
Financials	27	18	7	6	4
Industrials	31	18	11	(1)	(2)
S&P 500	**23**	**17**	**5**	**(5)**	**(4)**
Materials	19	17	2	(20)	(13)
Energy	18	17	1	(6)	(3)
Consumer Staples	18	12	5	(3)	(3)
Information Technology	15	15	0	(14)	(14)
Utilities	12	9	3	(1)	2
Telecommunication Services	1	(15)	19	(3)	(5)

Source: FactSet, Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013

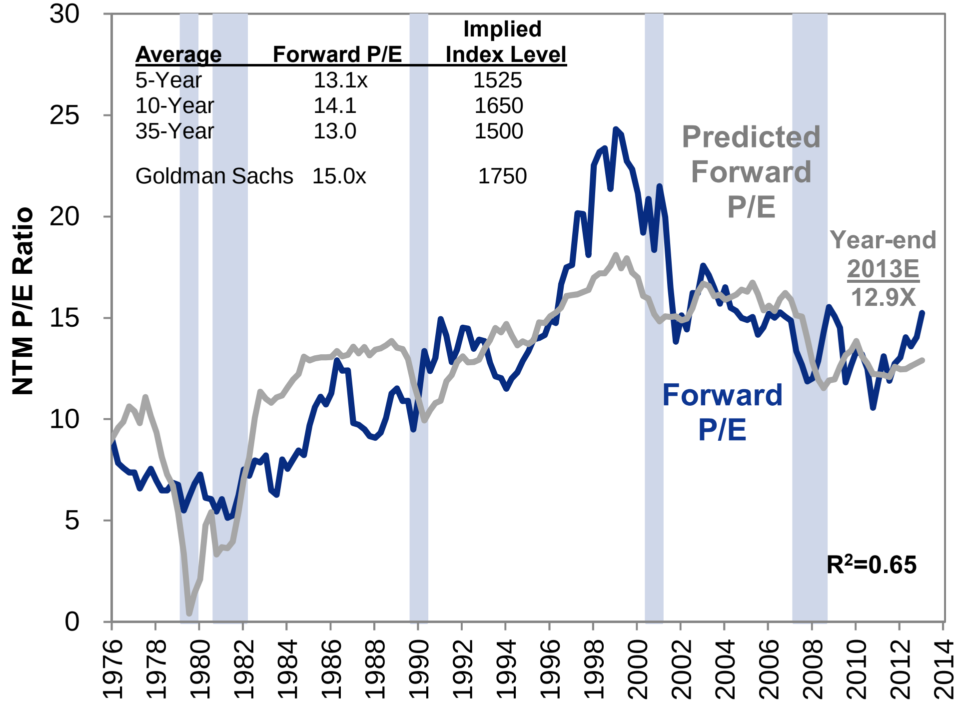
Valuation: Five approaches to S&P 500 fair value

Our year-end target implies a forward P/E of 15.0x

Five approaches to S&P 500 fair value

	Implied Year-End 2013 Fair Value		
	P/E	Price	
Methodology	Multiple	Level	Upside
Fed Model	15.3X	**1775**	1 %
US Portfolio Strategy DDM	15.0	**1750**	(0)
ROE and P/B Relationship	15.1	**1750**	(0)
Macroeconomic Regression	12.9	**1500**	(15)
Cyclically Adjusted P/E	12.4	**1450**	(17)
Five Approach Average	14.2X	**1650**	(6)%

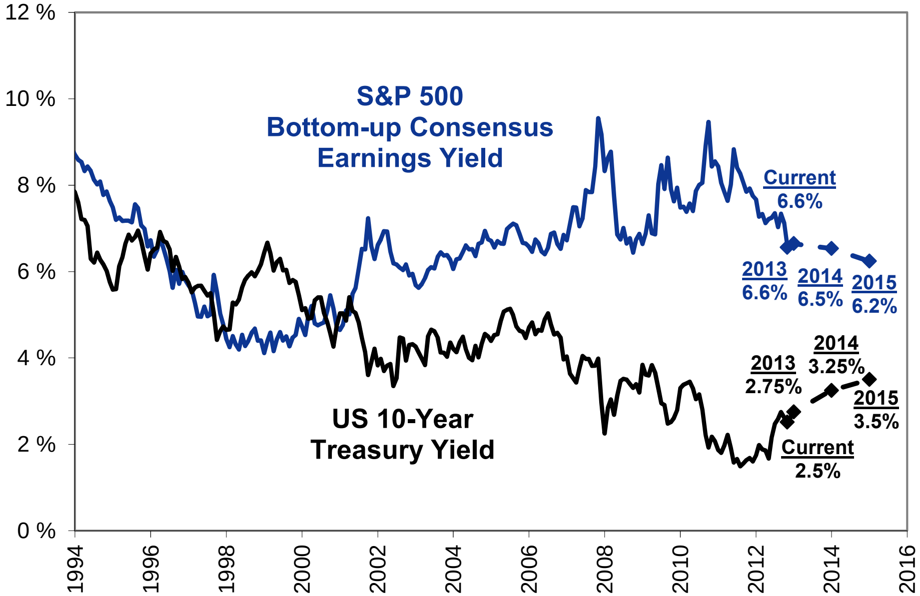
Macroeconomic regression forecasts P/E of 12.9x



Source: FactSet, Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013

Fed Model compares earnings and bond yields
Equity valuation relates to yield and how gap closes

US Treasury yield and S&P 500 earnings yield



Fed Model sensitivity to 10-yr US Treasury yield

Share of yield gap closed by equities / US 10-Year Yield

Share of yield gap closed by equities	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%
0%	1772	1772	1772	1772	1772	1772	1772
25%	1832	1815	1797	1780	1763	1746	1730
50%	1897	1859	1822	1787	1754	1721	1690
75%	1966	1905	1848	1795	1744	1697	1652
100%	2040	1954	1875	1803	1735	1673	1615

Source: IDC via FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013

Dispersion of valuation is low relative to history
Narrow P/E multiples for all sectors vs. last 30 years

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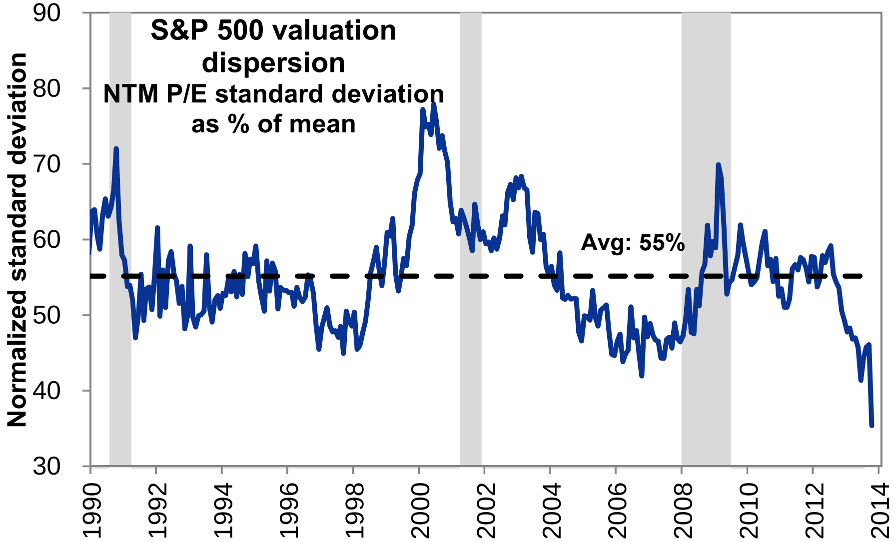
Tight S&P 500 P/E dispersion relative to history



Valuation dispersion low for most sectors

	Dispersion of NTM P/E Multiples			
Sector	**Current Dispersion**	**30-Year Average**	**Standard Deviation**	**Z-Score**
Health Care	43 %	48 %	12 %	(0.5)
Energy	48	57	15	(0.6)
Telecom	18	35	26	(0.7)
Materials	38	47	13	(0.7)
Financials	34	48	19	(0.7)
Info Tech	34	53	21	(0.9)
Consumer Discretionary	36	56	17	(1.1)
Consumer Staples	27	45	15	(1.2)
Industrials	23	54	18	(1.7)
Utilities	22	49	12	(2.3)
S&P 500	35 %	59 %	12 %	(2.0)

Source: FactSet, Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013

20 S&P 500 stock relative valuation opportunities

Subsector peers with similar P/Es but different EPS growth

		High Growth				Low Growth				High vs. Low	
	Subsector	Name	Ticker	NTM P/E	2014 EPS Growth	Name	Ticker	NTM P/E	2014 EPS Growth	NTM P/E	EPS Growth
CONSUMER DISCRETIONARY	General Merchandise Stores	**Dollar Tree**	DLTR	19.1 x	19 %	**Family Dollar Stores**	FDO	17.4 x	7 %	10 %	**12 pp**
	Apparel Retail	**Urban Outfitters**	URBN	19.2	16	**The TJX Companies**	TJX	20.1	13	5	**3**
CONSUMER STAPLES	Packaged Foods & Meats	**General Mills**	GIS	16.1	8	**Campbell Soup**	CPB	16.3	1	2	**7**
FINANCIALS	Life & Health Insurance	**Lincoln National**	LNC	8.8	9	**MetLife Inc.**	MET	8.4	3	5	**7**
	Asset Management	**Invesco Ltd.**	IVZ	14.4	16	**Franklin Resources**	BEN	14.9	11	4	**4**
	Asset Management	**Ameriprise Financial**	AMP	13.4	13	**Bank of NY Mellon**	BK	13.3	11	1	**2**
HEALTH CARE	Pharmaceuticals	**Mylan Inc.**	MYL	11.9	17	**Pfizer Inc.**	PFE	13.6	5	15	**12**
	Pharmaceuticals	**Perrigo Co.**	PRGO	21.4	17	**Hospira Inc.**	HSP	19.3	5	11	**13**
	Health Care Distributors	**AmerisourceBergen**	ABC	18.1	17	**Patterson Companies**	PDCO	18.7	10	3	**6**
INDUSTRIALS	Aerospace & Defense	**Textron Inc.**	TXT	13.3	24	**Northrop Grumman**	NOC	13.9	4	5	**21**
	Aerospace & Defense	**Precision Castparts**	PCP	19.2	18	**The Boeing Co.**	BA	18.8	10	2	**7**
INFORMATION TECHNOLOGY	Communications Equipment	**QUALCOMM Inc.**	QCOM	14.9	7	**Motorola Solutions**	MSI	14.4	(11)	3	**18**
	Application Software	**Citrix Systems**	CTXS	17.3	14	**Autodesk Inc.**	ADSK	26.0	1	51	**13**
	Data Processing & Outsourcing	**MasterCard**	MA	24.9	17	**Paychex Inc.**	PAYX	24.4	7	2	**11**
	Data Processing & Outsourcing	**Visa Inc.**	V	22.5	17	**ADP**	ADP	23.4	10	4	**7**
	Communications Equipment	**Cisco Systems**	CSCO	10.8	6	**Harris Corp.**	HRS	12.8	(1)	19	**7**
	Semiconductors	**LSI Corp.**	LSI	13.2	8	**Intel Corp.**	INTC	12.6	1	5	**7**
	IT Consulting & Other Services	**Teradata Corp.**	TDC	14.4	12	**Accenture**	ACN	16.1	7	12	**5**
TELECOM SERVICES	Integrated Telecom Services	**AT&T Inc.**	T	13.9	8	**CenturyLink**	CTL	13.3	0	5	**8**
UTILITIES	Multi-Utilities	**PG&E Corp.**	PCG	14.4	13	**Consolidated Edison**	ED	15.5	3	7	**11**
	Average			**16.1 x**	**14 %**			**16.7 x**	**5 %**	**8 %**	**9 pp**

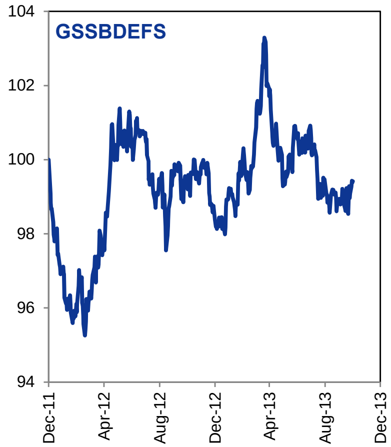
Source: Compustat, I/B/E/S, Factset, and Goldman Sachs Global Investment Research. As of October 31, 2013

Cyclicals vs. Defensives and Domestic vs. Global

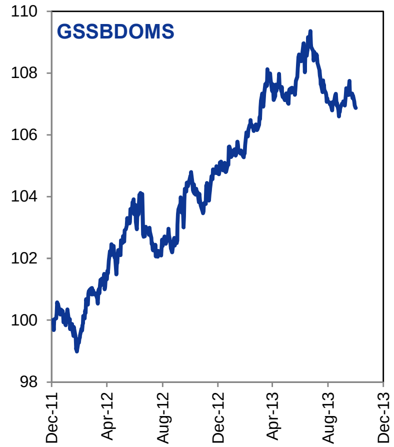
Cyclicals lag Defensives by 300 bp; Domestic beats Global

Cyclicals

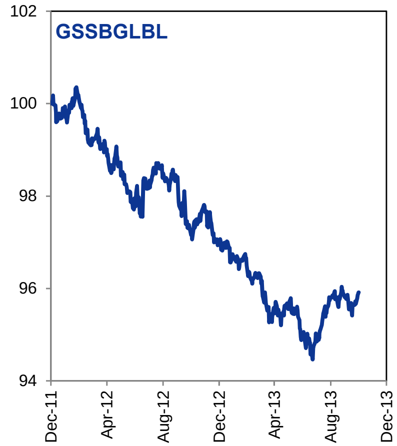
Defensives



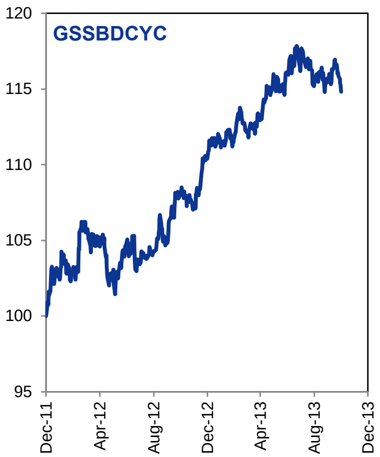
Domestic



Global

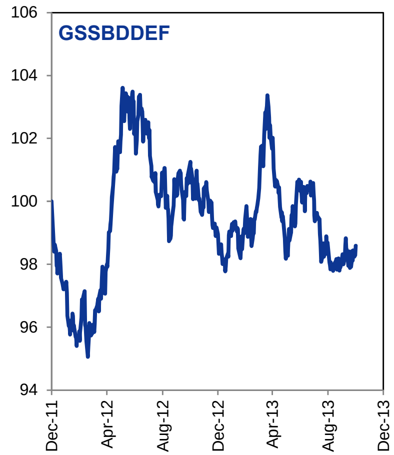


Domestic Cyclicals

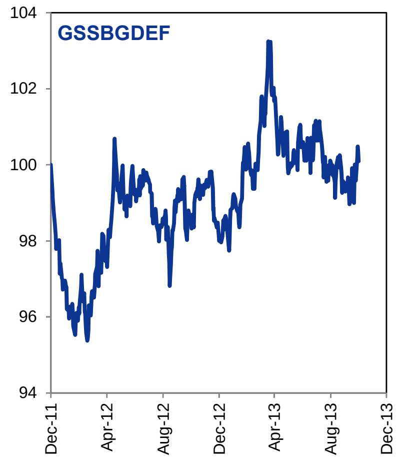


Global Cyclicals

Domestic Defensives



Global Defensives



Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013

Cyclicals vs. Defensives:
Global Cyclicals lag while Domestic Cyclicals lead YTD

Goldman Sachs

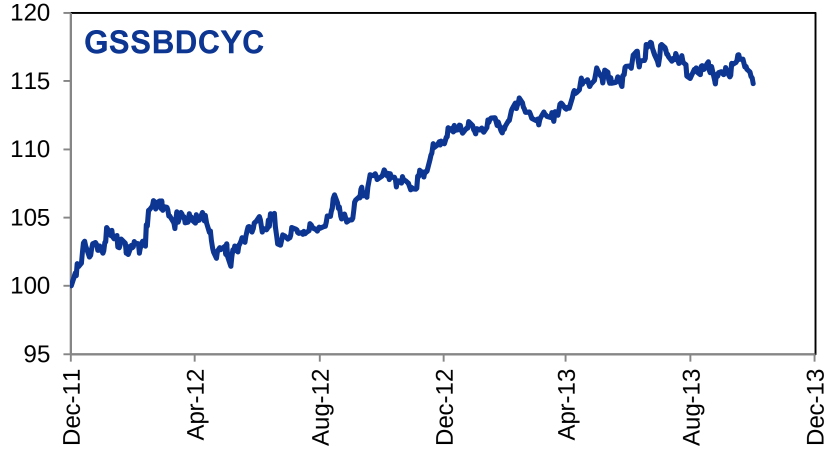
Summary fundamentals of Goldman Sachs Sector Baskets

Basket	Bloomberg Ticker <GSSBXXXX>	Total Return YTD	% of S&P 500 Cap	Beta	Non-US Sales	Earnings Growth 2013	Earnings Growth 2014	Sales Growth 2013	Sales Growth 2014	NTM P/E	Div Yield
S&P 500		25 %	100 %	1.0	34 %	11 %	12 %	3 %	5 %	15.2x	2.0 %
Defensives	DEFS	27 %	38 %	0.9	21 %	5 %	10 %	4 %	5 %	17.5x	2.4 %
Cyclicals	CYCL	24	62	1.1	42	6	11	1	4	14.1	1.8
Domestic	DOMS	28 %	39 %	1.0	16 %	13 %	11 %	3 %	5 %	15.3x	1.9 %
Global	GLBL	24	61	1.0	50	1	11	1	4	15.1	2.1
Domestic Cyclicals	DCYC	30 %	20 %	1.1	22 %	18 %	11 %	1 %	4 %	13.9x	1.5 %
Global Defensives	GDEF	28	18	0.8	49	3	9	2	4	17.8	2.4
Domestic Defensives	DDEF	25	19	0.9	12	6	11	4	5	17.1	2.4
Global Cyclicals	GCYC	20	42	1.1	50	1	11	1	4	14.1	2.0

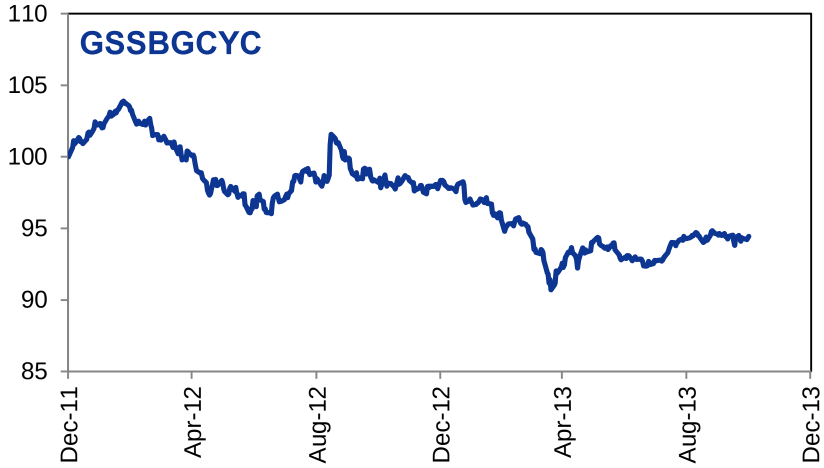
Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013

Cyclicals: Domestic up 28% vs. Global up 24% YTD
Financials and Media vs. Technology, Energy, Materials

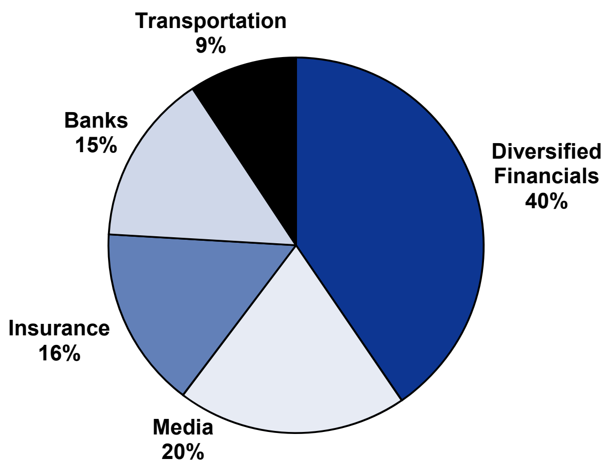
Domestic Cyclicals Performance



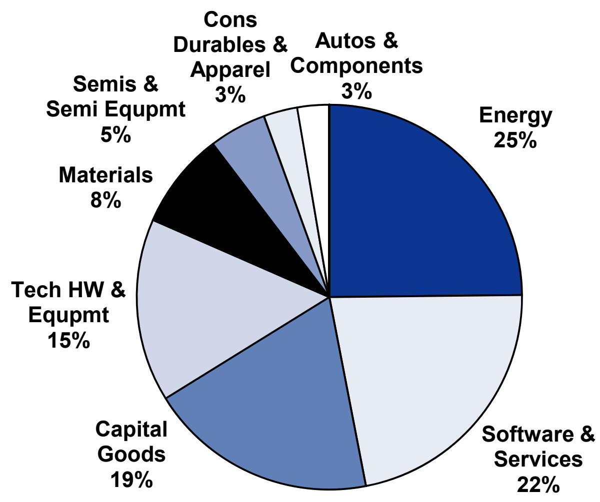
Global Cyclicals Performance



Domestic Cyclicals by Industry Group



Global Cyclicals by Industry Group



Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Global Cyclical Risk-Reward Basket <GSTHGARR>

25 cyclicals with 8% sales and 19% EPS growth in 2014

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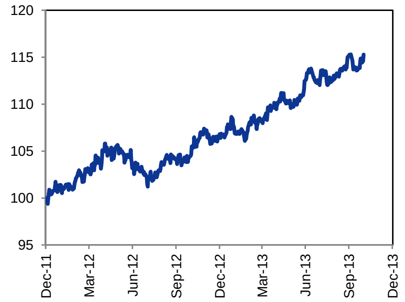
Company	Ticker	Sub-sector	2013 Return	Mkt Cap ($ bn)	Beta	Non-US Sales	EPS Growth 2013	EPS Growth 2014	Sales Growth 2013	Sales Growth 2014	P/E NTM	Div Yield
CONSUMER DISCRETIONARY												
BorgWarner	BWA	Auto Parts & Equip.	45 %	$12	**1.3**	**74 %**	10 %	17 %	4 %	12 %	16.3x	1.0 %
Johnson Controls	JCI	Auto Parts & Equip.	53	32	**1.3**	**63**	7	20	2	4	14.1	1.6
ENERGY												
Rowan Companies	RDC	Drilling	15 %	$4	**1.2**	**85 %**	16 %	69 %	14 %	22 %	15.3x	0.0 %
Schlumberger Ltd.	SLB	Equipment & Svcs	37	124	**1.3**	**72**	15	22	8	10	16.8	1.3
Noble Corp.	NE	Drilling	10	10	**1.4**	**70**	48	47	20	24	9.5	1.7
Marathon Oil Corp.	MRO	Exploration & Production	17	25	**1.3**	**59**	20	7	(1)	(1)	11.3	2.2
Cameron Intl	CAM	Equipment & Svcs	(3)	14	**1.5**	**45**	4	20	14	14	14.3	0.0
INDUSTRIALS												
Danaher Corp.	DHR	Industrial Conglomerates	29 %	$43	**1.1**	**57 %**	8 %	12 %	4 %	5 %	19.4x	0.1 %
Tyco International	TYC	Security & Alarm Svcs	27	17	**1.0**	**57**	29	17	3	5	17.7	1.8
General Electric	GE	Industrial Conglomerates	28	266	**1.1**	**52**	4	9	(1)	3	15.1	2.9
Rockwell Automation	ROK	Electrical Components & Equip.	34	15	**1.2**	**51**	8	10	2	5	18.4	1.9
INFORMATION TECHNOLOGY												
QUALCOMM Inc.	QCOM	Communications Equip.	14 %	$119	**0.9**	**95 %**	19 %	7 %	24 %	11 %	14.8x	2.0 %
Jabil Circuit	JBL	Electronic Manufacturing Svcs	9	4	**1.0**	**86**	(3)	9	4	1	8.3	1.5
Microchip Technology	MCHP	Semiconductors	36	8	**0.9**	**82**	21	16	19	11	17.7	3.3
Molex Inc.	MOLX	Electronic Manufacturing Svcs	44	5	**1.0**	**74**	4	15	4	5	21.2	2.5
Xilinx Inc.	XLNX	Semiconductors	29	12	**1.1**	**73**	16	14	7	10	19.7	2.2
Linear Technology	LLTC	Semiconductors	22	10	**1.0**	**71**	3	12	5	9	20.9	2.5
Analog Devices	ADI	Semiconductors	20	15	**1.0**	**70**	6	19	(0)	9	20.1	2.8
JDS Uniphase Corp.	JDSU	Communications Equip.	(3)	3	**1.4**	**59**	4	28	2	6	17.8	0.0
Cisco Systems	CSCO	Communications Equip.	17	121	**0.9**	**51**	8	6	5	5	10.8	3.0
MATERIALS												
Dow Chemical	DOW	Diversified Chemicals	26 %	$48	**1.1**	**68 %**	22 %	23 %	0 %	4 %	15.2x	3.2 %
Freeport-McMoRan Cp & Gld	FCX	Diversified Metals & Mining	15	38	**1.6**	**65**	(15)	29	18	12	10.9	3.4
Praxair Inc.	PX	Industrial Gases	16	37	**0.7**	**59**	6	12	7	8	19.2	1.9
Air Products & Chemicals	APD	Industrial Gases	33	23	**0.9**	**57**	2	8	6	5	18.6	2.6
MeadWestvaco Corp.	MWV	Paper Packaging	12	6	**0.9**	**49**	5	40	1	2	19.2	2.9
GSTHGARR Average			**23 %**	**$40**	**1.1**	**66 %**	**11 %**	**19 %**	**7 %**	**8 %**	**16.1x**	**1.9 %**
S&P 500 Average Stock			**30**	**31**	**1.0**	**31**	**7**	**13**	**5**	**6**	**17.2**	**1.8**

Source: FactSet, Compustat and Goldman Sachs Global Investment Research. As of October 31, 2013.

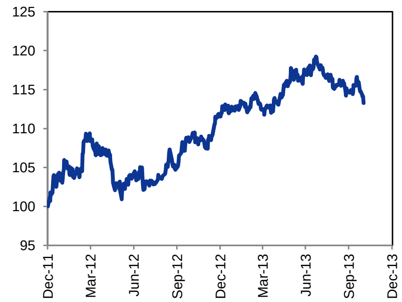
Sectors: Overweight Financials and Industrials

Relative performance of sectors versus S&P 500

Consumer Discretionary



Financials

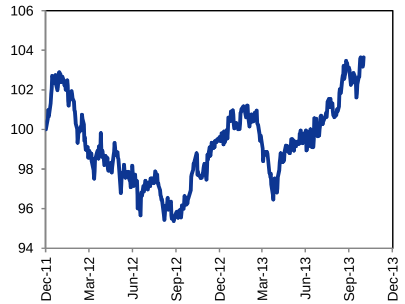


Information Technology

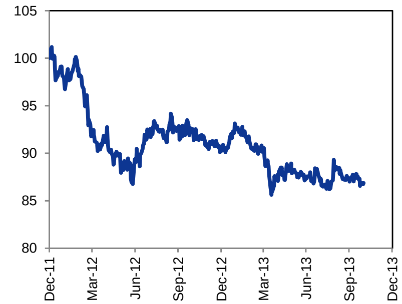
Recommended Sector Positioning

Sectors	Goldman Sachs Weighting	S&P 500 Wgt	Total Return YTD
Financials	Overweight	16%	27%
Industrials		11	30
Info Tech	Neutral	18	19
Consumer Discr		12	35
Energy		11	20
Utilities		3	14
Materials		4	18
Telecom Services		3	15
Health Care	Underweight	13	34
Consumer Staples		10	23
S&P 500		**100%**	**25%**

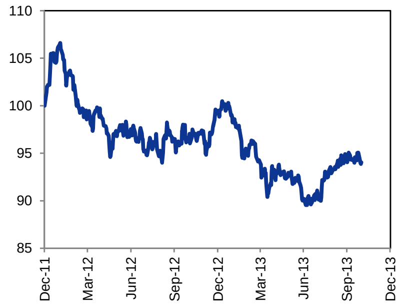
Industrials



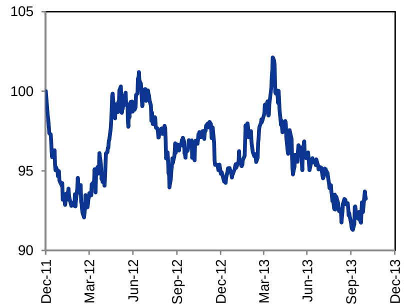
Energy



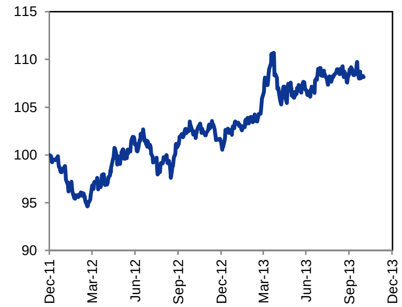
Materials



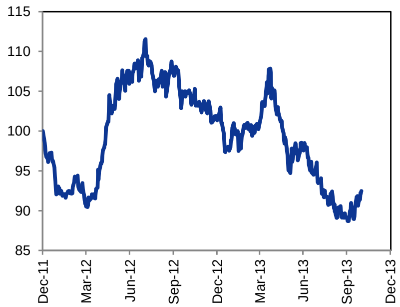
Consumer Staples



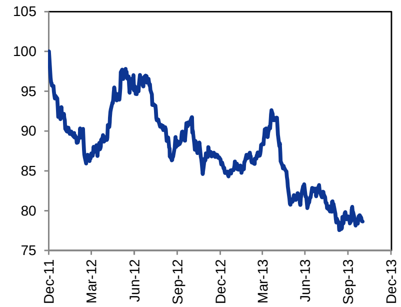
Health Care



Telecommunication Services



Utilities



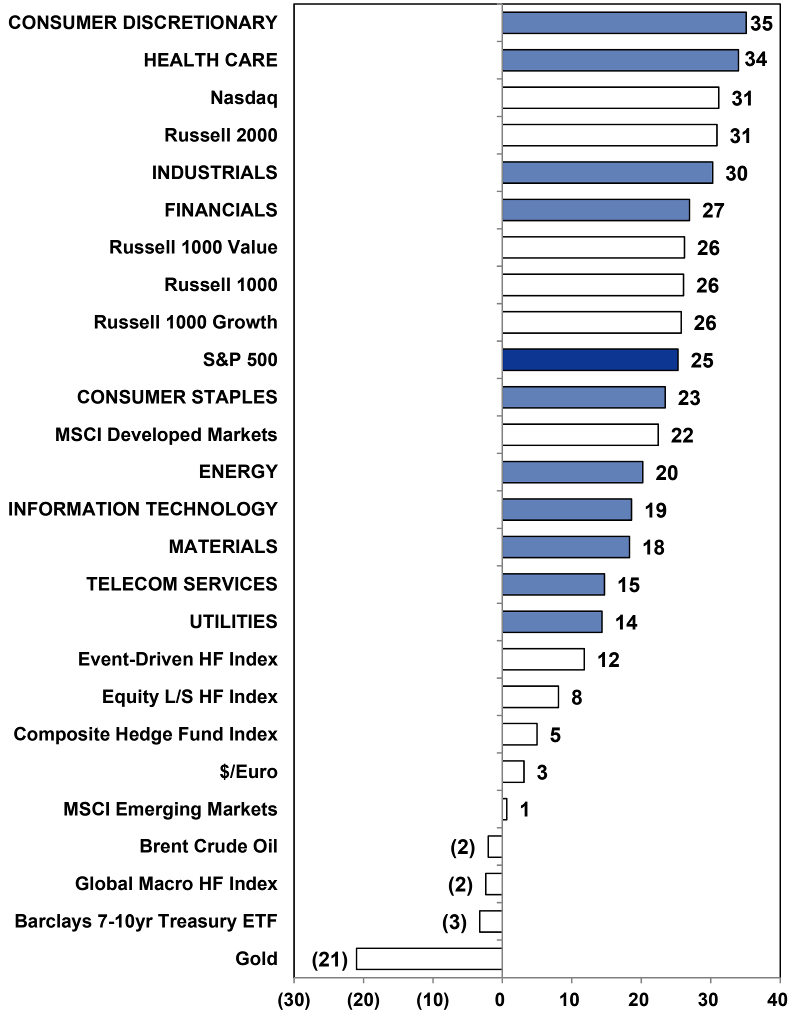
Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Sectors: Absolute and risk-adjusted returns

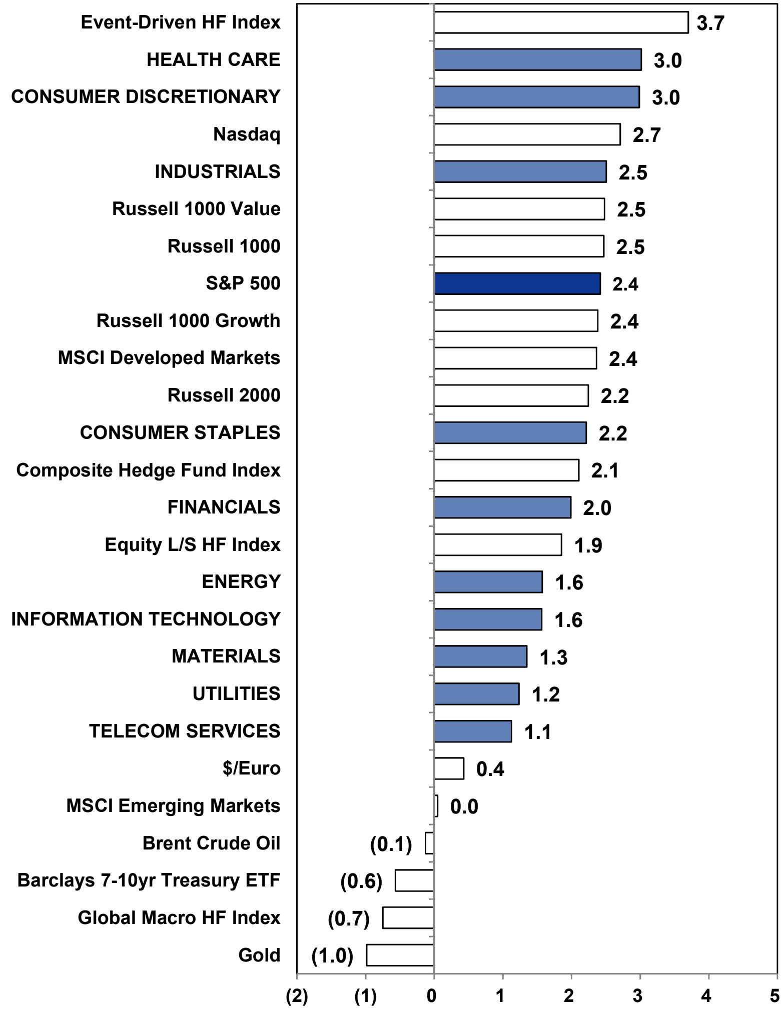
What sectors, styles and strategies have worked YTD

Goldman Sachs

Total Return



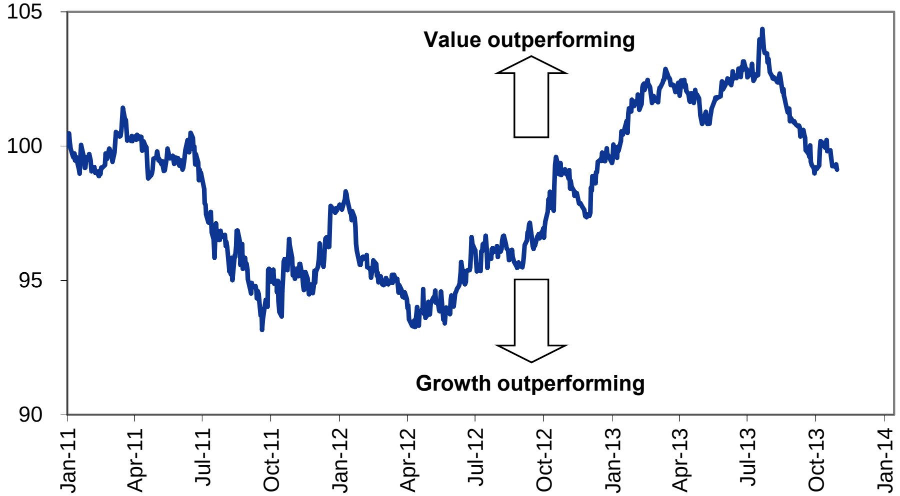
Risk Adjusted Return (Sharpe Ratio)



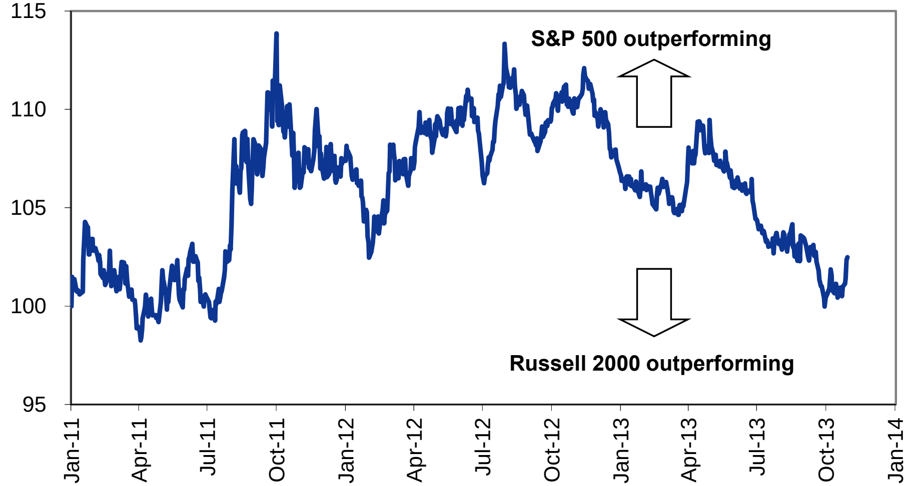
Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013

Style and Size:
Growth vs. Value and Large-cap vs. Small-cap

Growth vs. Value



Large-cap vs. Small-cap



Sectors: Russell 1000 Growth vs. Value

	Weight (%)		YTD (% Return)		
	Value	Growth	Value	Growth	Δ (bps)
Index	**100**	**100**	**26**	**27**	**(37)**
Information Tech	9	26	**38**	**17**	2,117
Consumer Staples	6	12	**28**	**23**	594
Financials	29	5	**26**	**23**	335
Industrials	10	12	**34**	**32**	212
Cons Discretionary	7	20	**37**	**36**	57
Telecom Services	3	2	**14**	**20**	(593)
Materials	3	5	**14**	**21**	(703)
Health Care	13	12	**31**	**40**	(907)
Utilities	6	0	**16**	**28**	(1,137)
Energy	15	5	**17**	**34**	(1,619)

Sectors: S&P 500 vs. Russell 2000

	Weight (%)		YTD (% Return)		
	SP500	R2000	SP500	R2000	Δ (bps)
Index	**100**	**100**	**26**	**30**	**(470)**
Financials	16	23	27	24	327
Materials	3	5	18	15	276
Cons Discretionary	12	14	35	36	(26)
Utilities	3	3	15	16	(61)
Industrials	11	15	31	33	(190)
Health Care	13	13	35	37	(249)
Telecom Services	2	1	15	21	(670)
Energy	10	6	20	30	(995)
Information Tech	18	18	19	34	(1,508)
Consumer Staples	10	4	24	41	(1,703)

Source: FactSet and Goldman Sachs Global Investment Research. As of November 1, 2013.

Information Technology 2013 YTD returns by Style

Value has returned 38% compared with 17% for Growth

Russell 1000 Value: Information Technology

Company	Ticker	Sub-sector	Sector Wt. Dec-12	YTD Return	Contribution To Index
TOP 10					
Hewlett-Packard Company	HPQ	Computer Hardware	6 %	85 %	545 bp
Cisco Systems, Inc.	CSCO	Communications Equipment	24	17	416
Yahoo! Inc.	YHOO	Internet Software & Services	6	67	367
Micron Technology, Inc.	MU	Semiconductors	1	177	253
Applied Materials, Inc.	AMAT	Semiconductor Equipment	3	58	180
Corning Incorporated	GLW	Electronic Components	4	39	168
SanDisk Corporation	SNDK	Computer Storage & Peripherals	2	60	144
Dell Inc.	DELL	Computer Hardware	3	40	137
Intel Corporation	INTC	Semiconductors	6	22	130
Xerox Corporation	XRX	Office Electronics	2	50	98
			58 %		2438 bp
BOTTOM 10					
Broadcom Corporation Class	BRCM	Semiconductors	2 %	(19)%	(29)bp
Juniper Networks, Inc.	JNPR	Communications Equipment	2	(6)	(14)
Fairchild Semiconductor Inte	FCS	Semiconductors	0	(13)	(5)
JDS Uniphase Corporation	JDSU	Communications Equipment	1	(4)	(3)
Silicon Laboratories Inc.	SLAB	Semiconductors	0	(4)	(0)
Diebold, Incorporated	DBD	Computer Hardware	0	(0)	(0)
Compuware Corporation	CPWR	Application Software	1	(0)	(0)
Altera Corporation	ALTR	Semiconductors	0	(3)	0
Freescale Semiconductor In	FSL	Semiconductors	0	43	0
Polycom, Inc.	PLCM	Communications Equipment	0	5	2
			6		(50)
Information Technology: Value				**38 %**	

Russell 1000 Growth: Information Technology

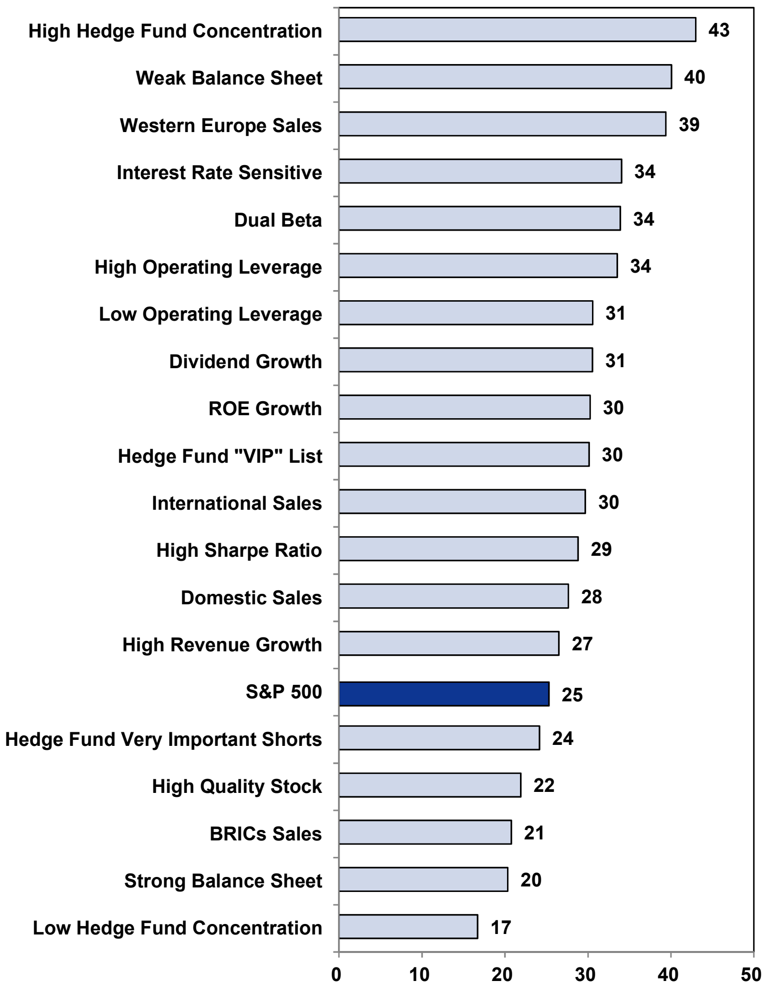
Company	Ticker	Sub-sector	Sector Wt. Dec-12	YTD Return	Contribution To Index
TOP 10					
Google Inc. Class A	GOOG	Internet Software & Services	8 %	45 %	383 bp
Microsoft Corporation	MSFT	Systems Software	9	36	334
MasterCard Incorporated Cla	MA	Data Processing & Outsourced Serv	2	51	125
Visa Inc. Class A	V	Data Processing & Outsourced Serv	4	32	118
Intel Corporation	INTC	Semiconductors	4	22	77
QUALCOMM Incorporated	QCOM	Communications Equipment	5	15	72
Facebook, Inc. Class A	FB	Internet Software & Services	1	87	45
Automatic Data Processing,	ADP	Data Processing & Outsourced Serv	1	35	45
Texas Instruments Incorpora	TXN	Semiconductors	1	40	44
salesforce.com, inc.	CRM	Application Software	1	28	31
			36 %		1272 bp
BOTTOM 10					
International Business Machi	IBM	IT Consulting & Other Services	10 %	(5)%	(49)bp
EMC Corporation	EMC	Computer Storage & Peripherals	2	(6)	(14)
Teradata Corporation	TDC	IT Consulting & Other Services	0	(29)	(14)
Rackspace Hosting, Inc.	RAX	Internet Software & Services	0	(32)	(12)
Broadcom Corporation Class	BRCM	Semiconductors	1	(19)	(10)
Apple Inc.	AAPL	Computer Hardware	23	(0)	(10)
Equinix, Inc.	EQIX	Internet Software & Services	0	(19)	(9)
Red Hat, Inc.	RHT	Systems Software	0	(18)	(9)
Citrix Systems, Inc.	CTXS	Application Software	1	(13)	(8)
F5 Networks, Inc.	FFIV	Communications Equipment	0	(18)	(6)
			38 %		(140)bp
Information Technology: Growth				**17 %**	

Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

US Portfolio Strategy Thematic baskets

Macro, fundamental, shareholder return, and hedge fund

2013 YTD Performance

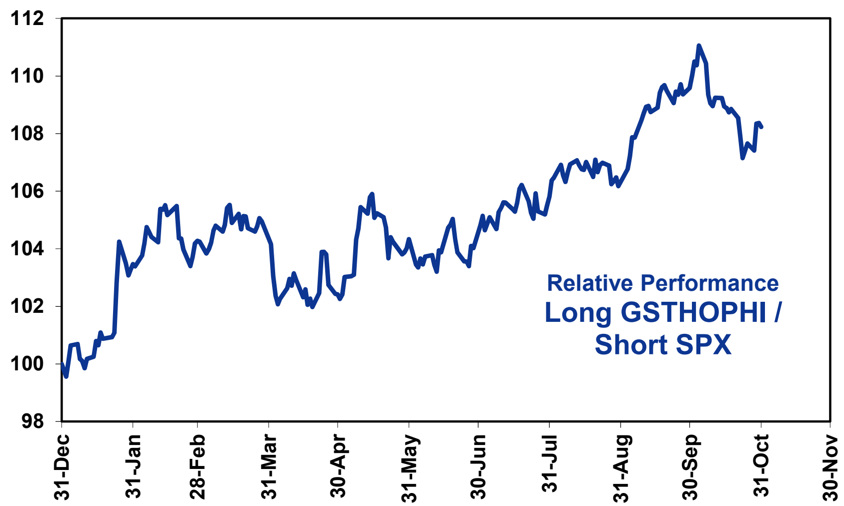


	Bloomberg	Total Return %			P/E	P/B	Div Yld
	Ticker	1 wk	1 mo	YTD	NTM	LTM	(%)
Macroeconomic							
Dual Beta	GSTHBETA	(0)%	4 %	34 %	17x	4.2x	1.0 %
Interest Rate Sensitive	GSTHUSTY	(0)	4	34	16	2.9	1.5
Globally Attractive Risk-Reward	GSTHGARR	(0)	2	NM	16	3.3	1.9
Geographic Sales							
US Sales	GSTHAINT	0 %	4 %	28 %	16x	3.9x	2.1 %
International Sales	GSTHINTL	1	3	30	17	4.6	1.3
BRICs Sales	GSTHBRIC	(0)	2	21	18	4.5	1.5
Western Europe Sales	GSTHWEUR	1	5	39	17	4.0	1.5
Fundamental							
Revenue Growth	GSTHREVG	0 %	4 %	27 %	23x	5.8x	1.1 %
ROE Growth	GSTHGROE	(0)	5	30	18	4.0	1.8
High Quality	GSTHQUAL	0	4	22	19	5.5	1.5
Earnings Held Overseas	GSTHSEAS	0	4	NM	15	3.4	2.2
High Operating Leverage	GSTHOPHI	1	3	34	20	4.4	1.1
Low Operating Leverage	GSTHOPLO	0	6	31	19	5.7	1.7
Strong Balance Sheet	GSTHSBAL	(0)	4	20	21	5.4	1.1
Weak Balance Sheet	GSTHWBAL	1	5	40	18	3.0	1.6
High Tax	GSTHHTAX	(1)	4	NM	18	5.4	1.5
Low Tax	GSTHLTAX	0	4	NM	16	3.3	2.0
Shareholder Return							
High Sharpe Ratio	GSTHSHRP	(0)%	4 %	29 %	17x	3.4x	1.8 %
Dividend Growth	GSTHDIVG	0	4	31	15	3.3	2.7
Buyback	GSTHREPO	1	NM	NM	15	3.2	1.7
Total Cash Return to Shareholder	GSTHCASH	1	NM	NM	15	5.1	2.1
Hedge Fund							
Hedge Fund VIP	GSTHHVIP	(1)%	5 %	30 %	17x	4.1x	1.0 %
Hedge Fund Shorts	GSTHVISP	0	4	24	17	6.1	2.3
High HF Concentration	GSTHHFHI	0	4	43	19	7.1	0.8
Low HF Concentration	GSTHHFSL	0	5	17	19	3.8	2.7
S&P 500		**0 %**	**5 %**	**25 %**	**15x**	**2.6x**	**2.1 %**
S&P 500 Average					**17**	**4.2**	**1.8**
S&P 500 Median					**16**	**3.0**	**1.7**

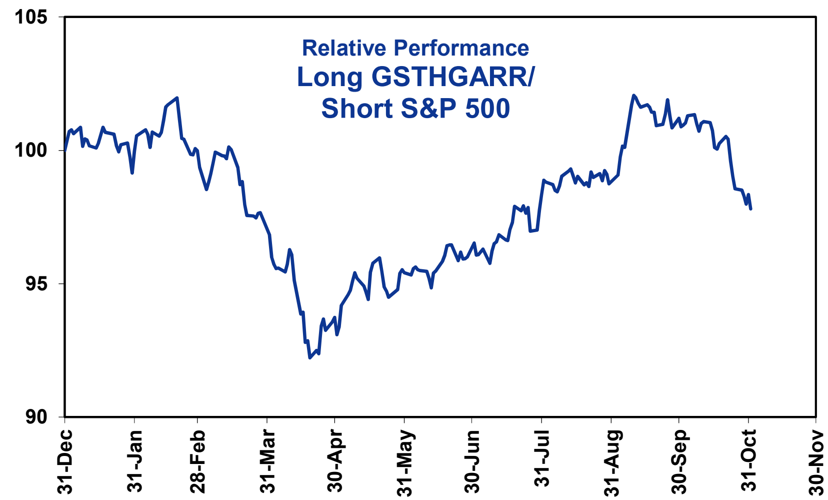
Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Relative performance of selected strategy baskets
Operating Leverage, GARR, Sharpe Ratio, Dividend Growth

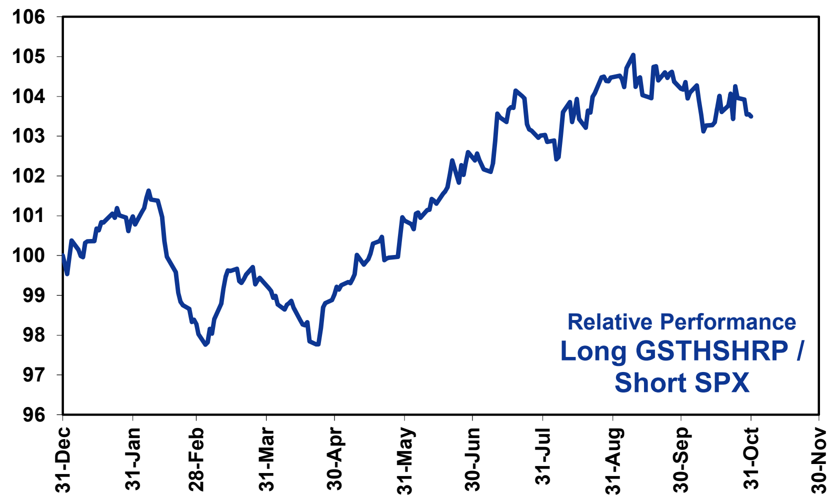
High Operating Leverage <GSTHOPHI>



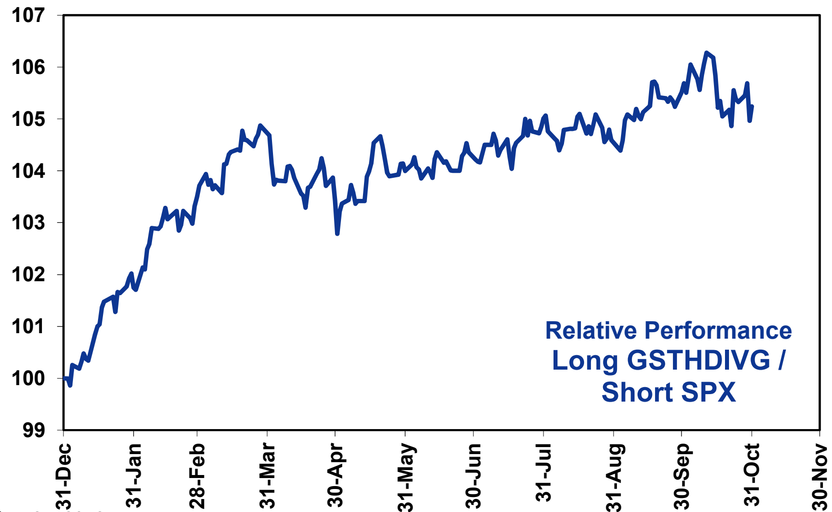
Globally Attractive Risk Reward <GSTHGARR>



High Sharpe Ratio <GSTHSHRP>



Dividend Growth <GSTHDIVG>



Source: FactSet , Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

US Portfolio Strategy Baskets: Fundamentals

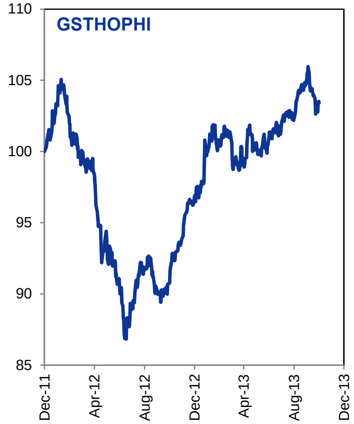
Performance relative to S&P 500

Fundamentals

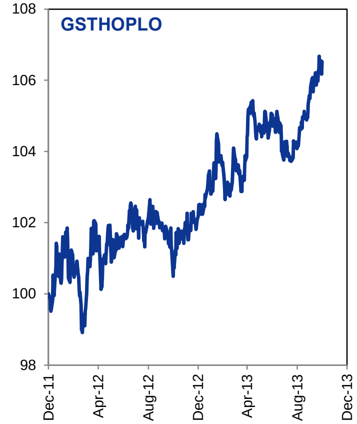
Revenue Growth

ROE Growth

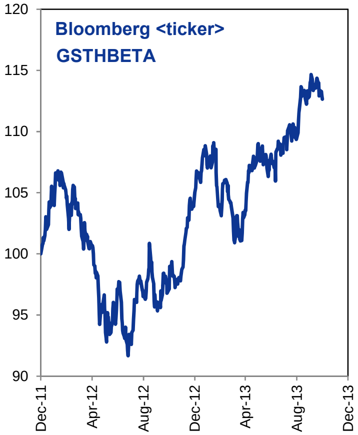
High Operating Leverage



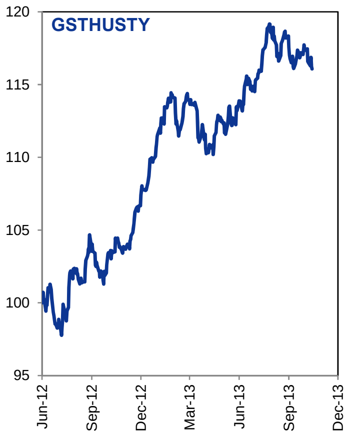
Low Operating Leverage



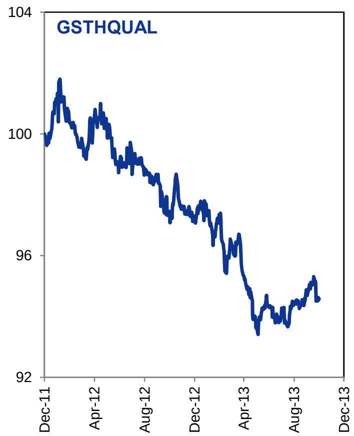
Dual Beta



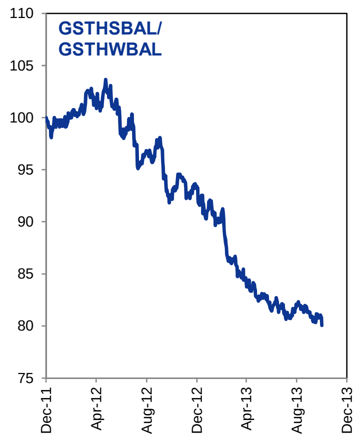
Interest Rate Sensitive



High Quality



Strong vs. Weak Balance Sheet

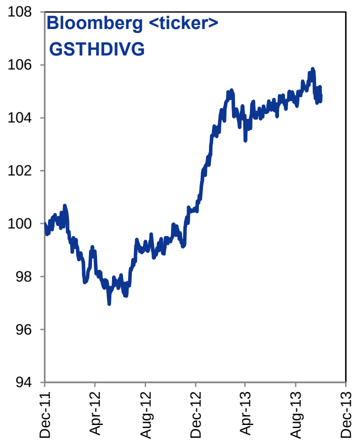


Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

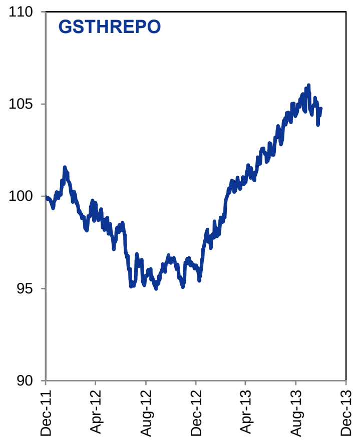
US Portfolio Strategy Baskets: Return and Ownership
Performance relative to S&P 500

Shareholder Return

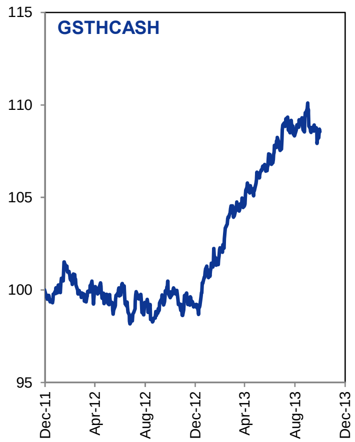
Dividend Yield & Growth



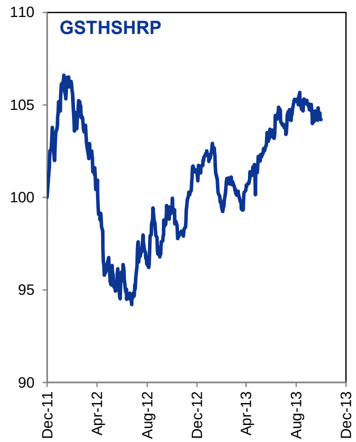
Buyback



Total Cash Return

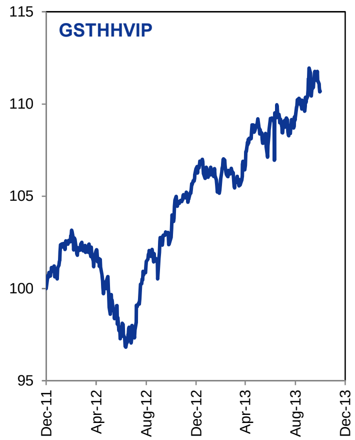


High Sharpe Ratio



Hedge Fund Ownership

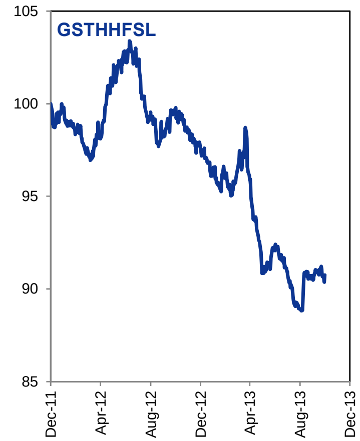
Hedge Fund VIP



Short Positions

High Concentration

Low Concentration



Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

US Portfolio Strategy Thematic baskets

29 constituents in two or more of six selected baskets

Goldman Sachs

			Bloomberg: <GSTHXXXX>														
		YTD						Mkt Cap	EPS Growth		Sales Growth		NTM	Div	GS	12-Mo	Return to
Company	Ticker	Return	OPHI	SHRP	DIVG	GARR	HVIP	(Bil. $)	2013	2014	2013	2014	P/E	Yield	Rating	GS Target	GS Target
CONSUMER DISCRETIONARY																	
Amazon.com	AMZN	45 %	X				X	$166	NM	NM	23 %	22 %	NM	0.0 %	Buy	$400	10 %
General Motors	**GM**	**28**	**X**	**X**			**X**	**51**	**37**	**37**	**2**	**7**	**8.3**	**0.0**	**Buy***	**48**	**30**
Twenty-First Century Fox	**FOXA**	**52**		**X**			**X**	**79**	**2**	**18**	**(5)**	**8**	**22.7**	**0.7**	**Buy***	**38**	**11**
CONSUMER STAPLES																	
Philip Morris Intl	**PM**	**10 %**		**X**	**X**			**$144**	**0 %**	**9 %**	**(0)%**	**4 %**	**15.2x**	**4.2 %**	**Buy***	**$103**	**16 %**
Safeway Inc.	SWY	97	X		X			8	4	73	(16)	1	21.6	2.3	Not Rated		NM
ENERGY																	
Anadarko Petroleum	APC	29 %	X				X	$48	30 %	22 %	14 %	10 %	18.8x	0.8 %	Buy	$112	18 %
Marathon Oil Corp.	MRO	17			X	X		25	20	7	(1)	(1)	11.3	2.2	Buy	42	19
Noble Corp.	NE	10			X	X		10	48	47	20	24	9.5	1.7	Neutral	42	11
Schlumberger NV	SLB	37		X		X		124	15	22	8	10	16.8	1.3	Buy	112	20
FINANCIALS																	
JPMorgan Chase	JPM	20 %			X		X	$194	(11)%	28 %	NM	NM	11.2x	2.9 %	Buy	$63	22 %
HEALTH CARE																	
Johnson & Johnson	JNJ	35 %			X		X	$261	9 %	7 %	5 %	4 %	16.4x	2.9 %	Neutral	$95	3 %
Merck & Co.	MRK	13	X	X				132	(12)	1	(6)	(1)	12.9	3.8	Neutral	48	6
Pfizer Inc.	**PFE**	**25**			**X**		**X**	**203**	**(11)**	**5**	**(13)**	**(3)**	**13.4**	**3.1**	**Buy***	**34**	**11**
INDUSTRIALS																	
General Electric	GE	28 %			X	X		$266	4 %	9 %	(1)%	3 %	15.1x	2.9 %	Neutral	$26	(1)%
Tyco International	TYC	27	X			X		17	29	17	3	5	17.7	1.8	NC		NM
INFORMATION TECHNOLOGY																	
Apple Inc.	AAPL	0 %		X			X	$475	(9)%	9 %	9 %	7 %	12.0x	2.3 %	Buy	$620	19 %
Broadcom Corp.	BRCM	(19)	X	X				15	(15)	(6)	3	3	11.9	1.6	Neutral	30	12
Cisco Systems	**CSCO**	**17**				**X**	**X**	**121**	**8**	**6**	**5**	**5**	**10.8**	**3.0**	**Buy***	**30**	**33**
Citrix Systems	CTXS	(13)	X	X				11	4	14	13	11	17.3	0.0	Buy	73	29
eBay Inc.	**EBAY**	**3**		**X**			**X**	**68**	**14**	**17**	**14**	**15**	**17.5**	**0.0**	**Buy***	**63**	**20**
Microsoft Corp.	MSFT	36			X		X	295	(3)	5	6	7	12.8	3.2	Sell	28	(21)
QUALCOMM Inc.	QCOM	14		X	X	X	X	119	19	7	24	11	14.8	2.0	Buy	80	15
Red Hat Inc.	RHT	(18)	X	X				8	8	14	15	14	29.4	0.0	Neutral	57	32
Xilinx Inc.	XLNX	29			X	X		12	16	14	7	10	19.7	2.2	Neutral	45	(1)
Yahoo! Inc.	**YHOO**	**66**	**X**				**X**	**34**	**7**	**15**	**(1)**	**2**	**21.0**	**0.0**	**Buy***	**39**	**18**
MATERIALS																	
Freeport-McMoRan Cp & Gld	FCX	15 %		X		X	X	$38	(15)%	29 %	18 %	12 %	10.9x	3.4 %	Buy	$36	(2)%
LyondellBasell Industries NV	LYB	33			X		X	42	14	18	(3)	5	11.1	2.7	Neutral	79	6
The Dow Chemical	DOW	26			X	X		48	22	23	0	4	15.2	3.2	Buy	48	22
TELECOMMUNICATION SERVICES																	
AT&T Inc.	T	13 %	X		X			$192	0 %	8 %	2 %	2 %	13.9x	5.0 %	CS		NM
S&P 500		**25 %**	**13**	**12**	**16**	**10**	**15**		**11 %**	**12 %**	**3 %**	**5 %**	**15.2x**	**2.1 %**			

Source: Goldman Sachs Global Investment Research. As of October 31, 2013. **Bold indicates Buy-rated stocks on the Conviction-List.**

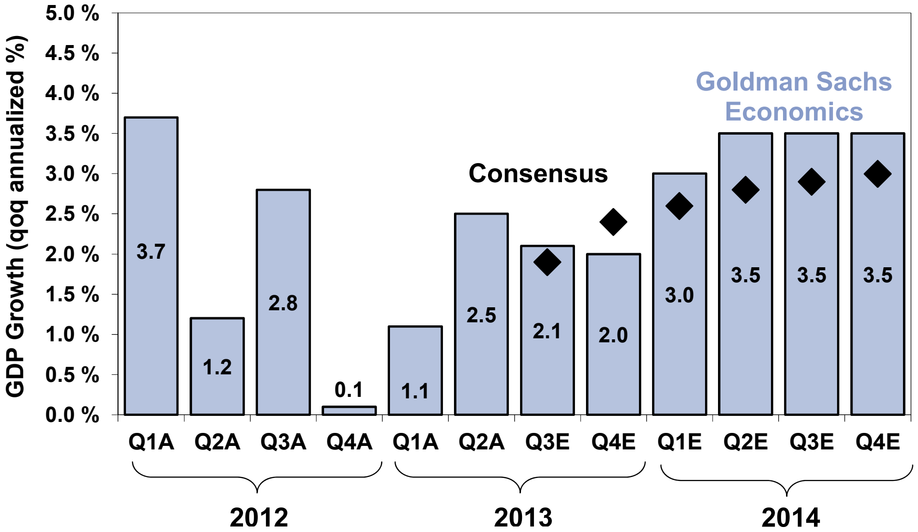
Goldman Sachs global macro forecasts
3-month, 6-month, and 12-month returns

	units	Current	3m	6m	12m	12m Target
Equities						
TOPIX	level	1194	1250	1300	1400	17 %
DJStoxx 600	level	322	320	330	350	9
S&P 500	**level**	**1757**	**1750**	**1800**	**1850**	**5**
Asia Pac Ex-Japan	level	481	470	475	480	(0)
Ten Year Rates						
US	%	2.5	2.7	2.8	2.9	36 bp
Euro Area	%	1.7	1.7	1.8	1.9	23
Japan	%	0.6	0.7	0.7	0.8	21
Currencies						
US Dollar / Yen	$/¥	98	98	103	107	9 %
Euro / US Dollar	EUR/$	1.36	1.38	1.40	1.40	3
Sterling / US Dollar	£/$	1.61	1.68	1.69	1.65	3
Energy						
NYMEX Nat. Gas	$/mmBtu	3.58	4.25	4.25	4.25	19 %
WTI Crude Oil	$/bbl	96	103	99	95	(1)
Brent Crude Oil	$/bbl	109	110	108	105	(4)
Metals						
LME Copper	$/mt	7234	6600	6600	6200	(14)%
COMEX Gold	$/troy oz	1324	1300	1230	1110	(16)

Source: FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Economy: GDP growth recovers to roughly 3% rate in 2014-16; Fed funds unchanged; 10-year yield to 4.0%

2013-2014E Quarterly Real US GDP forecasts



GDP forecasts 2012 - 2016E

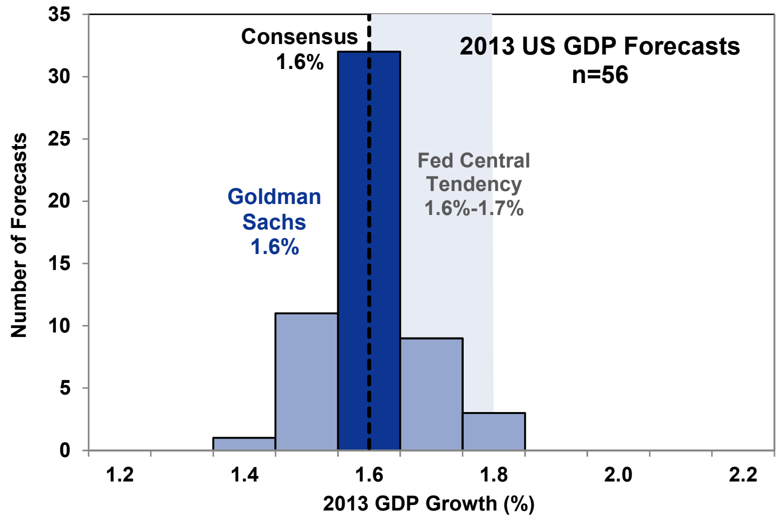
	% Annual Change				
	2012E	2013E	2014E	2015E	2016E
Real GDP	**2.8%**	**1.6%**	**2.8%**	**3.2%**	**3.0%**
Consumer Spending	2.2	1.8	2.4	2.7	2.5
Business Fixed Investment	7.3	3.1	7.7	6.8	5.5
Residential Investment	12.9	13.8	14.4	13.4	12.5
Federal Spending	(1.4)	(6.0)	(6.2)	(2.5)	(1.2)
Net Exports (Bil.)	(431)	(418)	(429)	(452)	(465)
Inflation					
Headline CPI	2.1	1.6	1.8	1.9	2.1
Core CPI	2.1	1.8	1.8	1.9	2.1
Core PCE	**1.8**	**1.3**	**1.5**	**1.6**	**1.8**
Unemployment Rate	**8.1**	**7.5**	**6.9**	**6.3**	**5.9**
Fed Funds Rate	0.2	0.1	0.1	0.1	1.3
10-year Treasury Rate	**1.8**	**2.8**	**3.3**	**3.5**	**4.0**

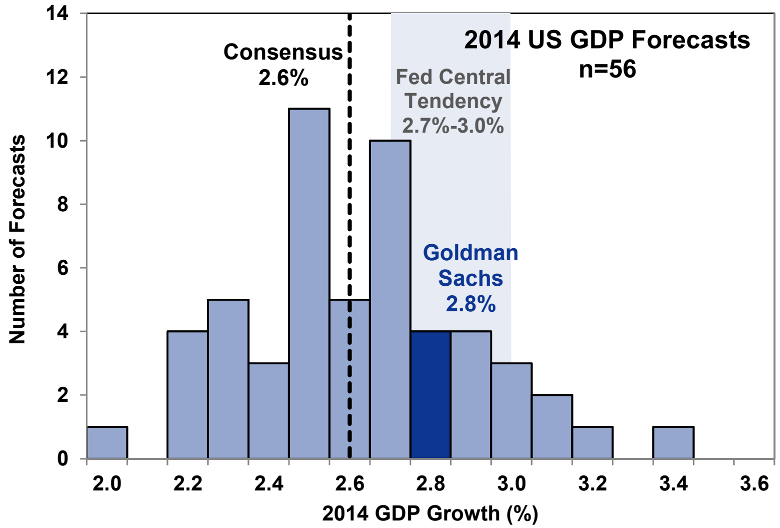
Source: Bloomberg and Goldman Sachs Global Investment Research. As of October 31, 2013.

, 2013.

Goldman Sachs GDP growth forecast vs. Consensus
Sensitivity of 2014 EPS to US real GDP growth

Distribution of 2013 and 2014 GDP growth forecasts





EPS Sensitivity
100 bp shift in GDP growth ≈ $5/share in EPS

Sensitivity of 2014 EPS forecast to US GDP growth (Δ100bp ≈ $5)

2013 US GDP	2014 US GDP: (0.2)%	0.8 %	1.8 %	**2.8 %**	3.8 %	4.8 %
3.1 %	100	106	111	**117**	123	128
2.6	100	105	111	**117**	122	128
2.1	100	105	111	**117**	122	128
1.6	**100**	**105**	**111**	**116**	**122**	**127**
1.1	100	105	111	**116**	121	127
0.6	99	105	110	**116**	121	126
0.1	99	105	110	**115**	121	126

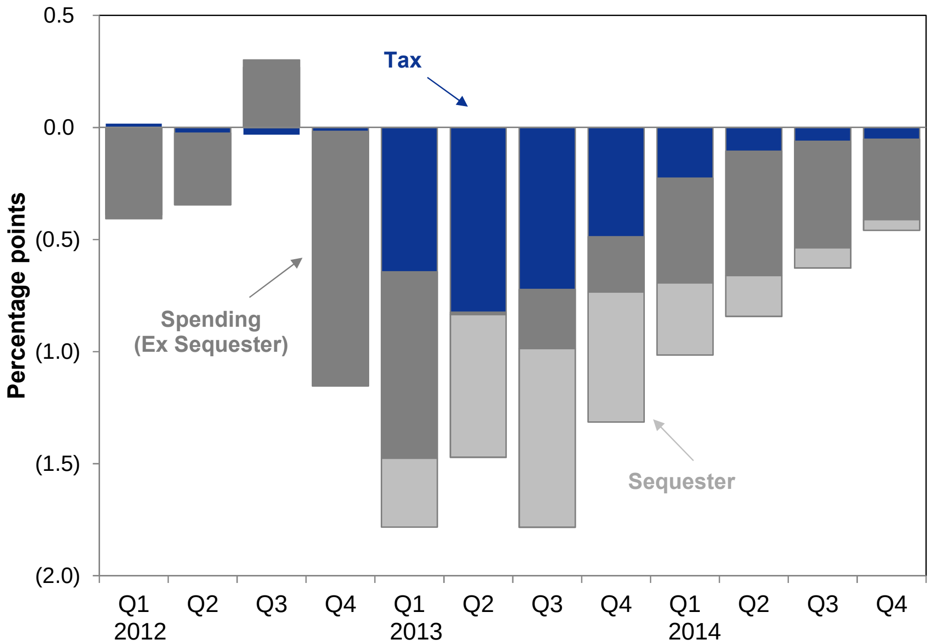
Note: Fed Central Tendency shown as annual average GDP growth.
On a 4Q/4Q basis, the Fed Central Tendency of 2013 GDP growth equals 2.0%-2.3% and 2014 GDP growth equals 2.9%-3.1%.

Blue Chip Consensus as of October 10, 2013, all other numbers as of October 31, 2013.

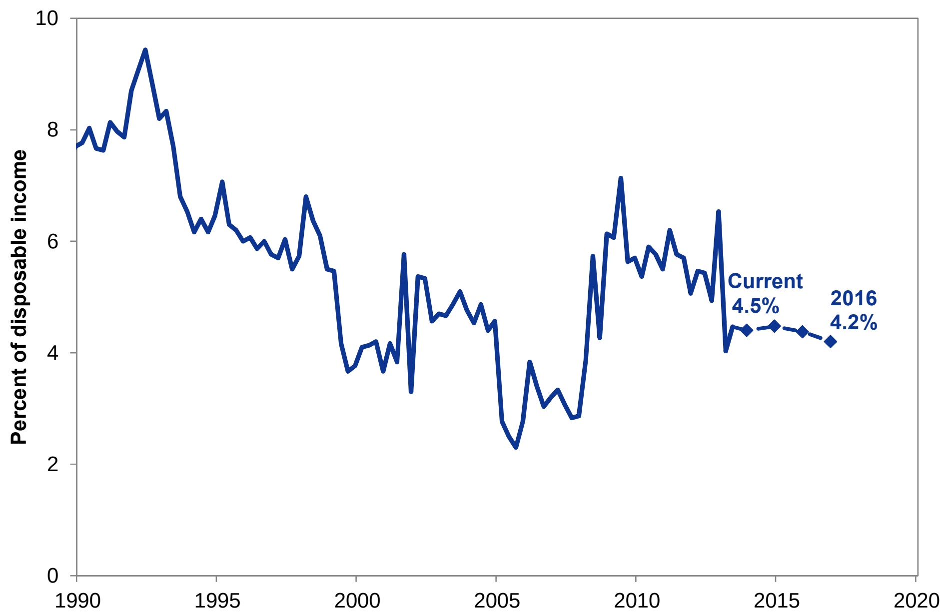
Source: Blue Chip Economic Indicators, Compustat, FirstCall and Goldman Sachs Global Investment Research.

Drivers of US economic acceleration include less fiscal drag and improved private consumption

Decreasing drag from taxes and sequester

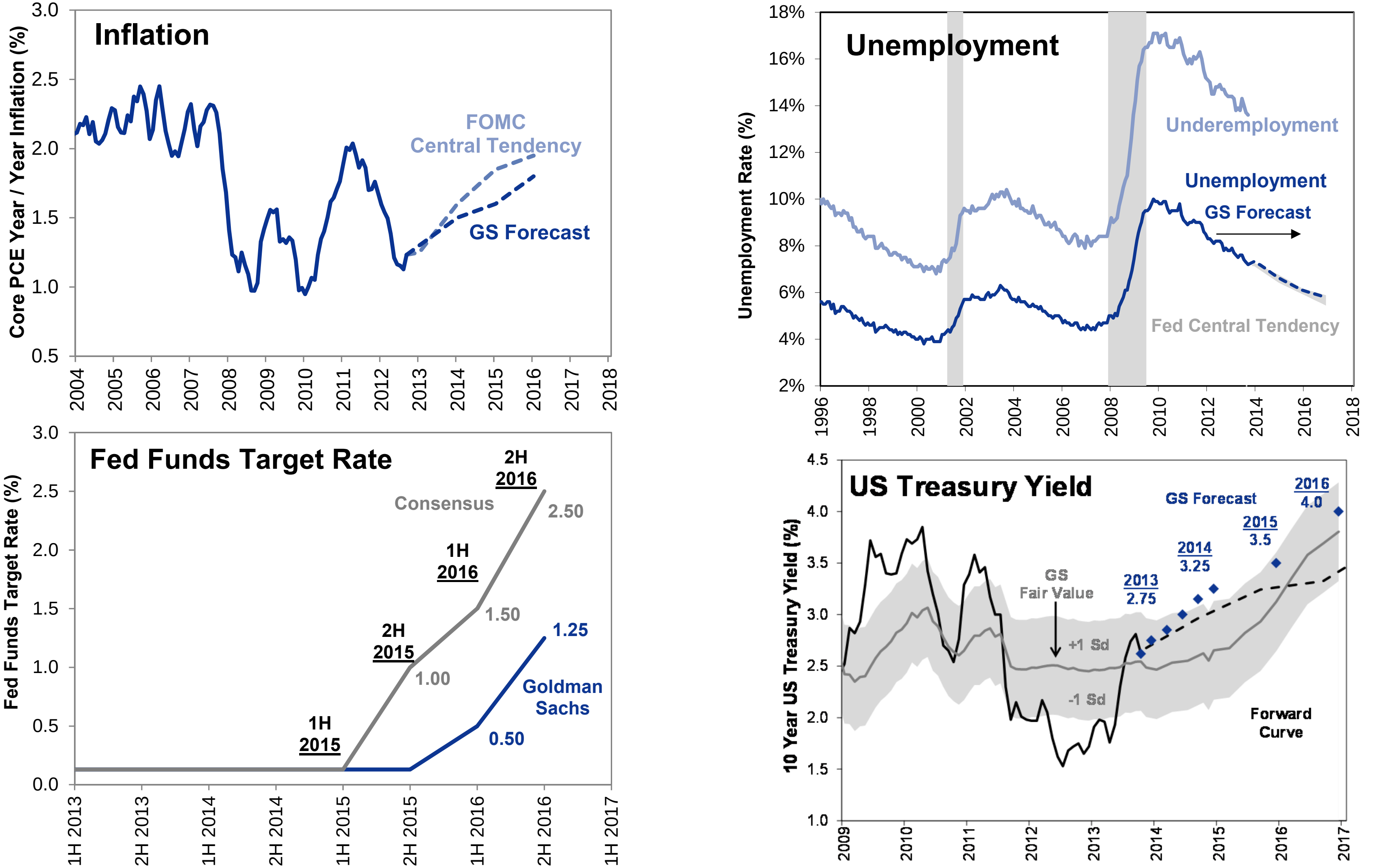


Falling savings rate will boost personal spending



Source: Department of Commerce and Goldman Sachs Global Investment Research. As of October 31, 2013.

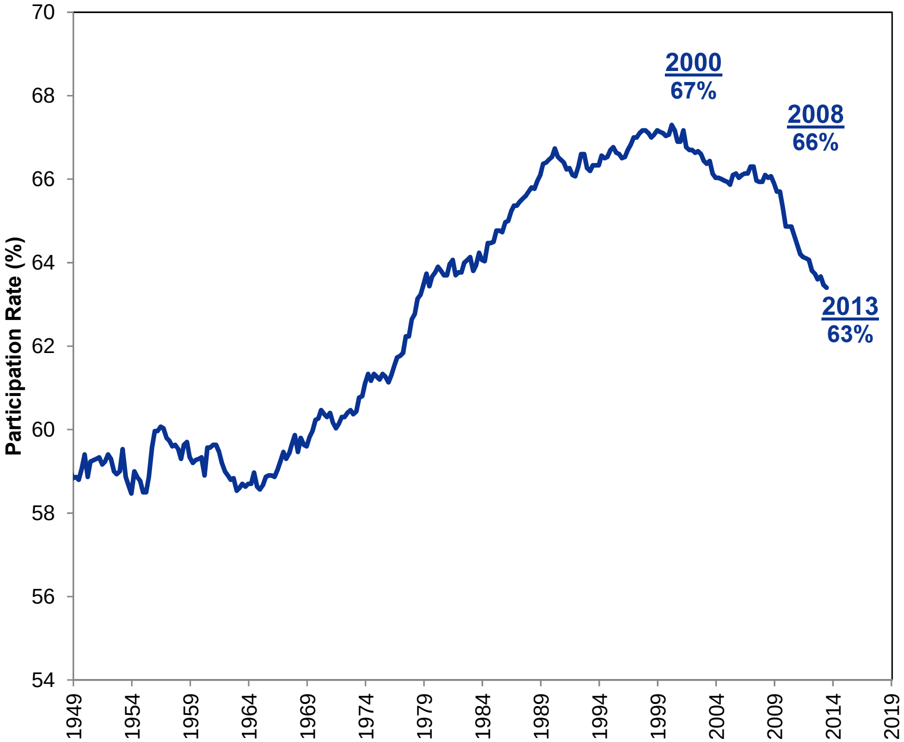
Fed's dual mandate: Prices stable and below target while US economy is far from full employment



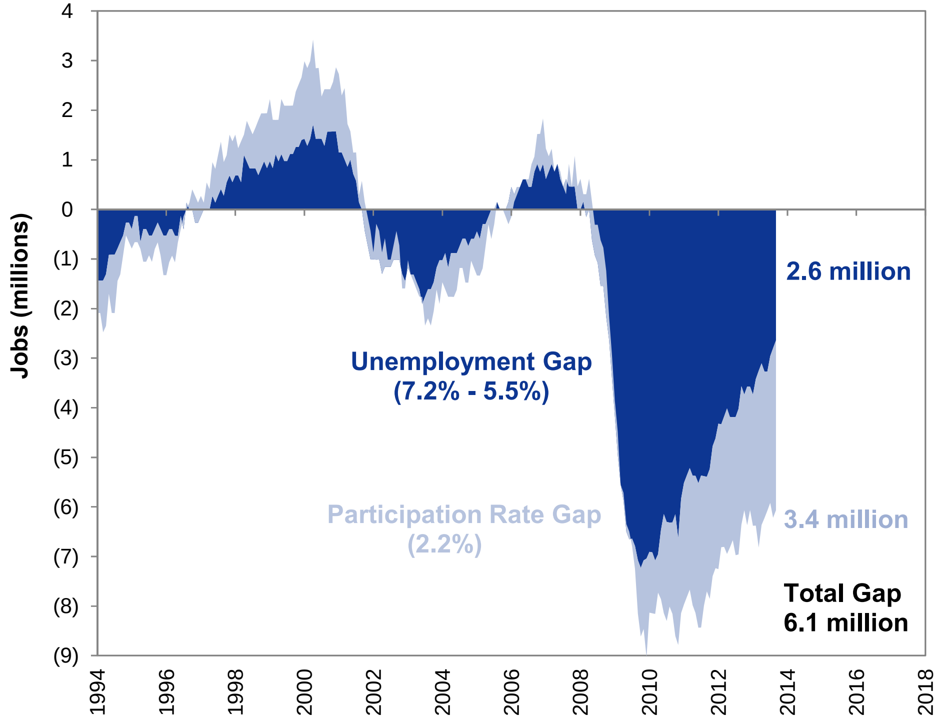
Source: Bloomberg, Federal Reserve, Bureau of Labor Statistics FactSet, Compustat, Haver Analytics and Goldman Sachs Global Investment Research. As of October 31, 2013.

Labor market slack of 6.1 million jobs stems from high unemployment (7.2%) and low participation rate (63%)

Low labor force participation rate



Labor market slack of 6.1 million jobs



Note: The unemployment gap of 2.6 million jobs reflects the difference between the 7.2% unemployment rate and the 5.5% structural unemployment rate.

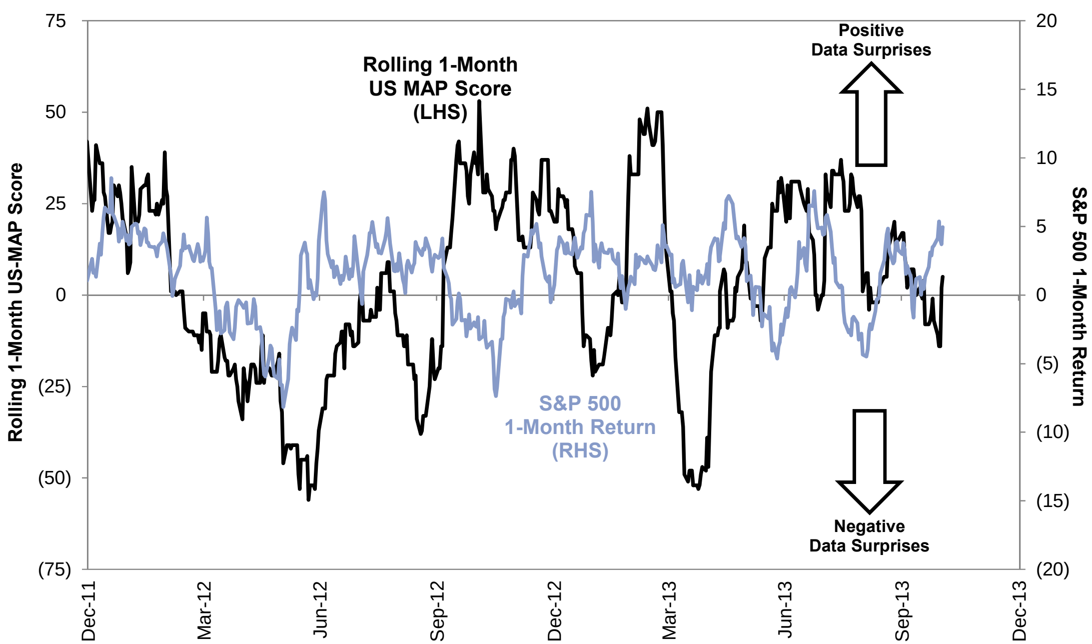
The estimated participation rate gap of 3.4 million jobs reflects the difference between the composition –adjusted labor force participation rate and the 1997 – 2007 trend. See *US Economics Analyst* (May 3, 2013)

Source: Haver and Goldman Sachs Global Investment Research. As of November 1, 2013.

Rolling MAP (macro data assessment platform) score measures US economic surprises

Goldman Sachs

US MAP Score vs. S&P 500



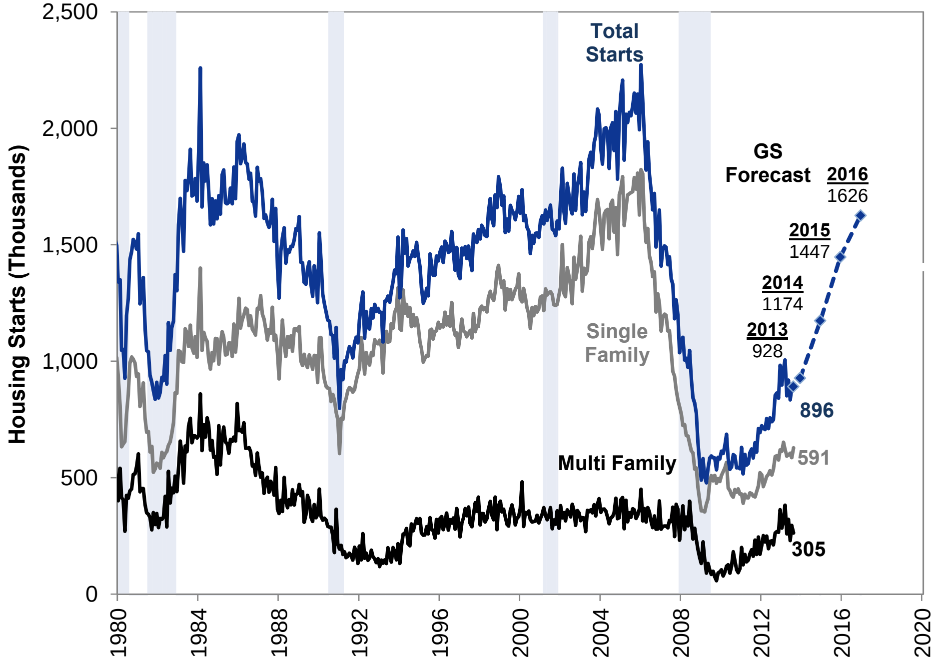
US-MAP Component	MAP Score	Most Recent Data Point Reported	3 Month Avg	Δ
Survey Data				
Chicago PMI	16	55.7	52.3	+
Philly Fed - Bus. Outlook Svy	4	19.8	17.1	+
NAHB - Home Builder Sentiment	1	55	57	-
ISM - Manufacturing	0	56.4	55.8	+
Richmond Fed - Svy of Mnf Act	0	1	1	-
U. Mich - Cons Sent (Preliminary)	0	75.2	80.2	-
NY Fed - Empire State Mnf Svy	(2)	1.5	8.0	-
ISM - Non-Manufacturing	(3)	0.0	56.3	-
Conf. Board - Cons Confidence	(3)	71.2	81.0	-
	13			
"Hard Data"				
Advance GDP	4	1.7 %	2.5 %	-
Construction Spending	1	0.6 %	1.2 %	-
US Balance of Payments	0	(38.8)	(39.0)	+
Existing Home Sales	0	(1.9)%	1.7 %	-
Retail Sales ex-Autos	0	0.1 %	0.2 %	-
Continuing Jobless Claims	0	2881	2909	+
Unemployment Rate	0	7.2 %	7.4 %	+
ADP Non-Farm Payroll Change	0	130	152	-
Housing Starts	0	0.9 %	1.5 %	-
Initial Jobless Claims	0	340	330	-
Industrial Production	0	0.6 %	0.2 %	+
Consumer Spending	0	0.3 %	0.3 %	+
New Home Sales	0	7.9 %	(4.0)%	+
Non-Farm Payroll Change	0	148	151	-
Pending Home Sales	(4)	(1.3)%	1.7 %	-
Durable Goods ex-Transport	(4)	(0.6)%	0.0 %	-
	(3)			
Total	**10**			

Source: Factset and Goldman Sachs Global Investment Research. As of October 31, 2013.

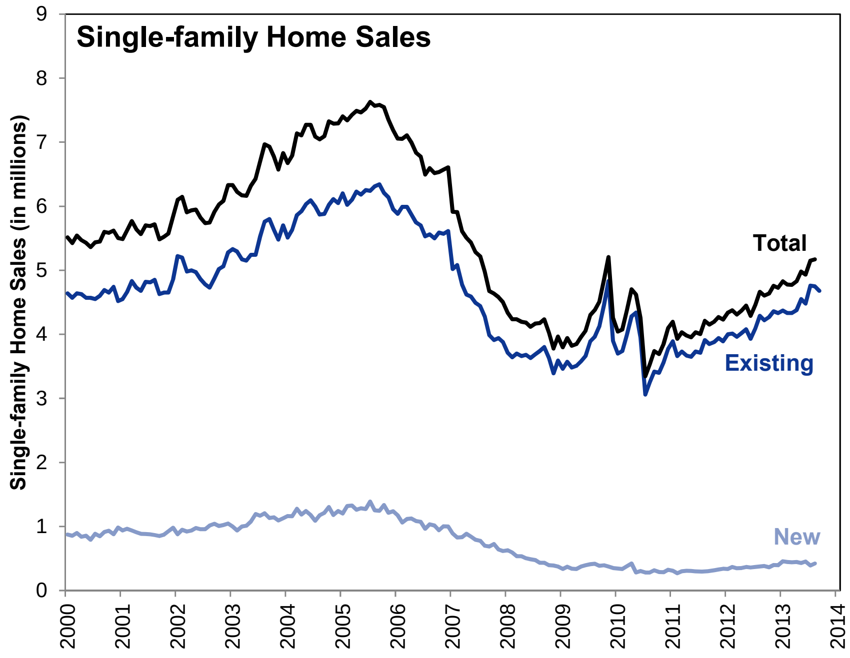
Housing starts have started to rise from low levels

Goldman Sachs forecasts 20% CAGR through 2016

Housing starts are well below historical levels



Single-family home sales

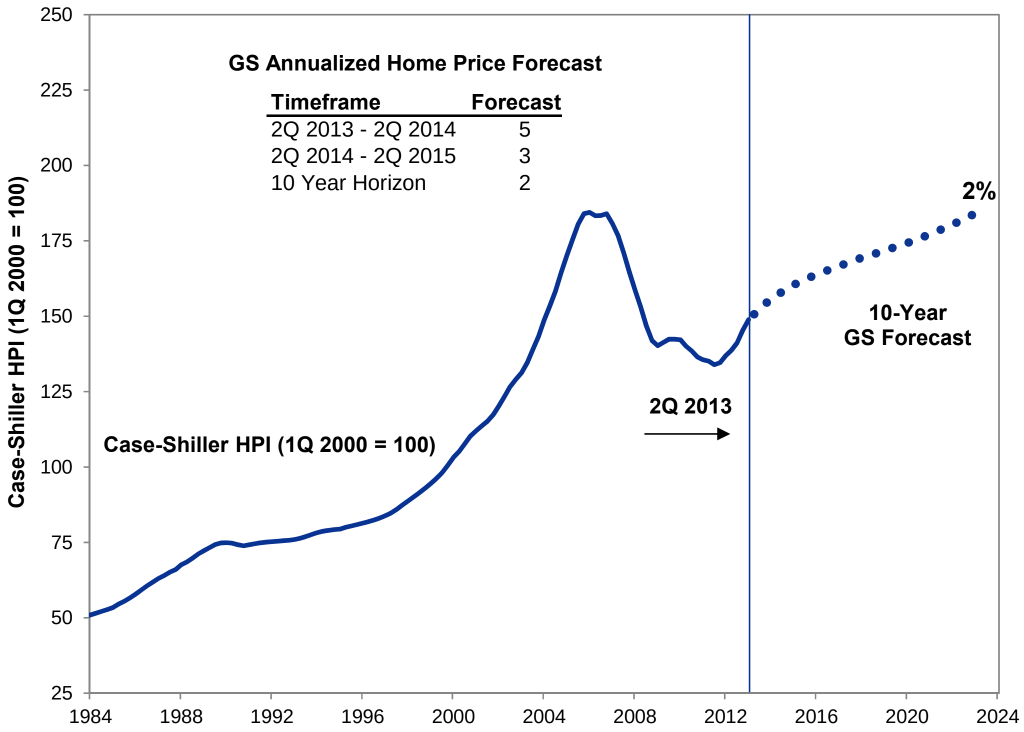


Source: NAHB, Census Bureau, and Goldman Sachs Global Investment Research. As of October 31, 2013.

Goldman Sachs Economics forecasts nominal house prices will rise 2% annually over the next 10 years

Goldman Sachs

Case-Shiller House Price Index



Goldman Sachs Housing Forecasts

City	Current Level	% from High	% from Low	4Q 2012-4Q 2014E
San Francisco	170	(22)%	42 %	16.5 %
Detroit	88	(32)	30	15.4
Tampa	146	(39)	17	14.0
Minneapolis	132	(24)	18	13.9
Atlanta	106	(22)	24	13.3
Cleveland	103	(16)	6	13.3
Miami	167	(40)	22	13.2
Charlotte	122	(9)	11	13.0
Phoenix	137	(40)	38	11.9
Los Angeles	201	(26)	26	11.5
Boston	162	(10)	9	11.2
Seattle	154	(19)	17	11.2
San Diego	184	(27)	26	11.1
Composite 20	**158**	**(23)**	**16**	**10.4**
Dallas	127	0	12	10.3
Washington DC	198	(22)	17	10.2
Chicago	121	(30)	12	9.9
Las Vegas	117	(50)	30	9.5
Portland	154	(17)	16	9.0
New York	168	(22)	4	8.2
Denver	141	0	14	7.9

Source: Department of Commerce, Haver and Goldman Sachs Global Investment Research. As of October 31, 2013.

Savings adjusted discretionary cash flow

Goldman Sachs

			2010	2011	2012	2013E	2014E
	Personal disposable income	**Disposable Personal Income**	**$11,244**	**$11,787**	**$12,246**	**$12,448**	**$12,891**
		% change	**2.8 %**	**4.8 %**	**3.9 %**	**1.6 %**	**3.6 %**
+	Cash distribution from assets						
-	Noncash income	Cash adjustments	(32)	26	30	27	19
=	**Disposable cash income**	**"Cash income"**	**$11,212**	**$11,814**	**$12,275**	**$12,474**	**$12,910**
		% change	**2.5 %**	**5.4 %**	**3.9 %**	**1.6 %**	**3.5 %**
+	Net asset liquidations (MEW)	Mortgage equity withdrawals[1]	(219)	(141)	(152)	(99)	0
+	Change in consumer credit	Borrowing	(27)	82	152	158	161
=	**Household cash flow**	**Total household cash flow**	**$10,966**	**$11,754**	**$12,276**	**$12,534**	**$13,071**
		% change	**2.3 %**	**7.2 %**	**4.4 %**	**2.1 %**	**4.3 %**
-	Debt service and financial obligations	Financial obligations	(1,914)	(1,898)	(1,921)	(1,960)	(2,041)
-	Essential spending	Essential spending	(1,488)	(1,613)	(1,650)	(1,690)	(1,732)
	Energy, goods, and services	Energy Goods and Services	(555)	(628)	(625)	(642)	(647)
	Food as home spending	Food at Home Spending	(595)	(631)	(656)	(666)	(678)
	Out-of-pocket medical costs	Medical Spending	(338)	(354)	(370)	(382)	(407)
=	**Discretionary cash flow**	**Discretionary cash flow**	**$7,564**	**$8,243**	**$8,704**	**$8,883**	**$9,298**
		% change	**3.5 %**	**9.0 %**	**5.6 %**	**2.1 %**	**4.7 %**
		Savings rate (% of income)	5.6 %	5.7 %	5.6 %	4.3 %	4.2 %
		YoY chg	(0.5)%	0.0 %	(0.1)%	(1.3)%	(0.1)%
		Savings from income	634	669	687	533	539
		Credit borrow/(paydown) adj	(27)	82	152	158	161
-	Savings	Savings from cash flow	**607**	**750**	**839**	**691**	**700**
=	**Savings adjusted cash flow**	**Adj. discretionary cash flow**	**$6,957**	**$7,493**	**$7,865**	**$8,193**	**$8,598**
		% change	**3.1 %**	**7.7 %**	**5.0 %**	**4.2 %**	**4.9 %**

(1) Includes "Active" withdrawals only.

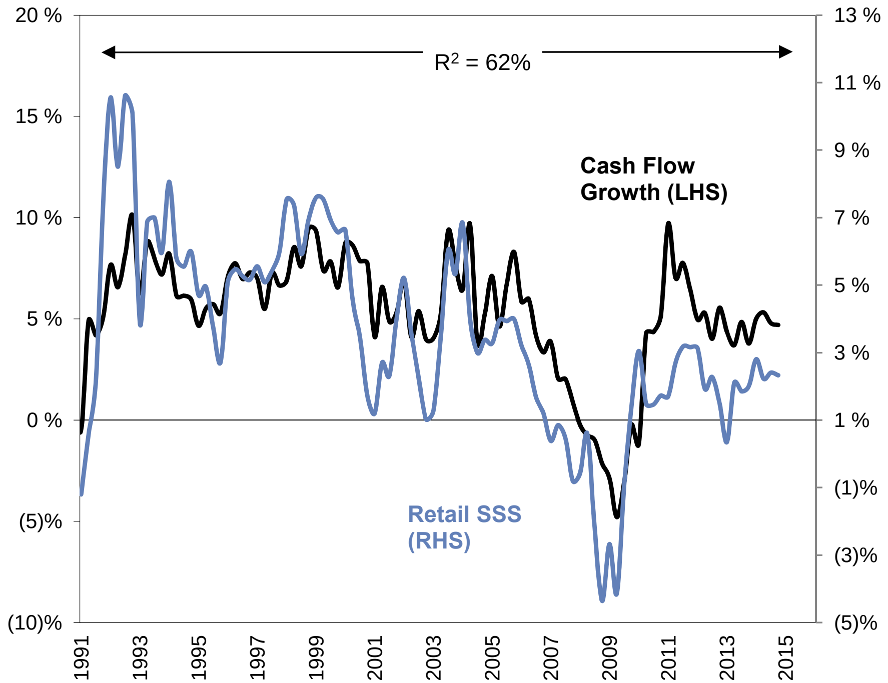
Source: BEA, Federal Reserve, Haver, and Goldman Sachs Global Investment Research.

Discretionary cash flow sensitivities and correlation to retail Same Store Sales

Discretionary cash flow sensitivities

Driver	Magnitude of Move	Impact to discretionary cash flow billion	Impact to discretionary cash flow Percent
Unemployment Rate	**1 ppt**	**$99.6**	**1.1 %**
Disposable personal income	**1 ppt. of growth**	**124.5**	**1.4**
Mortgage Equity Withdrawal	$10 bb	10.0	0.1
Consumer credit	1 ppt. of growth	1.6	0.0
Financial Obligations Ratio	10 bps	12.4	0.1
Food prices	1 ppt. of growth	6.7	0.1
Crude oil	$10 / barrel	28.2	0.3
Gasoline	$0.25 / gallon	33.5	0.4
Total energy	1 ppt. of growth	6.4	0.1
Increase in savings rate[(a)]	**1 ppt.**	**124.5**	**1.4**

Savings rate adjusted discretionary cash flow vs. retail same store sales



a) Excluding cash savings impact from consumer credit reductions.

Source: BEA, Federal Reserve, Haver, and Goldman Sachs Global Investment Research.

We forecast margin stability in 2013 and 2014 which explains difference in top-down and bottom-up EPS

		Top-down GS Forecast		Bottom-Up Consensus	
	2012	**2013E**	**2014E**	**2013E**	**2014E**
S&P 500 ex-Financials and Utilities					
Sales Per Share	$909	$954	$1,006	$935	$983
Y/Y growth		*5 %*	*5 %*	*3 %*	*5 %*
Profit Margin	**8.5%**	**8.9%**	**8.9%**	**8.8%**	**9.5%**
EPS	$77	$85	$90	$83	$93
Y/Y growth		*10%*	*6%*	*7%*	*13%*
Utilities EPS	$3	$3	$3	$3	$4
Financials EPS	16	20	23	21	23
S&P 500 EPS	**$97**	**$108**	**$116**	**$107**	**$120**
Y/Y growth		*11%*	*8%*	*11%*	*12%*

Source: Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

We forecast EPS of $108 in 2013 and $116 in 2014

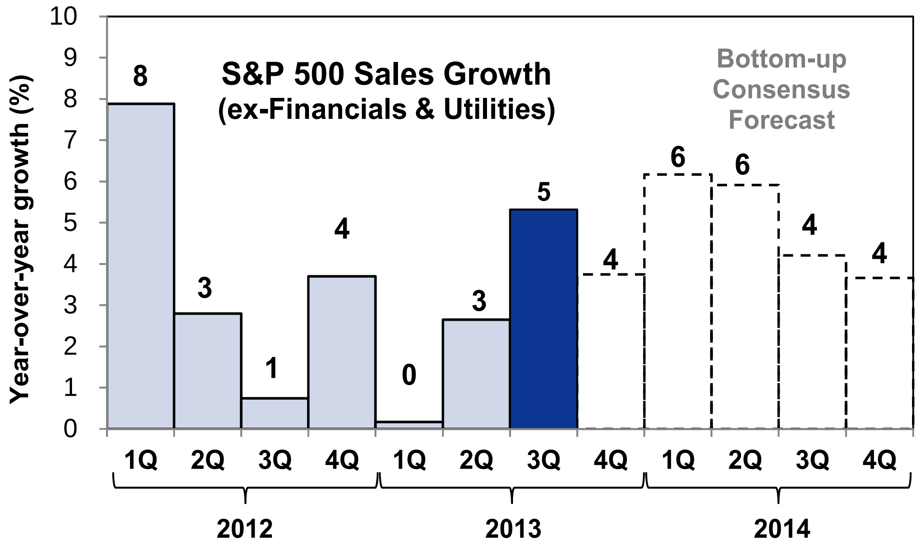
Consensus is higher for 2014 ($120)

	Contribution to EPS					Annual earnings growth rates			
	GS Top-Down EPS			Bottom-Up		GS Top-Down		Bottom-Up	
	2012A	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Information Technology	**$19**	**$21**	**$23**	$20	$22	**10 %**	**9 %**	4 %	12 %
Energy	**13**	**14**	**15**	13	15	**7**	**5**	2	11
Health Care	**12**	**12**	**13**	12	14	**6**	**2**	4	15
Industrials	**10**	**11**	**11**	11	12	**6**	**5**	9	11
Consumer Discretionary	**10**	**11**	**12**	11	13	**10**	**11**	13	16
Consumer Staples	**10**	**10**	**10**	10	11	**2**	**4**	2	9
Materials	**3**	**4**	**4**	3	4	**18**	**8**	2	27
Utilities	**3**	**3**	**3**	3	4	**4**	**2**	4	7
Telecom Services	**1**	**2**	**3**	3	3	**143**	**7**	147	18
S&P 500 ex-Financials	**80**	**88**	**93**	**86**	**97**	**9**	**6**	**7**	**13**
Financials	**16**	**20**	**23**	21	23	**20**	**16**	31	9
S&P 500 Operating EPS	**$97**	**$108**	**$116**	**$107**	**$120**	**11 %**	**8 %**	**11 %**	**12 %**

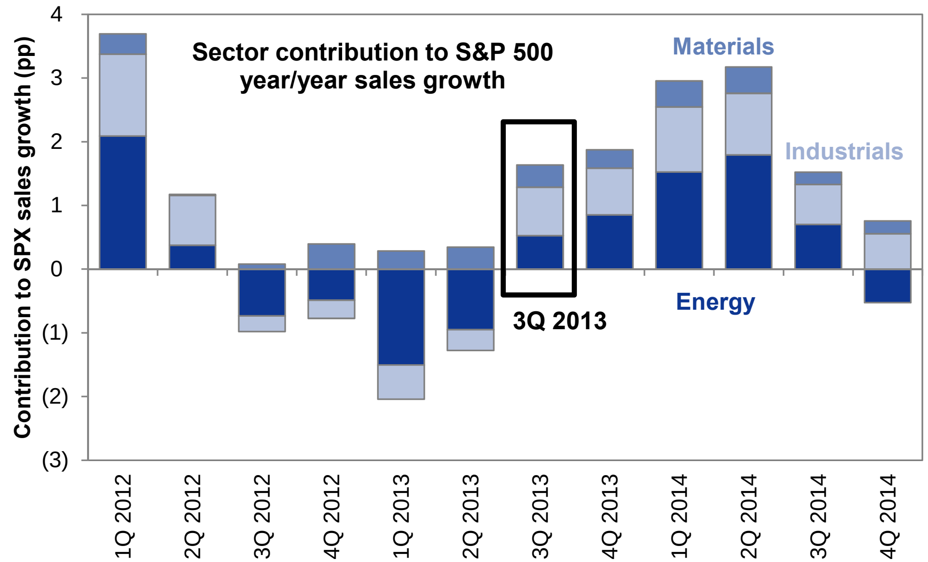
Source: Compustat, FirstCall, and Goldman Sachs Global Investment Research. As of October 31, 2013.

Consensus expects sales growth of 5% in 3Q 2013
Energy, Industrials, Materials are key drivers of growth

Consensus expects revenue acceleration in 3Q



Cyclicals are key driver of 3Q sales growth



Source: Compustat, I/B/E/S, FirstCall, and Goldman Sachs Global Investment Research. As of October 31, 2013.

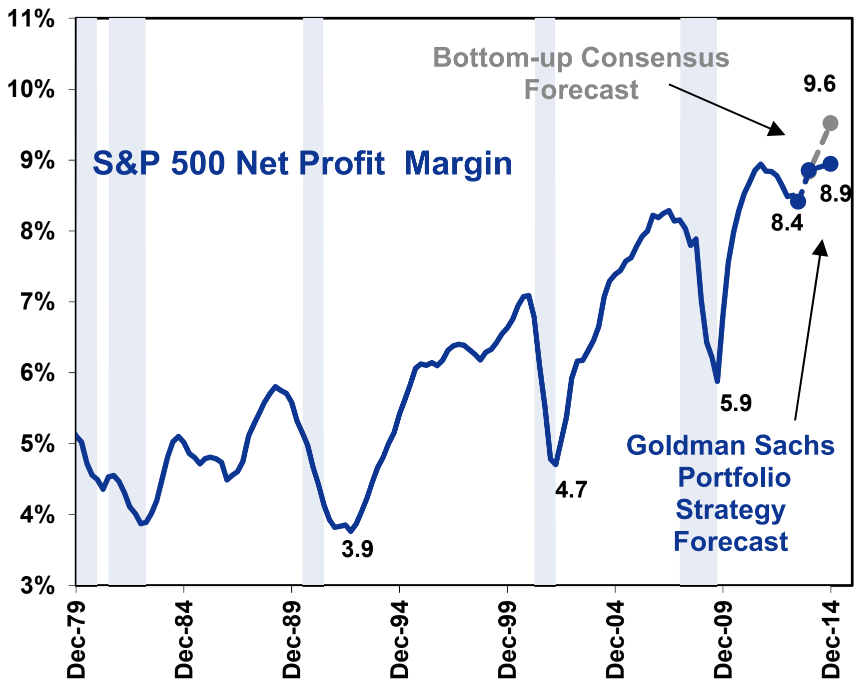
Top 20 contributors to 3Q 2013 sales growth account for 50% of S&P 500 year/year sales growth

Company Name	Ticker	Sector	YTD return	Market cap ($bn)	S&P 500 weight	3Q 2013 revenues $bn	3Q 2013 revenues Y/Y growth	3Q 2013 revenues Contrib. to growth
Ford Motor Co.	F	Consumer Discretionary	36 %	$67	0.4 %	$34	12 %	5.5 %
AmerisourceBergen	ABC	Health Care	53	15	0.1	24	26	4.8
Aetna Inc.	AET	Health Care	37	23	0.1	13	46	3.9
Marathon Petroleum	MPC	Energy	15	22	0.1	26	25	3.5
UnitedHealth Group	UNH	Health Care	27	69	0.4	31	12	3.2
Google Inc.	GOOG	Information Technology	46	343	1.8	15	31	3.2
McKesson Corp.	MCK	Health Care	62	36	0.2	33	10	3.1
WellPoint Inc.	WLP	Health Care	41	25	0.2	18	17	2.7
Amazon.com	AMZN	Consumer Discretionary	45	166	0.9	17	24	2.7
Microsoft Corp.	MSFT	Information Technology	36	295	1.7	19	16	2.4
The Boeing Co.	BA	Industrials	76	98	0.6	22	11	2.3
LyondellBasell Industries NV	LYB	Materials	33	42	0.2	11	(1)	2.1
Freeport-McMoRan Cp & Gld	FCX	Materials	15	38	0.2	6	40	1.7
Wal-Mart Stores*	WMT	Consumer Staples	15	250	0.8	117	2	1.6
Eaton Corp.	ETN	Industrials	34	33	0.2	6	42	1.6
QUALCOMM Inc.*	QCOM	Information Technology	14	119	0.8	6	30	1.4
CVS Caremark Corp.*	CVS	Consumer Staples	31	76	0.5	32	4	1.4
Verizon Communications	VZ	Telecommunication Services	22	145	0.9	30	4	1.3
Chevron Corp.*	CVX	Energy	14	232	1.5	58	1	0.6
United Technologies	UTX	Industrials	32	97	0.6	15	3	0.4
Top 20				**$2,195**	**12.4 %**	**$533**	**13 %**	**49.3 %**
S&P 500 (ex-Financials & Utilities)				**13,349**	**80.8**	**2,089**	**5**	**100.0**

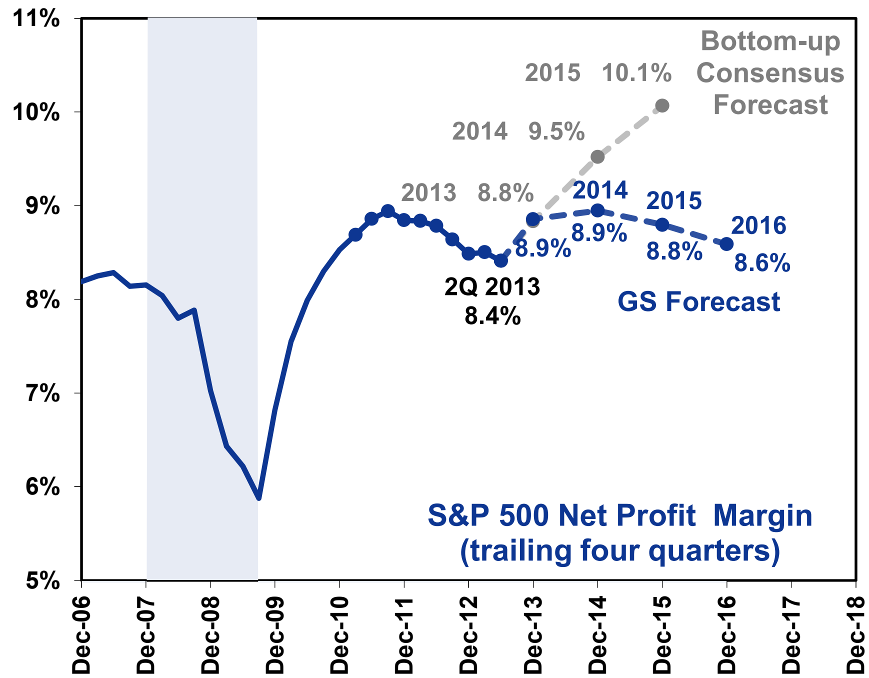
Source: Compustat, I/B/E/S, FirstCall, and Goldman Sachs Global Investment Research. As of October 31, 2013.

Risk: S&P 500 net profit margins have rolled over
We forecast slight recovery, consensus expects expansion

1979 – 2016E



2006 – 2016E

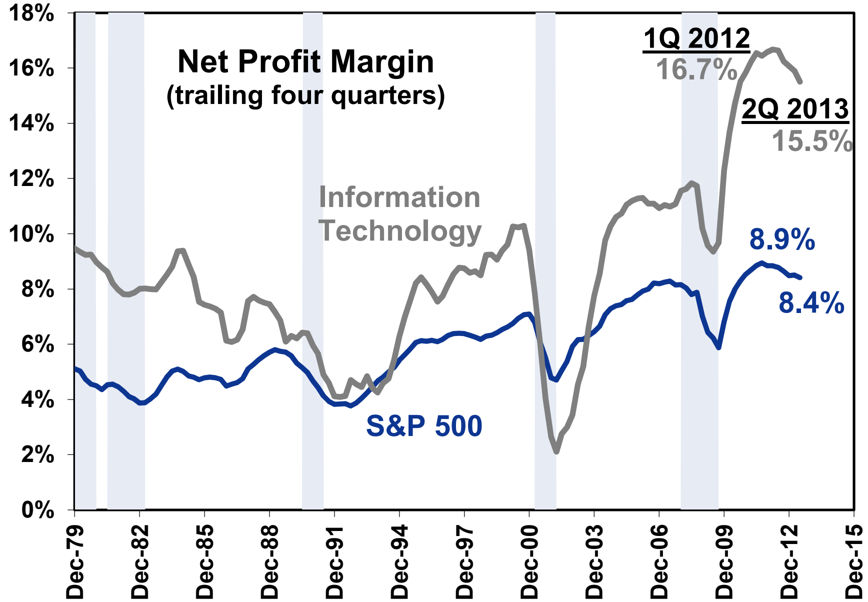


Source: Compustat, First Call, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

S&P 500 margins remain elevated relative to history

Information Technology is key to sustaining current levels

Margins
Information Technology sector vs. S&P 500



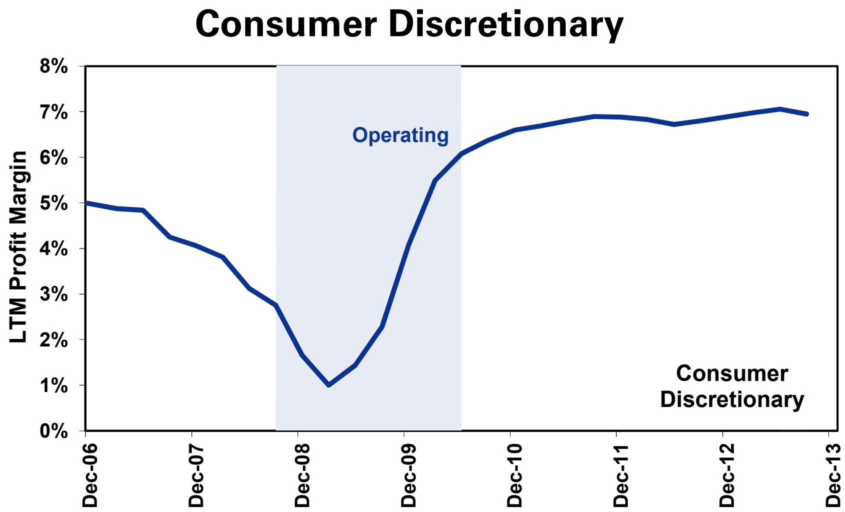
EPS Sensitivity
50 bp shift in margins ≈ $5/share in EPS

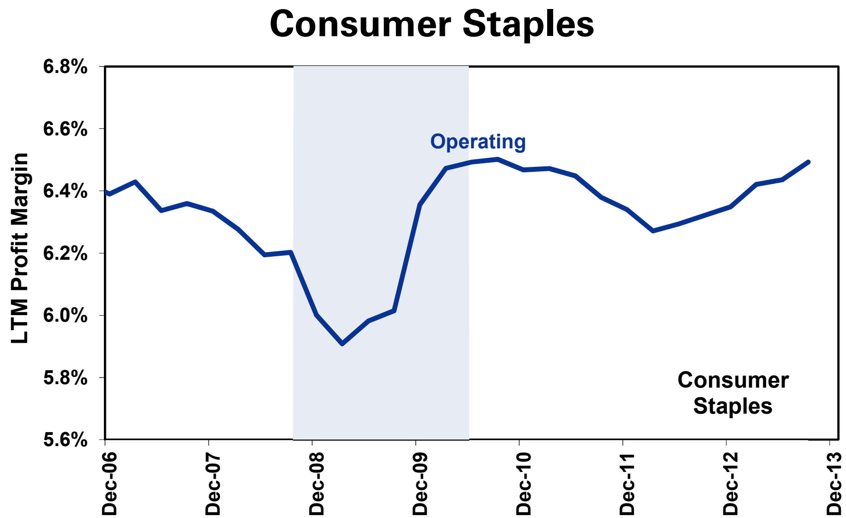
Sensitivity of 2013 EPS forecast to sales growth and margin

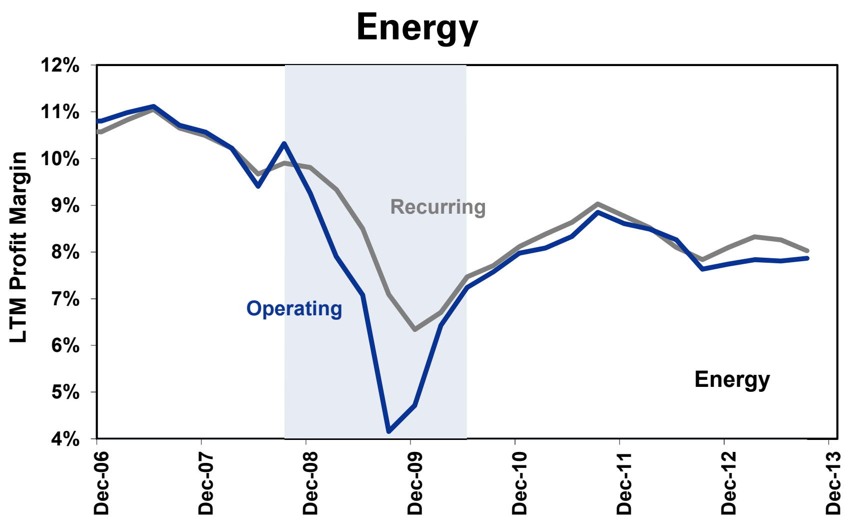
2013 Sales Growth	2013 Profit Margin: 7.9 %	8.4 %	**8.9 %**	9.4 %	9.9 %
6.9 %	99	104	**109**	114	119
5.9	99	104	**108**	113	118
4.9	**98**	**103**	**108**	**112**	**117**
3.9	97	102	**107**	112	116
2.9	97	101	**106**	111	115

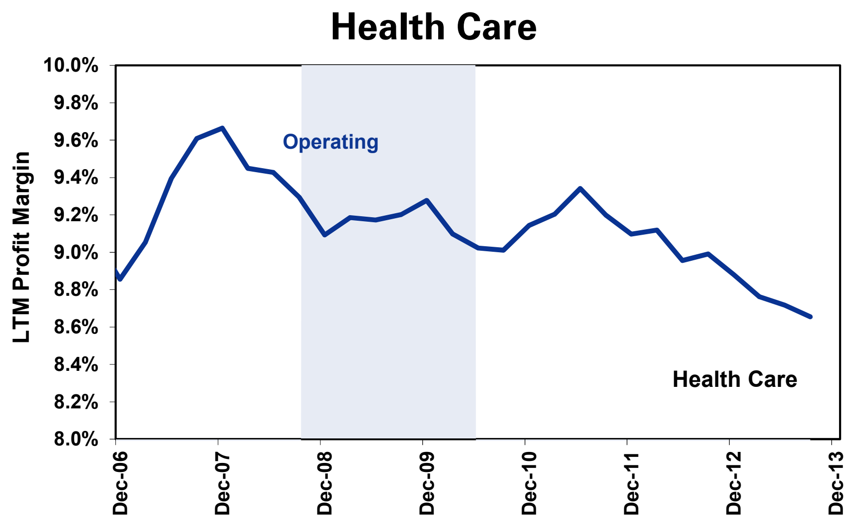
Source: Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

Net margins by sector
Consumer Discretionary and Staples, Energy, Health Care





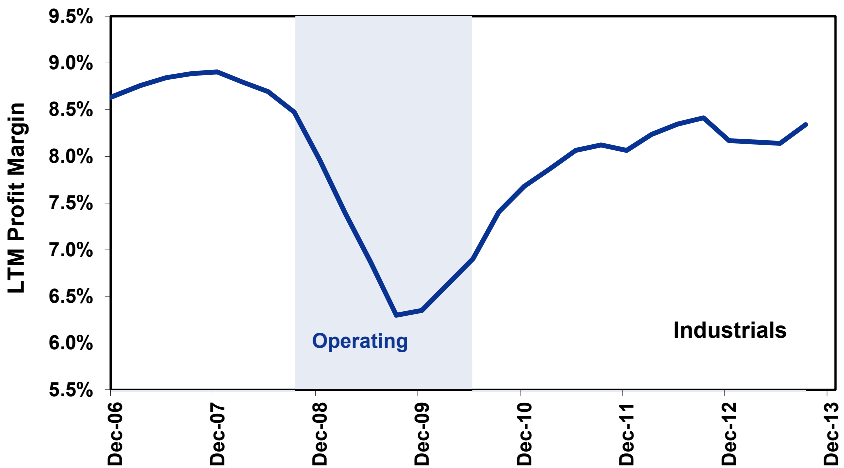




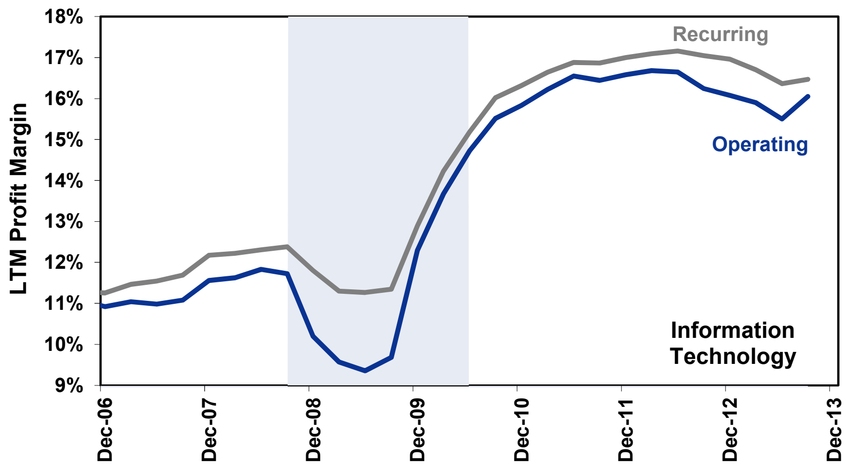
Source: Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

Net margins by sector
Industrials, Information Technology, Materials, Telecom

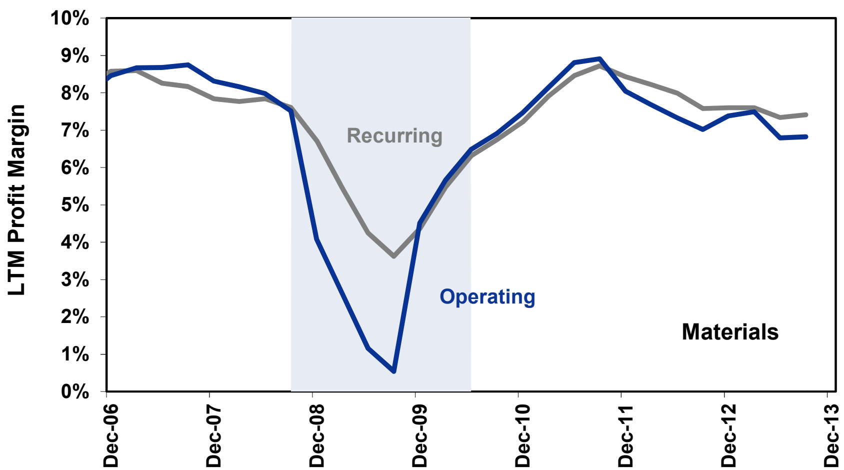
Industrials



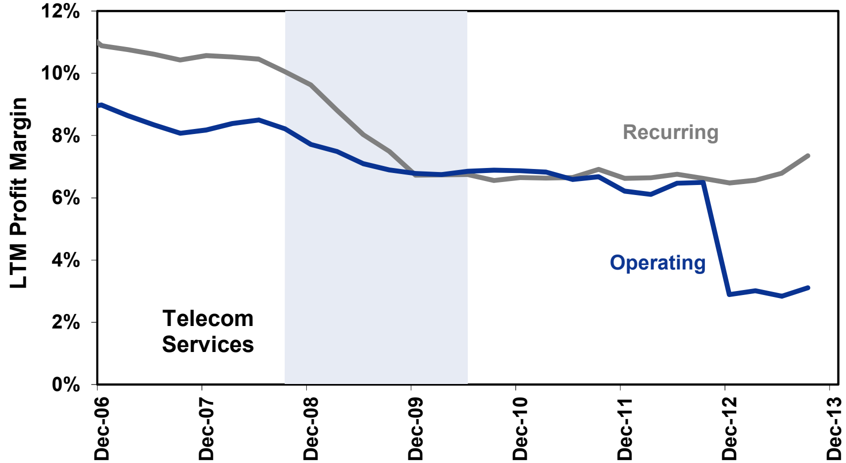
Information Technology



Materials



Telecom Services



Source: Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

We forecast margins of 8.9% in 2013 and 2014
Consensus expects expansion to 9.5%

	Net Margin					Annual margin expansion			
		GS Top-Down		Bottom-up		GS Top-Down		Bottom-Up	
	2012A	**2013E**	**2014E**	**2013E**	**2014E**	**2013E**	**2014E**	**2013E**	**2014E**
Information Technology	16.1 %	16.7 %	**16.8 %**	16.4 %	18.2 %	58 bp	9 bp	29 bp	179 bp
S&P 500	**8.5**	**8.9**	**8.9**	**8.8**	**9.5**	**37**	**9**	**35**	**68**
Health Care	8.9	8.9	**8.7**	8.9	9.7	2	(19)	(2)	83
Industrials	8.2	8.5	**8.6**	8.8	9.3	35	4	63	46
Materials	7.4	8.2	**8.4**	7.0	8.4	83	24	(35)	133
Energy	7.7	7.9	**8.0**	8.0	8.3	13	11	23	31
Consumer Discretionary	6.9	7.1	**7.3**	6.9	7.4	17	20	1	47
Telecom Services	2.9	6.8	**7.1**	7.4	9.1	395	28	454	171
Consumer Staples	6.3	6.3	**6.2**	6.6	6.9	(6)	(6)	22	34

Source: Compustat, FirstCall, I/B/E/S, and Goldman Sachs Global Investment Research. As of October 31, 2013.

20 stocks account for 40% of all S&P 500 EPS
Info Tech margins are nearly twice that of index

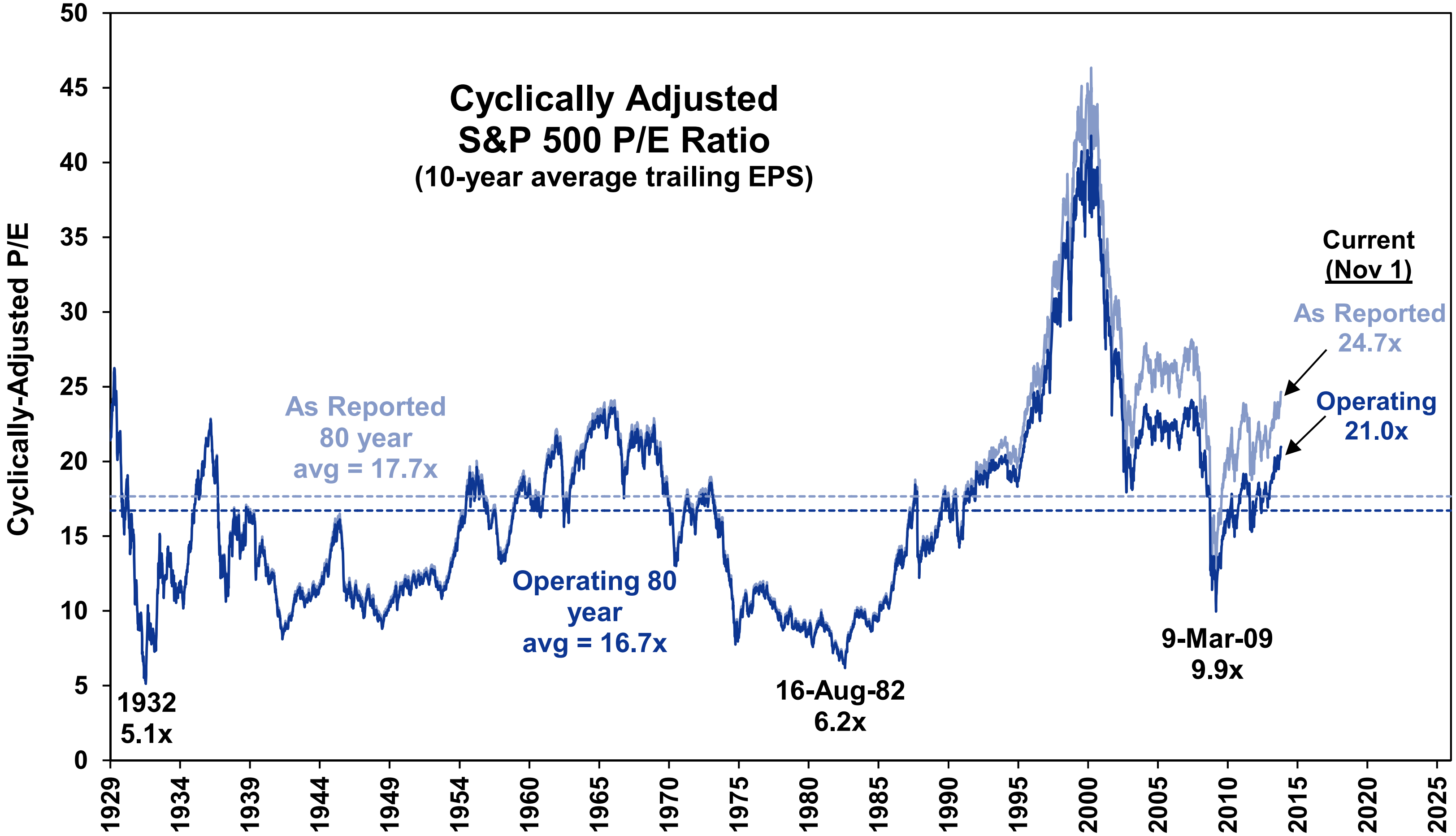
Goldman Sachs

Name	Ticker	Percent Mkt Cap	Adjusted 2012 Sales Total (Bil)	Adjusted 2012 Sales Percent	Share of Adjusted 2012 EPS	2012 Margins	Margin Change 2011-2012	Margin Change 2012-2013
Apple Inc.	AAPL	3.6 %	$165	2.0 %	5.6 %	25.1 %	(38)bp	(385)bp
Exxon Mobil Corp.	XOM	3.0	421	5.2	5.1	7.8	(68)	15
Chevron Corp.	CVX	1.7	223	2.8	3.4	10.2	(39)	(22)
Microsoft Corp.	MSFT	2.2	65	0.8	2.6	29.5	(272)	(193)
International Bus. Machines	IBM	1.5	101	1.3	2.3	16.7	157	20
General Electric	GE	2.0	145	1.8	2.2	10.9	104	23
Johnson & Johnson	JNJ	2.0	67	0.8	1.9	20.9	(11)	84
AT&T Inc.	T	1.4	127	1.6	1.8	10.6	36	(13)
Merck & Co.	MRK	1.0	47	0.6	1.6	24.6	40	(903)
The Procter & Gamble	PG	1.7	83	1.0	1.5	13.3	53	7
Intel Corp.	INTC	0.9	53	0.7	1.4	20.0	(338)	(162)
Cisco Systems	CSCO	0.9	47	0.6	1.4	21.9	91	(99)
Google Inc.	GOOG	2.6	40	0.5	1.4	31.4	(854)	(1077)
Oracle Corp.	ORCL	1.2	29	0.4	1.4	34.5	275	(528)
Philip Morris Intl	PM	1.1	31	0.4	1.2	28.3	60	(12)
Wal-Mart Stores	WMT	1.9	237	2.9	1.2	3.6	12	(3)
The Coca-Cola	KO	1.3	45	0.6	1.1	18.9	(1)	57
Hewlett-Packard	HPQ	0.4	119	1.5	1.1	6.6	(81)	(76)
QUALCOMM Inc.	QCOM	0.9	20	0.3	0.9	33.4	(104)	(324)
Verizon Communications	VZ	1.1	116	1.4	0.9	5.7	18	104
Total - Top 20 Companies		**32.1 %**	**$2,182**	**27.1 %**	**40.1 %**	**NM**	**NM**	**NM**
S&P 500 (Ex-Financials & Utilities)		100.0	8,066	100.0	100.0	9.0	(9)	(14)
Information Technology			$1,066	12.9 %	25.4 %	17.7 %	(9)bp	(128)bp

Source: FactSet, Compustat, and Goldman Sachs Global Investment Research. As of October 31, 2013.

S&P 500 currently trades above 80-year average cyclically adjusted operating P/E ratio of 16.7x

Goldman Sachs



Note: Traditional Shiller series uses As Reported EPS. GS series uses Operating EPS when available (1988 – Present).

Source: Compustat, Robert Shiller and Goldman Sachs Global Investment Research. As of November 1, 2013.

Historical distribution of S&P 500 forward P/E multiples in different macroeconomic environments

Our year-end 2013 P/E forecast is consistent with valuation in similar environments

LTM Earnings Growth

Min	Max	% of Time	Avg P/E
(45)	(5)	18	**13.5**
(5)	(3)	3	**10.5**
(3)	(1)	3	**11.7**
(1)	1	3	**13.9**
1	3	4	**12.3**
3	5	5	**15.1**
5	7	4	**9.3**
7	9	7	**13.7**
9	11	2	**11.5**
11	13	5	**14.0**
13	15	6	**12.1**
15	17	5	**14.7**
17	19	8	**13.7**
19	21	5	**12.8**
21	23	5	**10.7**
23	100	16	**11.3**

Real GDP Growth

Min	Max	% of Time	Avg P/E
(5)	(1)	6	**9.6**
(1)	1	7	**13.1**
1.0	1.5	7	**12.1**
1.5	2.0	8	**13.3**
2.0	2.5	12	**13.6**
2.5	3.0	11	**13.2**
3.0	3.5	9	**12.8**
3.5	4.0	7	**13.6**
4.0	4.5	16	**12.4**
4.5	5.0	7	**17.5**
5.0	5.5	1	**15.2**
5.5	6.0	2	**7.6**
6.0	6.5	2	**8.7**
6.5	8.5	4	**7.1**

Core CPI

Min	Max	% of Time	Avg P/E
0.5	1.0	2	**12.8**
1.0	1.5	5	**15.6**
1.5	2.0	5	**14.1**
2.0	2.5	22	**17.0**
2.5	3.0	14	**16.1**
3.0	3.5	6	**13.1**
3.5	4.0	5	**12.0**
4.0	4.5	9	**10.3**
4.5	5.0	7	**9.6**
5.0	5.5	5	**9.4**
5.5	6.0	0	**--**
6.0	6.5	5	**7.8**
6.5	7.0	3	**8.1**
7.0	10.0	5	**6.4**
10.0	14.0	5	**6.3**

LTM Profit Margin

Min	Max	% of Time	Avg P/E
3.5	4.0	5	**12.2**
4.0	4.5	10	**9.4**
4.5	5.0	22	**9.8**
5.0	5.5	12	**9.2**
5.5	6.0	7	**12.2**
6.0	6.5	16	**17.0**
6.5	7.0	5	**20.6**
7.0	7.5	5	**17.2**
7.5	8.0	6	**14.0**
8.0	8.5	6	**14.4**
8.5	9.0	5	**12.7**

10-Year Bond Yield

Min	Max	% of Time	Avg P/E
2.0	3.0	3	**12.7**
3.0	3.5	3	**13.8**
3.5	4.0	8	**14.9**
4.0	4.5	5	**16.2**
4.5	5.0	7	**16.8**
5.0	5.5	6	**19.0**
5.5	6.0	5	**18.3**
6.0	6.5	7	**17.1**
6.5	7.0	5	**13.9**
7.0	7.5	7	**10.6**
7.5	8.0	6	**10.8**
8.0	8.5	5	**11.1**
8.5	9.0	6	**8.9**
9.0	16.0	21	**7.3**

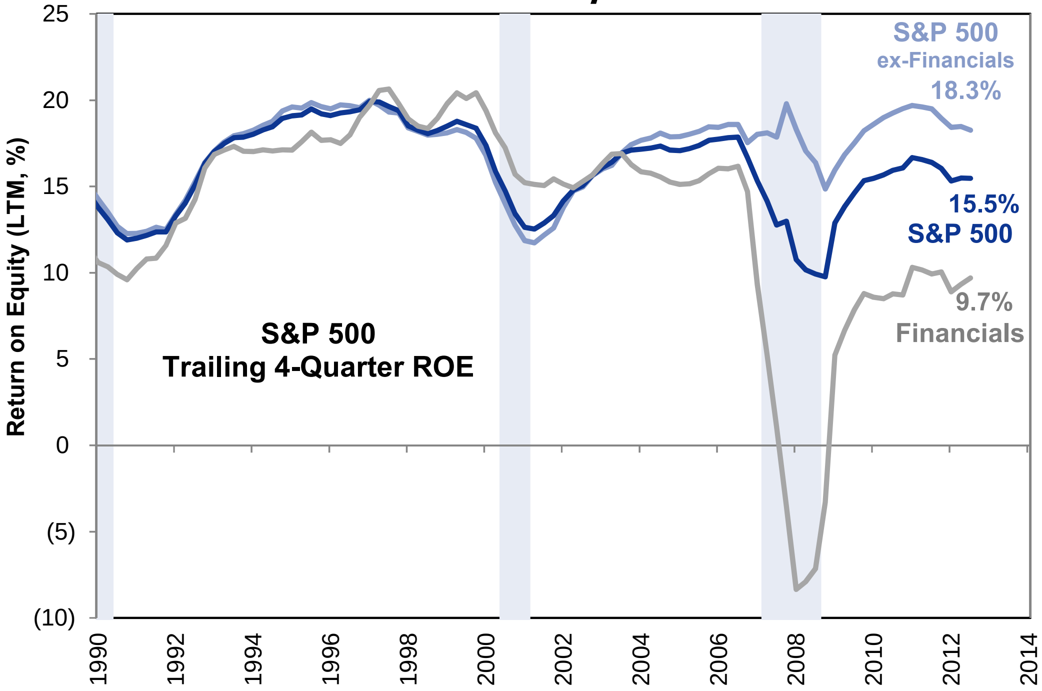
Boxed values represent Goldman Sachs 2013 forecasts. All data since 1Q 1976.

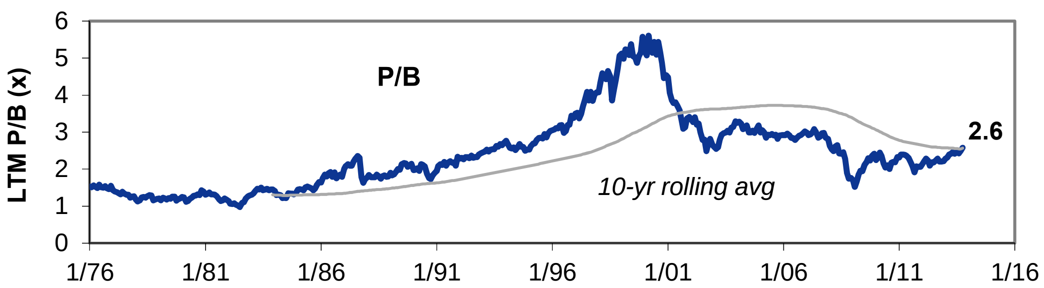
Source: Compustat, I/B/E/S, Federal Reserve Board, and Goldman Sachs Global Investment Research. As of October 31, 2013.

ROE and P/B relationship implies 1750 at end 2013

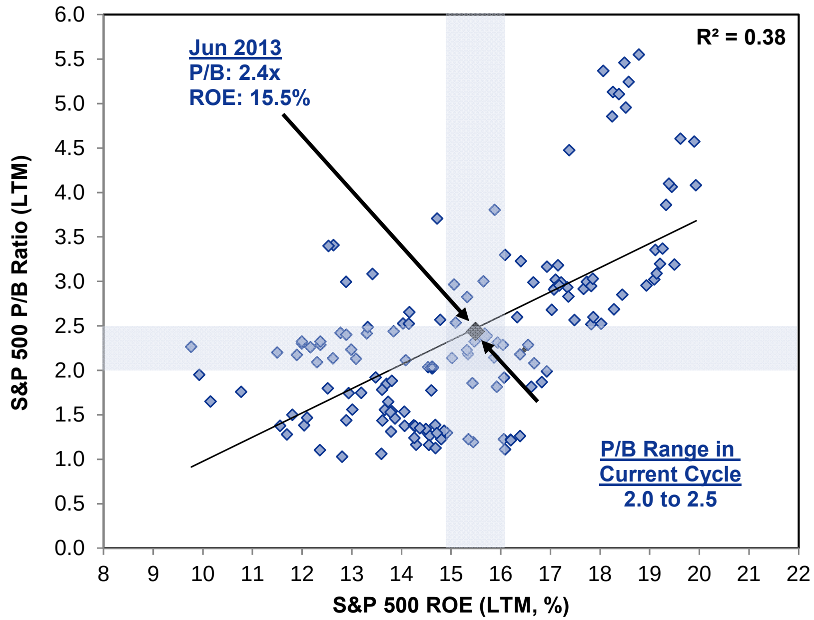
Financials ROE and large Book Value are headwinds

S&P 500 ROE above 15% led by 18% for non-Financials





15-16% ROE implies P/B of 2.0-2.5x



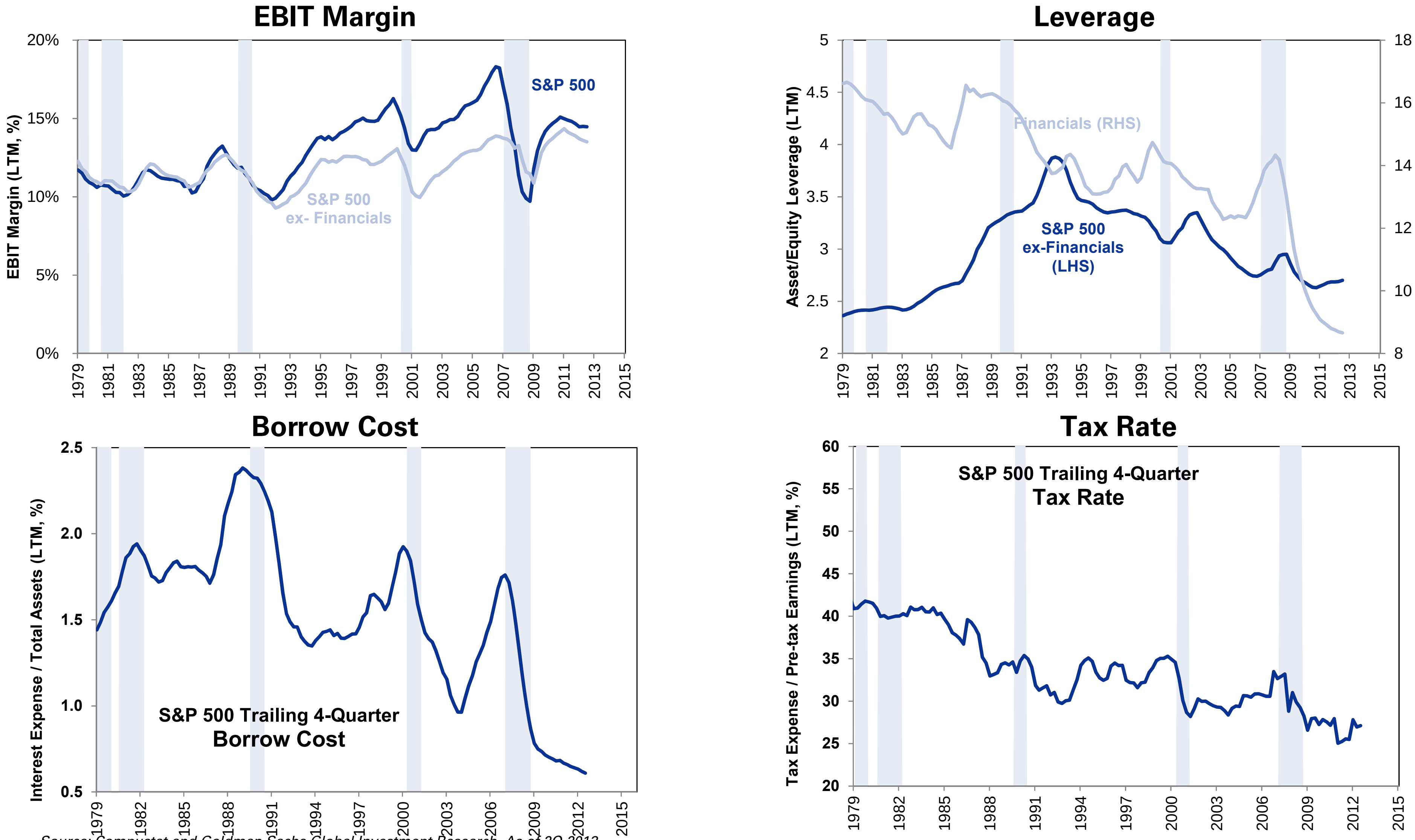
End 2013 P/B Sensitivity

P/B	Implied	Upside
2.5x	1750	(0)%
2.3	1625	(7)
2.0	1400	(20)

Source: Goldman Sachs Global Investment Research. As of 2Q 2013 and October 31, 2013.

Decomposition of S&P 500 Return on Equity (ROE)

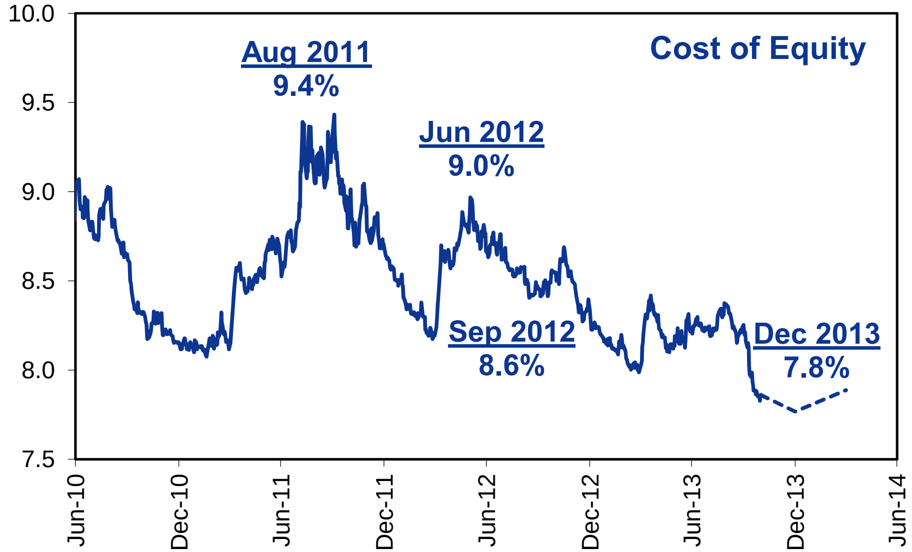
EBIT margins, turnover, borrow cost, and tax rate



Source: Compustat and Goldman Sachs Global Investment Research. As of 2Q 2013.

S&P 500 cost of equity = ERP + 10-Year Treasury; Sensitivity of S&P 500 to inflation and Cost of Equity

We forecast a stable Cost of Equity



Sensitivity of target to inflation and Cost of Equity

Long-term core inflation	2013 Cost of Equity						
	7.5 %	7.6 %	7.7 %	7.8 %	7.9 %	8.0 %	8.1 %
1.6 %	1724	1678	1634	**1592**	1551	1512	1474
1.7	1766	1719	1673	**1629**	1587	1546	1507
1.8	1811	1761	1713	**1668**	1624	1582	1541
1.9	1856	1805	1755	**1708**	1663	1619	1577
2.0	**1904**	**1851**	**1799**	**1750**	**1703**	**1657**	**1614**
2.1	1954	1898	1845	**1794**	1745	1698	1652
2.2	2006	1948	1892	**1839**	1788	1739	1692
2.3	2060	1999	1941	**1886**	1833	1782	1734
2.4	2116	2053	1993	**1935**	1880	1827	1777

Note: We estimate the equity risk premium (ERP) using our DDM framework to model expected future cash flows. We solve for the cost of equity that implies the market is at 'fair value' and then deduct the 10-year US Treasury.

Source: IDC via FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Sector absolute and historical relative valuation

Goldman Sachs

Aggregate valuation metrics

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	NTM P/E
S&P 500	**1.7x**	**9.3x**	**2.6x**	**5.2 %**	**1.4x**	**15.2x**
Consumer Discretionary	1.6	9.4	4.3	4.3	1.2	18.5
Consumer Staples	1.5	11.4	4.5	5.1	1.9	17.2
Health Care	1.8	11.5	3.5	5.6	1.5	16.4
Industrials	2.0	11.9	3.4	5.4	1.3	16.0
Materials	1.7	9.8	2.9	3.7	1.6	16.0
Utilities	NM	8.6	1.6	(0.1)	8.4	15.6
Telecommunication Services	2.2	7.7	2.6	9.9	1.6	15.4
Information Technology	2.5	9.0	3.5	7.1	1.2	13.9
Financials	NM	NM	1.3	NM	1.2	13.5
Energy	1.3	6.1	2.0	3.6	1.4	13.0

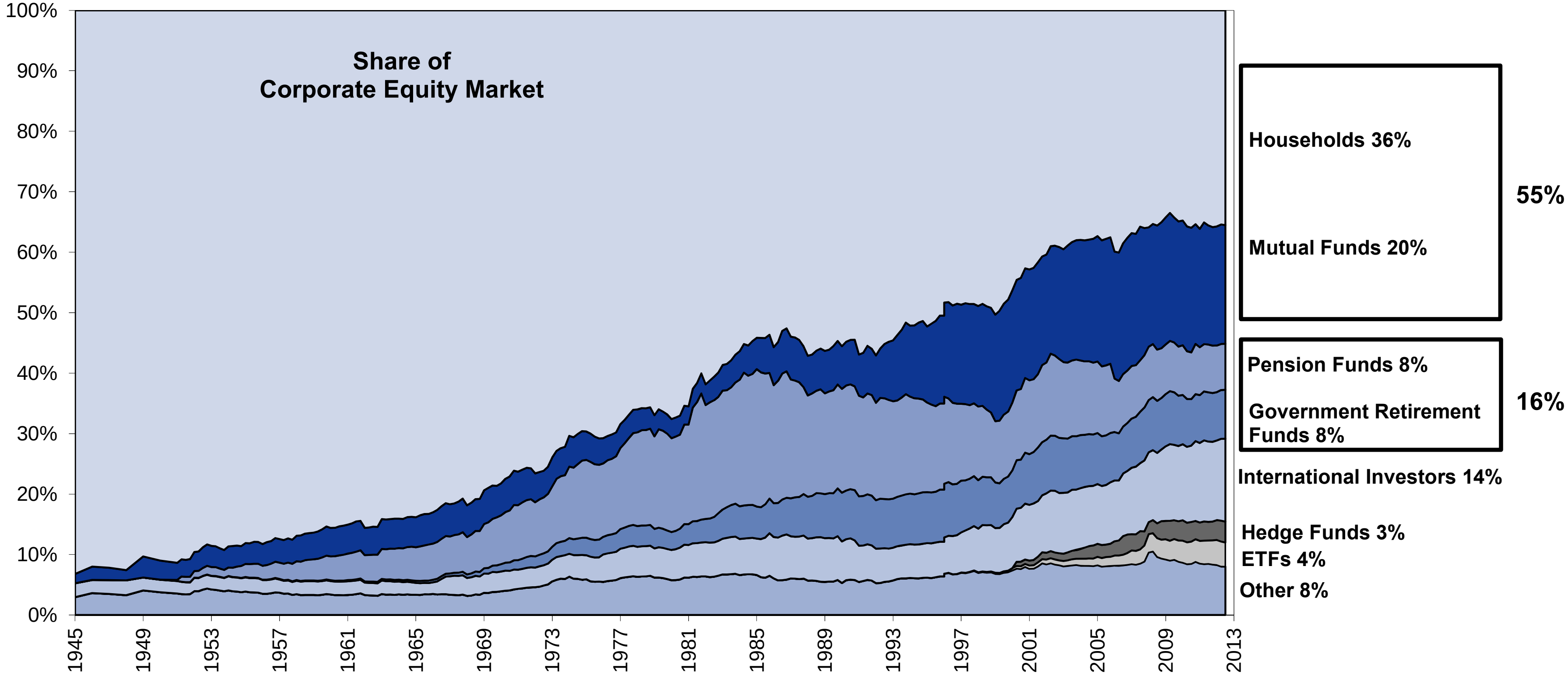
Standard deviation vs. 10-year history (z-score)

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	P/E	PEG Ratio	Median Z-Score
S&P 500	**1.1**	**0.2**	**0.1**	**0.3**	**0.7**	**1.1**	**0.5**
Information Technology	(1.0)	(1.3)	(1.3)	(1.1)	(1.5)	(0.5)	(1.2)
Financials	NM	NM	(0.8)	NM	0.1	(0.6)	(0.6)
Energy	(0.7)	(0.7)	(1.5)	(0.1)	0.2	0.1	(0.4)
Telecommunication Services	(0.3)	1.4	2.3	(0.2)	(0.5)	(1.2)	(0.3)
Utilities	NM	(0.3)	(0.9)	0.2	(0.0)	3.7	(0.0)
Consumer Discretionary	1.2	0.2	2.0	0.2	0.1	(0.6)	0.2
Materials	0.0	0.3	0.2	1.2	0.1	0.4	0.2
Industrials	(1.3)	0.6	1.9	0.9	(0.1)	(0.6)	0.2
Health Care	(0.1)	1.5	0.5	0.7	0.6	0.1	0.6
Consumer Staples	1.2	1.1	1.0	(0.7)	1.0	0.9	1.0

Source: FactSet, Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

Ownership of the US equity market since 1945

Individuals own 55% of the market and pension funds 16%



Source: Federal Reserve, Lionshare via FactSet, and Goldman Sachs Global Investment Research. Holdings as of 2Q 2013.

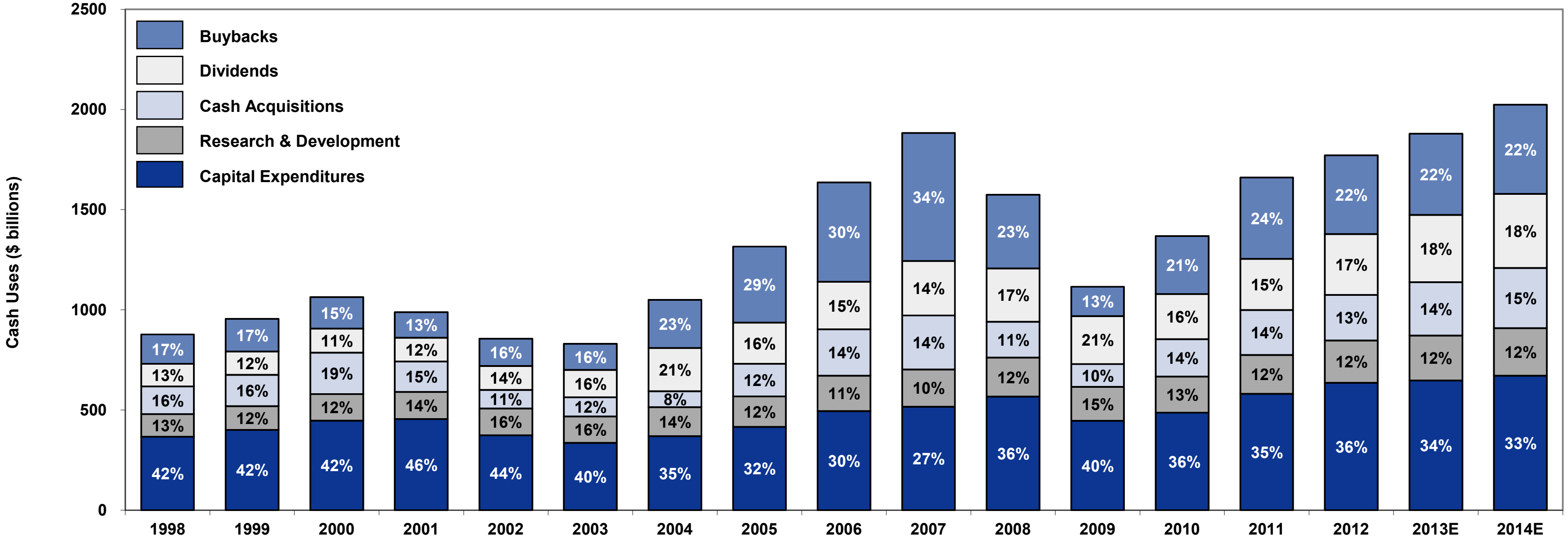
We expect $200 billion of net inflows into US equity

Corporate buybacks offset Household outflows

	Net Equity Inflow / (Outflow)								
Category	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013E**
Corporations	$ 345	$ 589	$ 802	$ (120)	$ (1)	$ 247	$ 434	$ 434	**$ 450**
Mutual Funds	130	131	91	(38)	86	44	5	(37)	**125**
Foreign Investors	57	96	218	106	155	73	(114)	(35)	**75**
ETFs	50	68	137	154	71	88	72	133	**75**
Life Insurance	66	71	84	82	33	46	38	40	**50**
Pension Funds	1	(97)	(133)	(74)	(155)	(135)	(130)	(84)	**(100)**
Households	(414)	(639)	(903)	(207)	59	(95)	(62)	(204)	**(475)**
TOTAL	**$ 234**	**$ 221**	**$ 296**	**$ (97)**	**$ 248**	**$ 268**	**$ 241**	**$ 247**	**$ 200**

Source: Federal Reserve, Haver and Goldman Sachs Global Investment Research. Flow of Funds summary statistics through 4Q 2012.

We expect S&P 500 firms will allocate 61% of cash usage for growth and 39% for return to shareholders



Use of cash:																	
Invest for Growth	70%	71%	74%	75%	70%	68%	57%	55%	55%	52%	60%	65%	62%	60%	61%	61%	60%
(capex + R&D + M&A)																	
Return to Investors	30%	29%	26%	25%	30%	32%	43%	45%	45%	48%	40%	35%	38%	40%	39%	39%	40%
(buybacks + dividends)																	

Source: Compustat and Goldman Sachs Global Investment Research. As of September 4, 2013.

Our S&P 500 capital usage forecasts

Cash M&A to rise 17%, dividends to grow by 11% in 2013

$ Billions	2007	2008	2009	2010	2011	2012	2013E	2014E
Capital Usage								
Capital Expenditures	$517	$567	$446	$487	$580	$635	**$648**	$671
Research & Development	186	195	169	180	195	211	**224**	238
Cash Acquisitions	269	180	115	186	224	228	**266**	301
Share Buybacks (a)	639	367	146	290	405	393	**405**	446
Dividends	271	266	239	226	256	304	**336**	369
Total Capital Usage	**$1,882**	**$1,574**	**$1,115**	**$1,369**	**$1,660**	**$1,772**	**$1,879**	**$2,024**
% of Year/Year Growth								
Capital Usage								
Capital Expenditures	4 %	10 %	(21)%	9 %	19 %	9 %	**2 %**	4 %
Research & Development	6	4	(13)	7	8	8	**6**	6
Cash Acquisitions	16	(33)	(36)	62	20	2	**17**	13
Share Buybacks	29	(43)	(60)	98	40	(3)	**3**	10
Dividends	14	(2)	(10)	(6)	13	19	**11**	10
Total Capital Usage	**15 %**	**(16)%**	**(29)%**	**23 %**	**21 %**	**7 %**	**6 %**	**8 %**

(a) TARP repayments of approximately $125 billion in 2009, $50 billion in 2010, and $50 billion in 2011 excluded from share buyback totals.

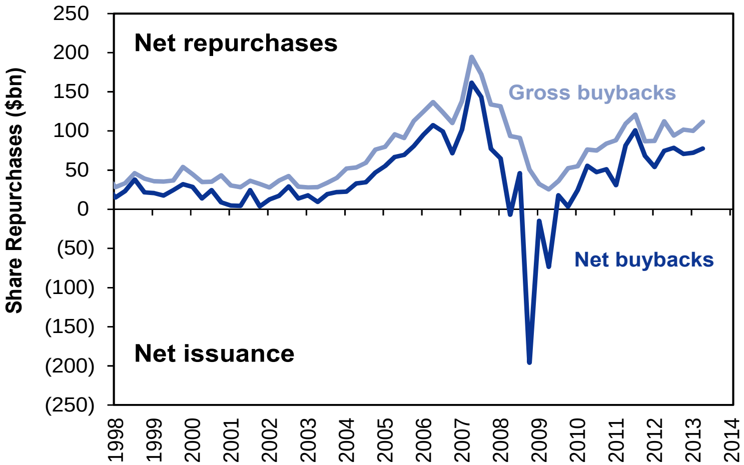
Source: Compustat and Goldman Sachs Global Investment Research. As of September 4, 2013.

Total Cash Return: Buybacks + Dividends

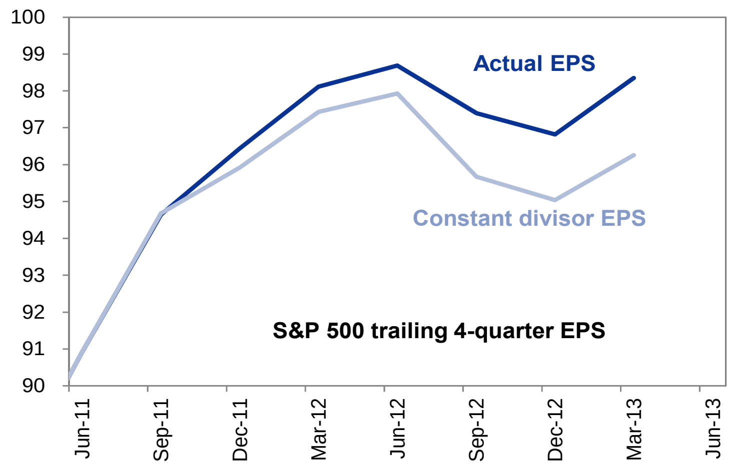
Background on growth and impact of share buybacks

Goldman Sachs

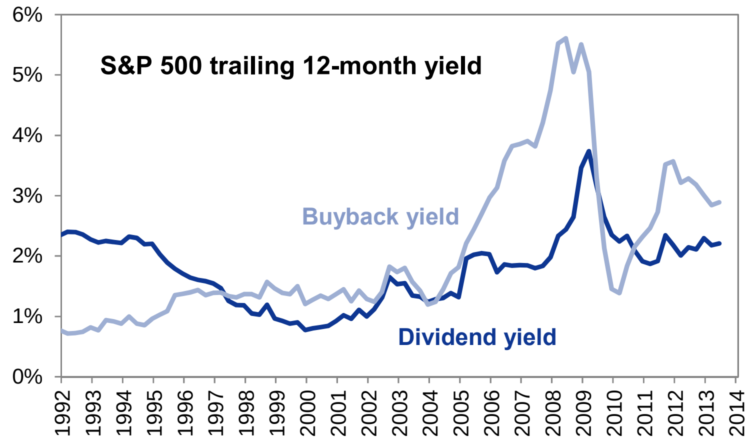
S&P 500 gross and net buybacks



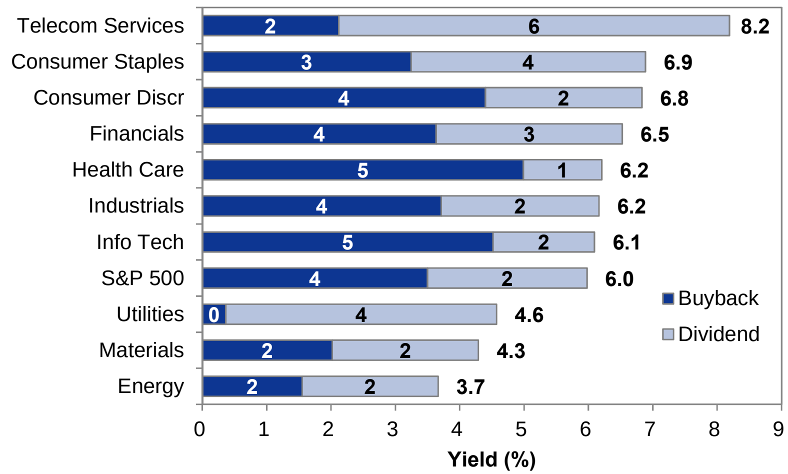
Buybacks have boosted nominal S&P 500 EPS



S&P 500 LTM buyback and dividend yield



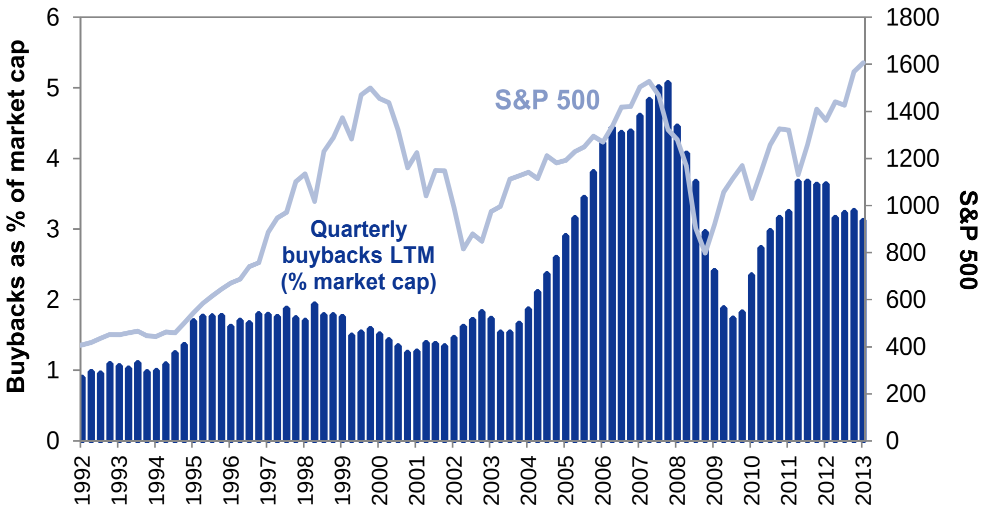
S&P 500 sector buyback and dividend yields



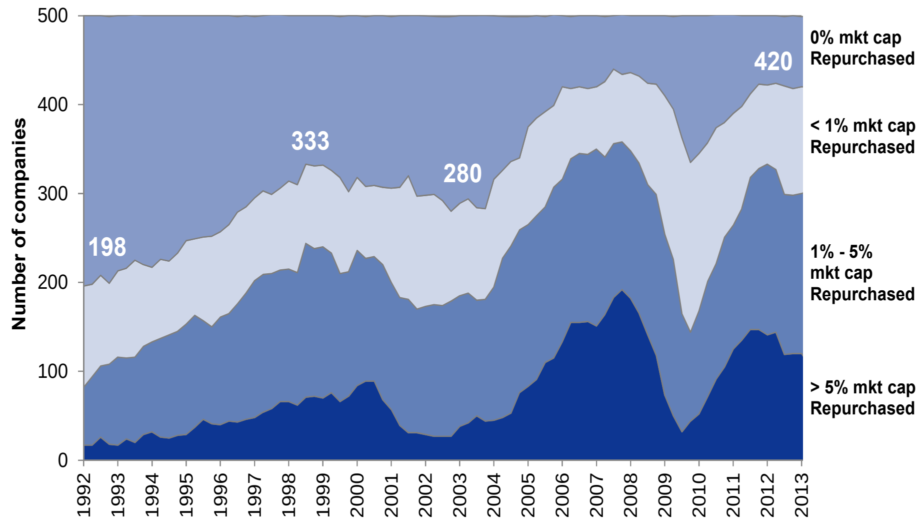
Source: I/B/E/S, Compustat and Goldman Sachs Global Investment Research as of June 30, 2013.

S&P 500 Buybacks rise from 200 in 1992 to 420 Today
Average 1.4% of equity cap in 1994-2004 vs. 3% since 2004

Buybacks follow the market



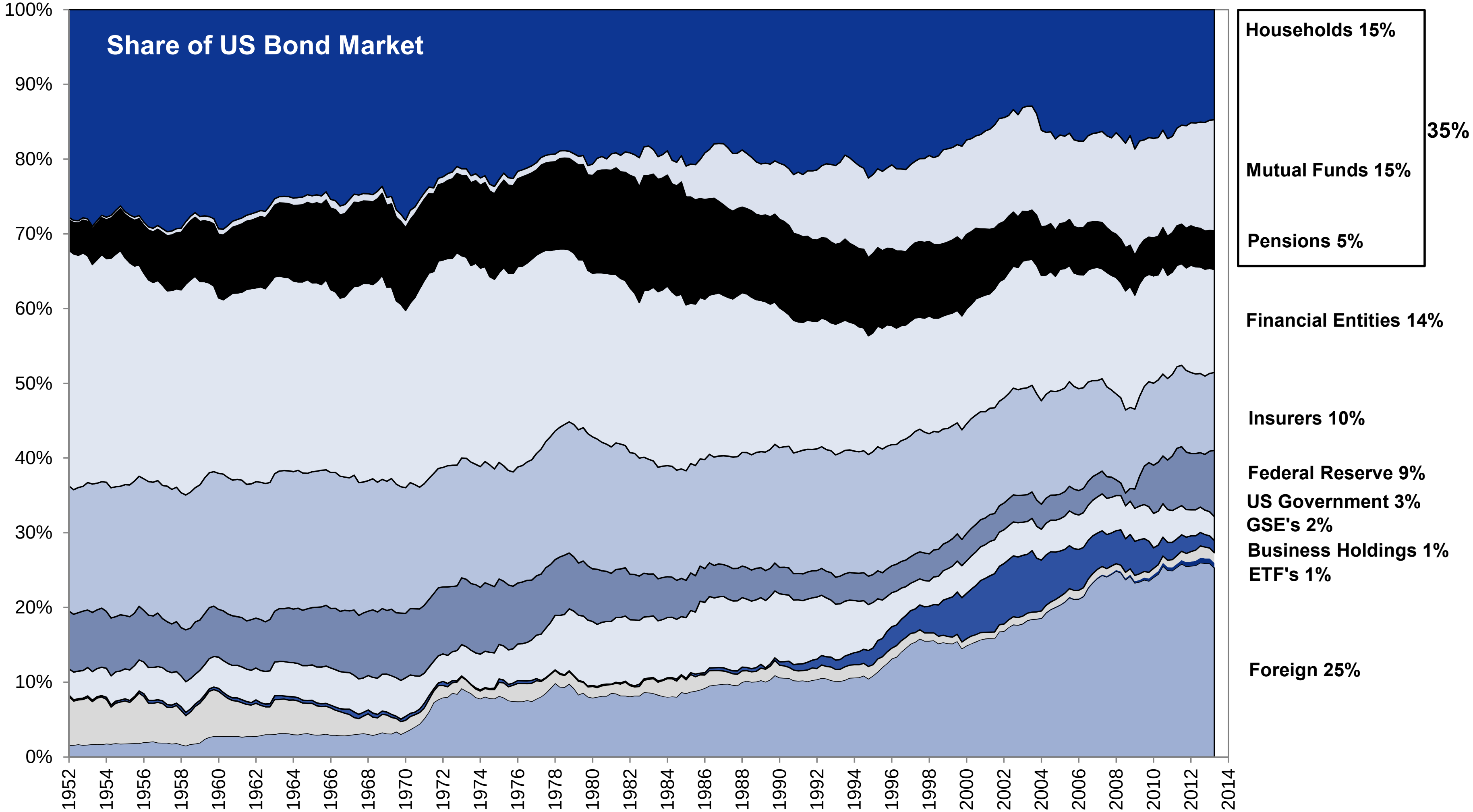
Buyback programs have increased over time



Source: I/B/E/S, Compustat and Goldman Sachs Global Investment Research. As of June 30, 2013.

Ownership of the bond market since 1952

Federal, Municipal, Agency and Corporate bonds



Source: Federal Reserve, Haver and Goldman Sachs Global Investment Research. Holdings as of 2Q 2013.

Anatomy of the US bond market

Potential sources of future demand for US stocks

Mutual Funds, Households, and Pension Funds own $12.6 trillion dollars (35% of bond market)
A 5% ($630 billion) reallocation to stocks equals 4% of S&P 500 equity cap

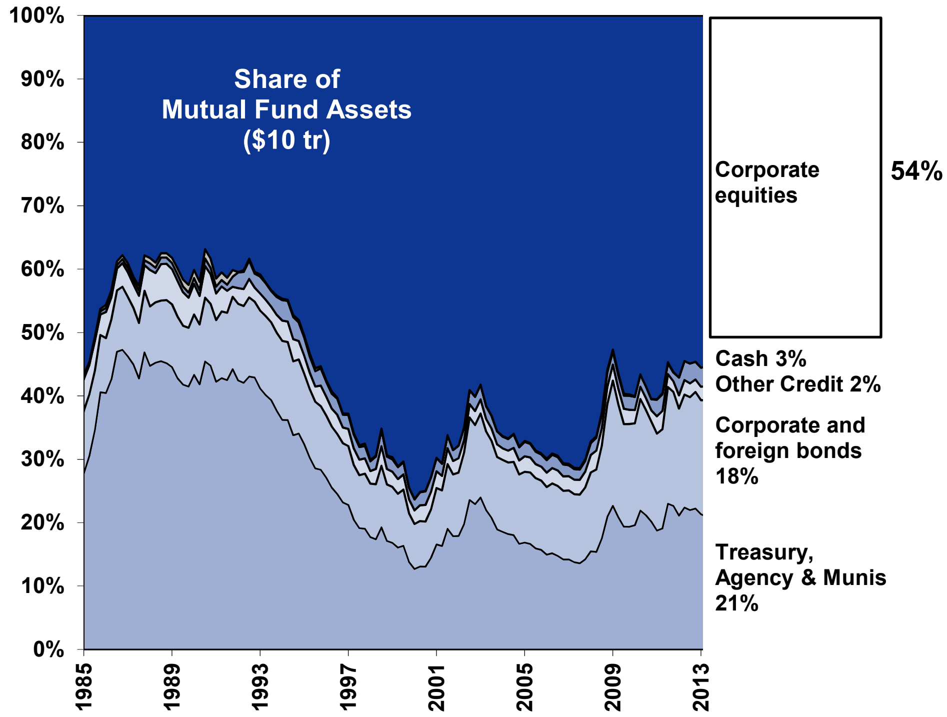
	US Credit Market (Billions USD)						
	Federal	**Municipal**	**Corporate**	**GSE**	**Total**	**Percent**	
Financial Institutions	$488	$412	$1,992	$2,114	$5,006	14 %	
Foreign	5,601	59	2,632	875	9,167	25	
Mutual Funds	**924**	**1,036**	**2,051**	**1,379**	**5,390**	**15**	**35% of bond market**
Households	**1,193**	**1,647**	**2,472**	**32**	**5,344**	**15**	
Pension Funds	**720**	**6**	**735**	**412**	**1,873**	**5**	
Insurance Companies	261	463	2,590	465	3,779	10	
ETF's	64	13	165	0	241	1	
GSE's	75	34	193	293	595	2	
Federal Reserve	1,937	0	0	1,277	3,214	9	
US Government	527	12	151	471	1,161	3	
Business Holdings	98	34	38	331	501	1	
Total	**$11,888**	**$3,716**	**$13,018**	**$7,648**	**$36,270**	**100 %**	

Source: Federal Reserve, Haver and Goldman Sachs Global Investment Research. Holdings as of 2Q 2013; market cap information as of October 31, 2013.

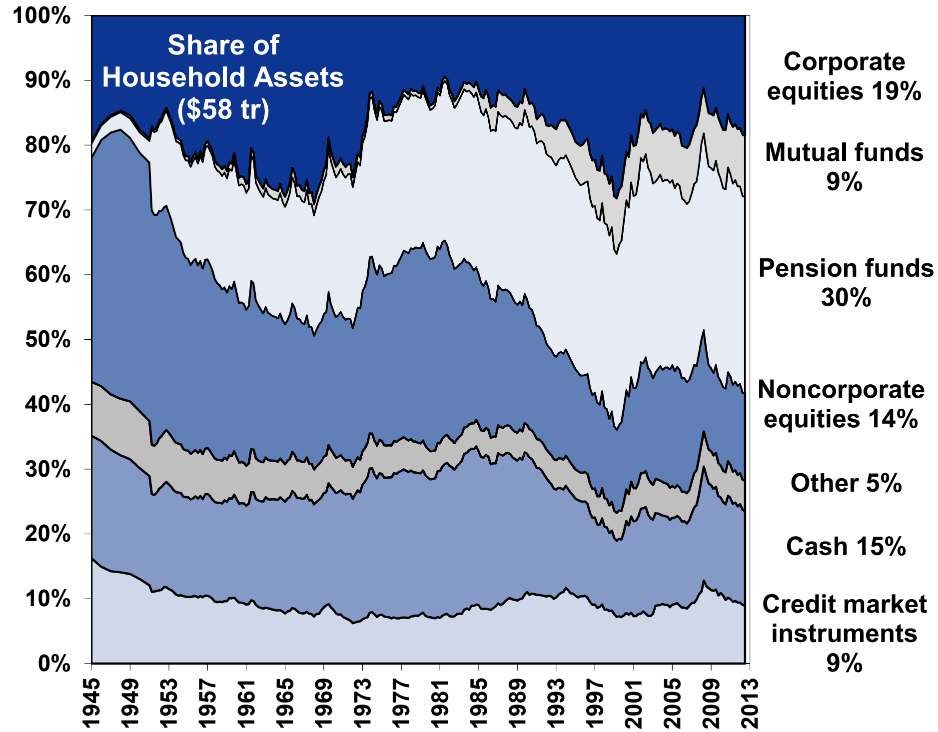
Mutual fund equity allocation totals 54%; Household direct & indirect equity allocation is 39%

Goldman Sachs

Mutual fund assets ($10 trillion)



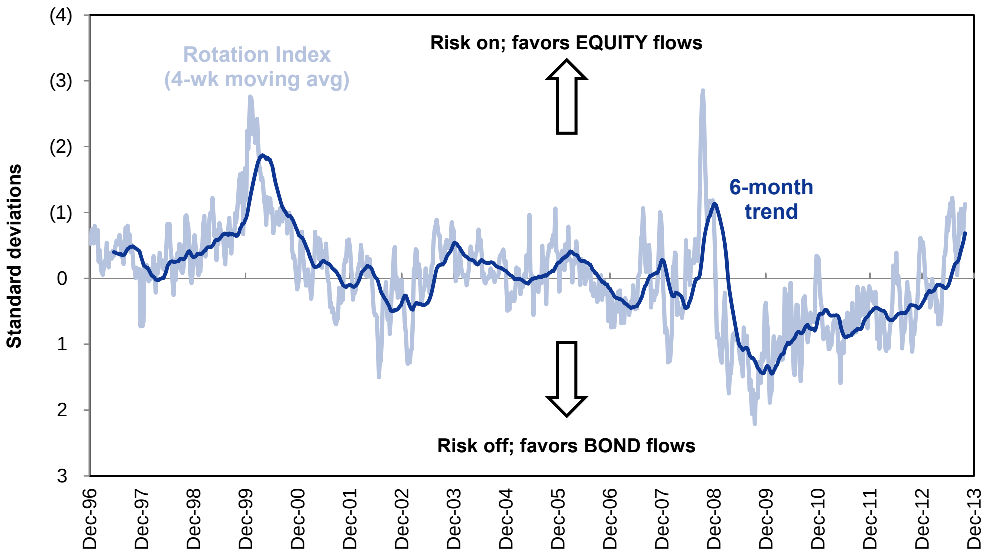
Household financial assets ($58 trillion)



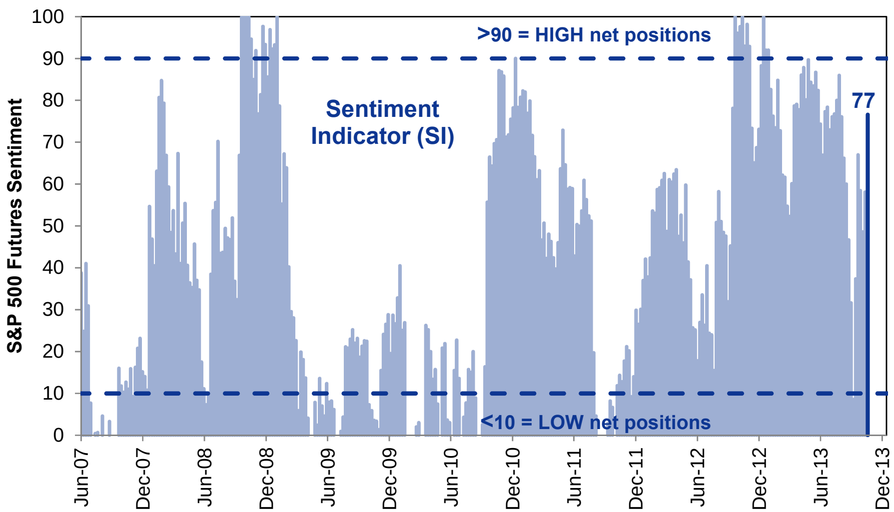
Source: Federal Reserve and Goldman Sachs Global Investment Research. As of 2Q 2013.

Rotation Index measures shift in retail money flow between bond and stock mutual funds

Rotation Index (Retail flow)



Sentiment Indicator (Institutional flow)

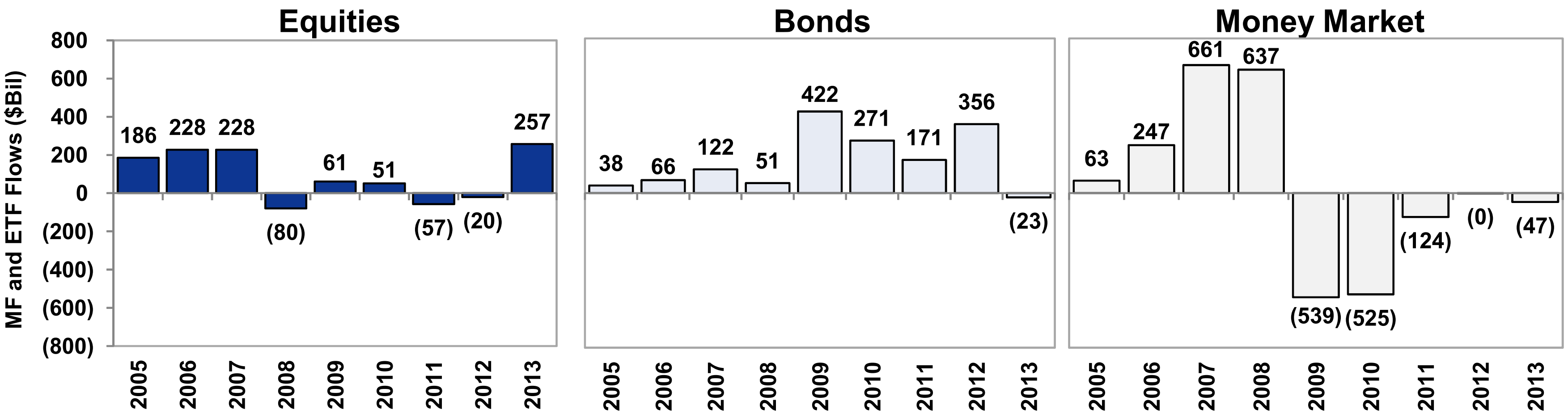


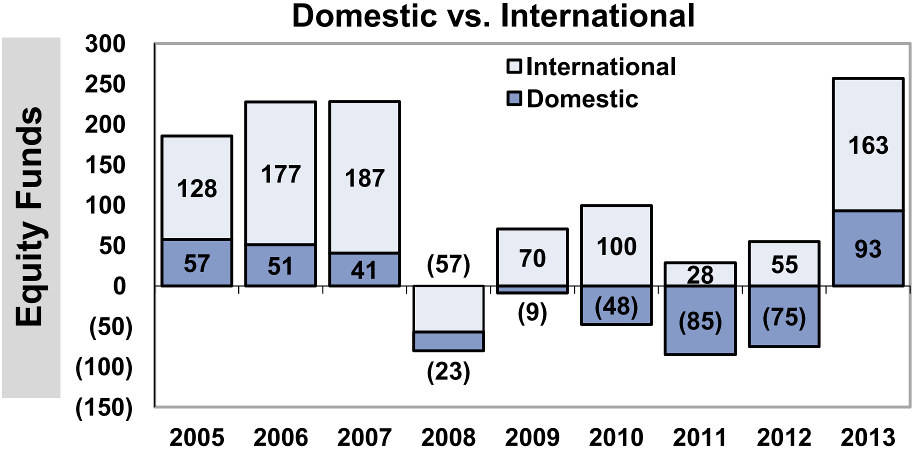
Note: **Rotation Index** plots the first principal component of weekly reallocation activity across equity and debt mutual fund categories as a measure of retail risk appetite.

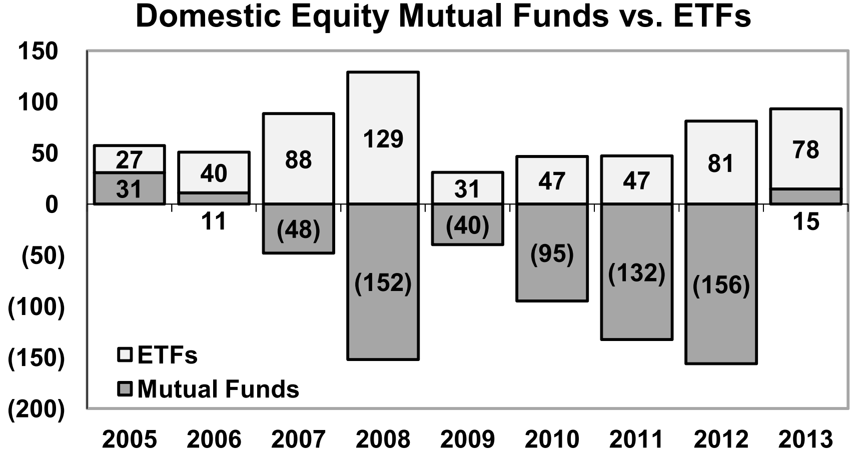
Note: **Sentiment Indicator** ranks net futures positioning versus the past 12 month. Readings below 10 or above 90 indicate extreme positions that are significant in predicting future returns.

Source: ICI, Federal Reserve and Goldman Sachs Global Investment Research. As of October 22, 2013.

Flows into equities, bonds, and money market mutual funds (mutual funds and ETFs)





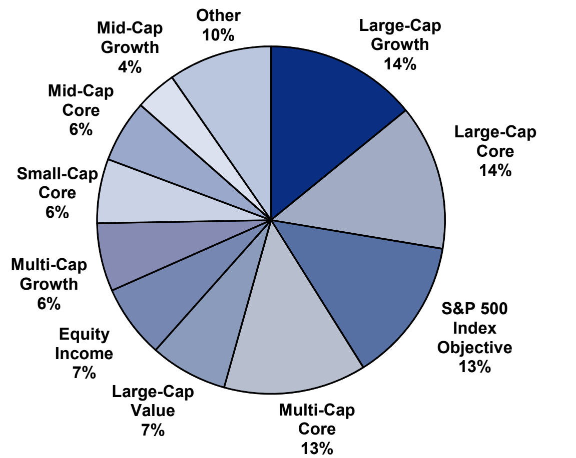


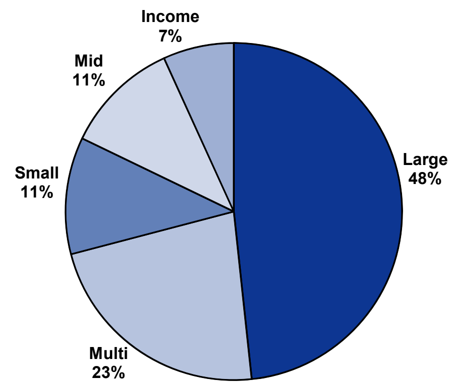
Source: ICI, Lipper and Goldman Sachs Global Investment Research. As of October 30, 2013.

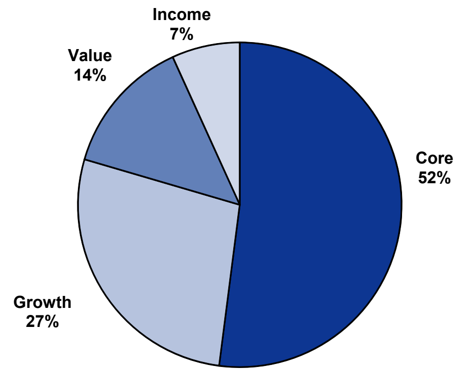
Asset breakdown and YTD flows of Lipper size and style equity funds (mutual funds and ETFs)

Lipper Classification	Size	Style

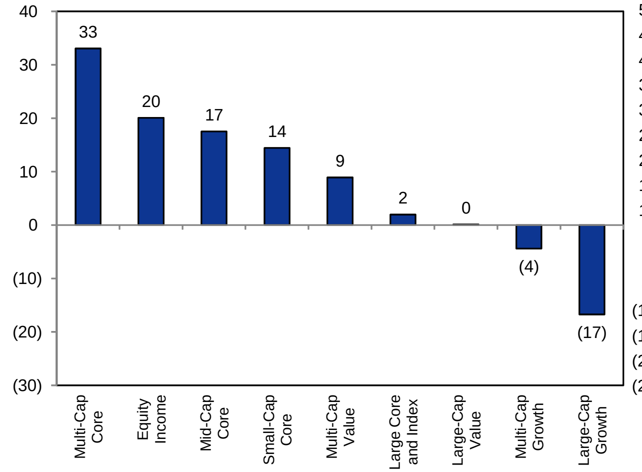
Assets ($4.9 Trillion)

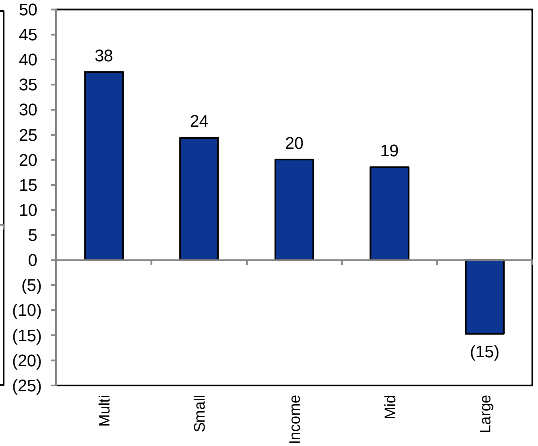


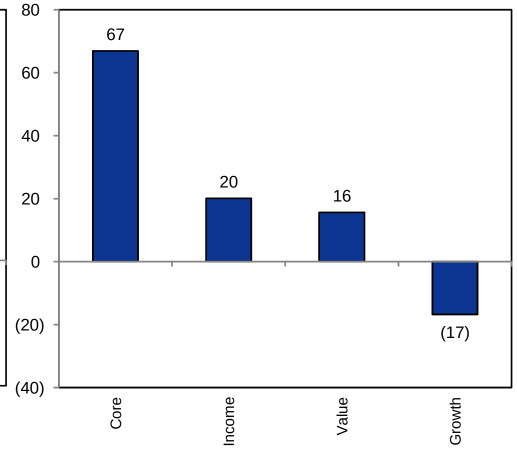




YTD flows ($86 Billion)

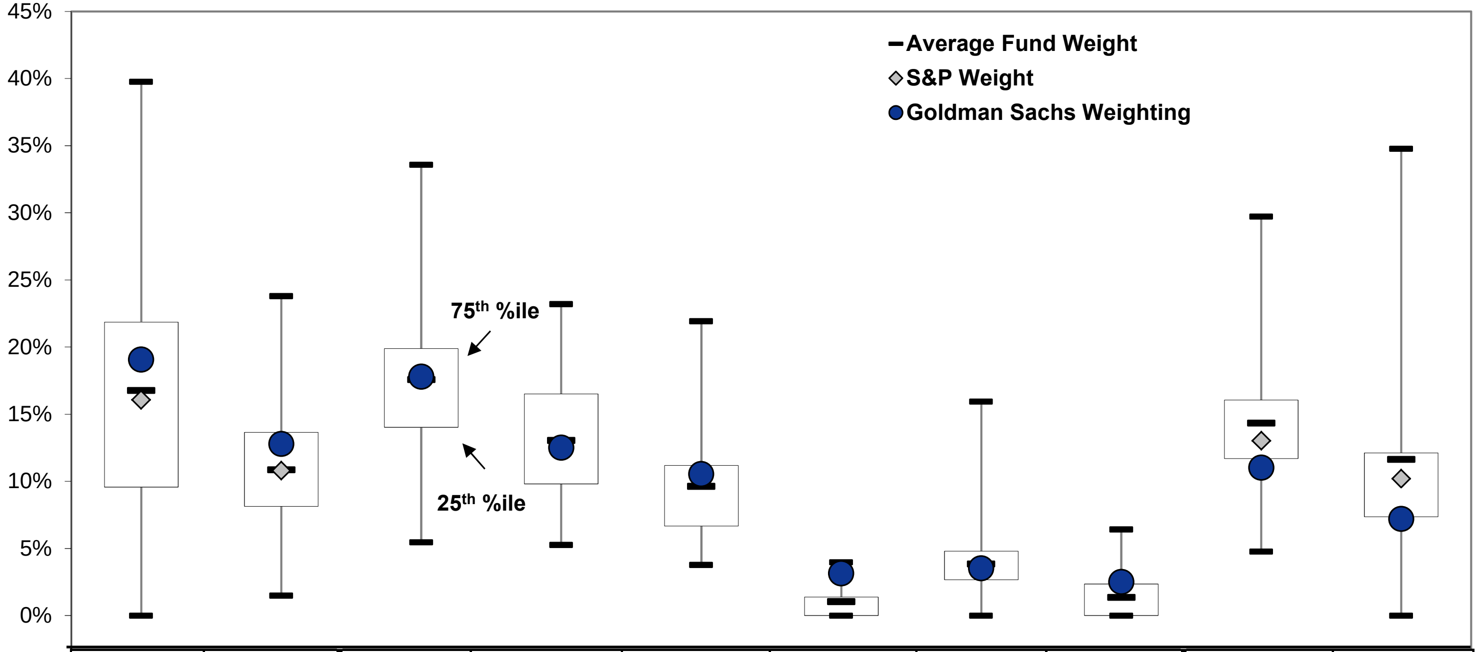






Source: Lipper and Goldman Sachs Global Investment Research. As of October 30, 2013.

Sector distribution of Lipper Large-Cap Core mutual funds based on equal-weighted average holdings



	Financials	Industrials	Information Technology	Consumer Discretionary	Energy	Materials	Utilities	Telecom Services	Health Care	Consumer Staples
S&P Weight	16.1	10.8	17.8	12.5	10.5	3.5	3.1	2.5	13.0	10.2
Average Mutual Fund Weight	16.8	10.8	17.6	13.0	9.6	3.8	1.0	1.3	14.3	11.6
Goldman Sachs Weighting	19.1	12.8	17.8	12.5	10.5	3.5	3.1	2.5	11.0	7.2
Goldman Sachs vs S&P 500 Overweight/(Underweight)	300 bp	200 bp	0 bp	0 bp	0 bp	0 bp	0 bp	0 bp	(200) bp	(300) bp
Percent difference OW/(UW)	19 %	19 %	0 %	0 %	0 %	0 %	0 %	0 %	(15)%	(29)%

+ Overweight / Underweight −

Source: Lipper, Lionshares via FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Top 10 average mutual fund over/(under)weight equity holdings relative to style benchmark

Large-cap core

Overweight			Underweight		
CVS	0.8 %	**35 bp**	XOM	1.4 %	**(112)bp**
JPM	1.6	**33**	AAPL	2.0	**(85)**
CSCO	1.1	**30**	T	0.6	**(62)**
AXP	0.8	**28**	GE	1.0	**(58)**
TGT	0.5	**28**	AMZN	0.3	**(44)**
EMC	0.6	**27**	BAC	0.6	**(43)**
NOV	0.5	**26**	VZ	0.5	**(39)**
QCOM	1.0	**24**	BRK.B	1.0	**(38)**
ORCL	1.0	**21**	PG	1.1	**(31)**
OXY	0.7	**21**	KO	0.7	**(28)**

Large-cap growth

Overweight			Underweight		
GOOG	4.1 %	**145 bp**	MSFT	0.7 %	**(241)bp**
V	2.2	**110**	IBM	0.3	**(192)**
PCLN	1.6	**98**	AAPL	2.5	**(134)**
GILD	2.0	**93**	KO	0.4	**(125)**
AMZN	2.2	**91**	PEP	0.3	**(107)**
MA	1.7	**81**	PM	0.6	**(97)**
SBUX	1.4	**78**	MCD	0.2	**(91)**
MON	1.4	**76**	MMM	0.1	**(66)**
PCP	1.1	**72**	MO	0.1	**(64)**
BIIB	1.3	**61**	ORCL	0.7	**(61)**

Large-cap value

Overweight			Underweight		
MET	1.0 %	**52 bp**	XOM	1.4 %	**(308)bp**
COF	0.9	**42**	BRK.B	0.4	**(201)**
ALL	0.6	**33**	PG	1.0	**(147)**
TRV	0.6	**31**	GE	1.9	**(97)**
PNC	0.7	**26**	T	1.2	**(95)**
TGT	0.4	**26**	CVX	2.0	**(73)**
MRO	0.5	**25**	JNJ	1.8	**(64)**
CVS	1.0	**23**	DIS	0.5	**(60)**
WLP	0.5	**23**	BAC	1.2	**(58)**
AIG	1.1	**23**	WFC	1.9	**(47)**

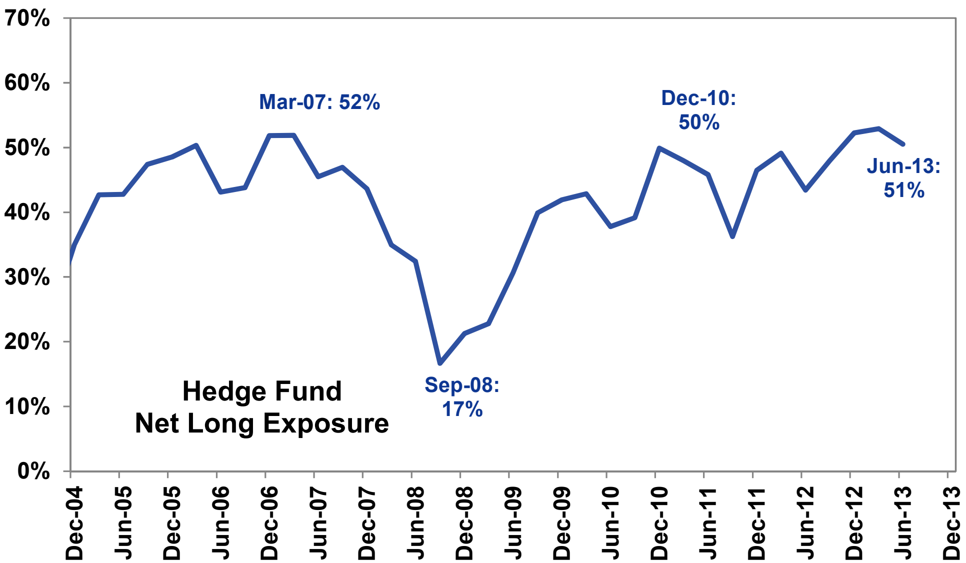
Small-cap core

Overweight			Underweight		
AEL	0.2 %	**12 bp**	CSGP	0.0 %	**(27)bp**
AREX	0.2	**10**	ATHN	0.0	**(25)**
MGLN	0.2	**9**	ULTI	0.0	**(24)**
USPH	0.1	**9**	ISIS	0.0	**(23)**
EPL	0.2	**8**	ALNY	0.0	**(23)**
LFUS	0.2	**8**	CVLT	0.0	**(22)**
TRS	0.2	**8**	GTLS	0.0	**(20)**
ATU	0.3	**7**	NPSP	0.0	**(20)**
AZZ	0.1	**7**	PSEC	0.0	**(18)**
NP	0.1	**7**	RAD	0.1	**(17)**

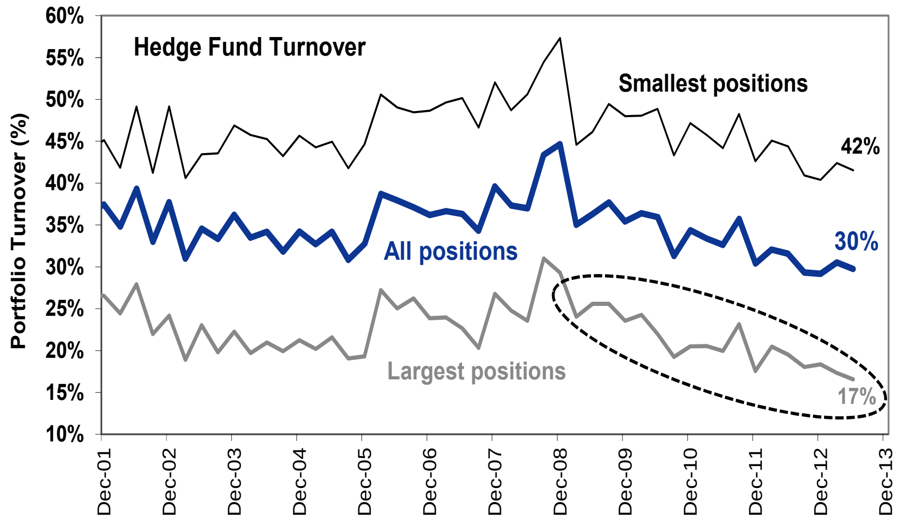
Source: Lionshares, FactSet, and Goldman Sachs Global Investment Research. Holdings as of September 30, 2013.

Hedge fund net long exposure is near peak at 51% while turnover remains near lows at 30%

Net long exposure is elevated



Position turnover is low

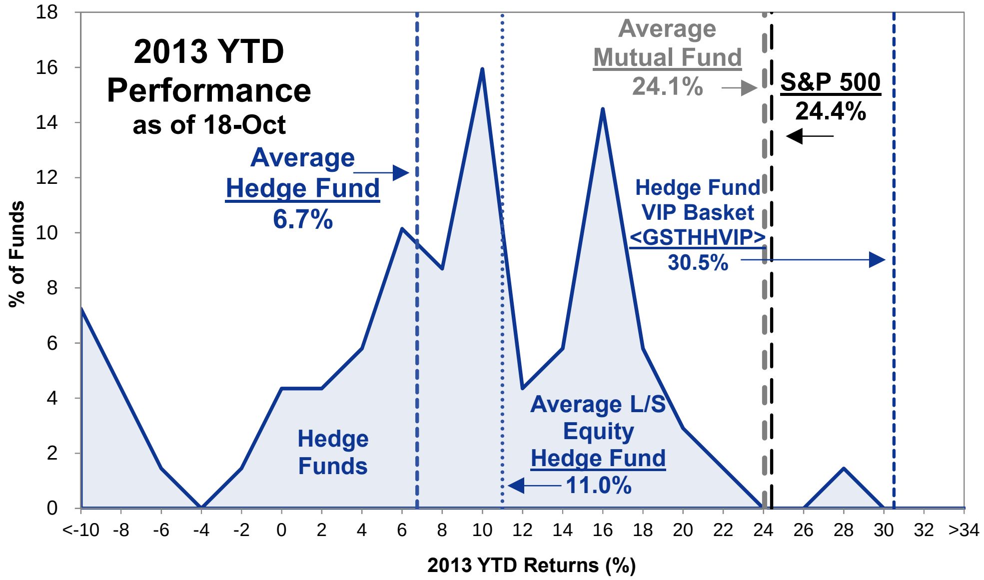


Source: Lionshares via FactSet and Goldman Sachs Global Investment Research. Hedge fund holdings as of June 30, 2013.

Hedge funds lag in 2013 following poor 2012 showing
Discretionary, Energy, Financials are 50% of net exposure

Goldman Sachs

Distribution of 2013 YTD hedge fund performance



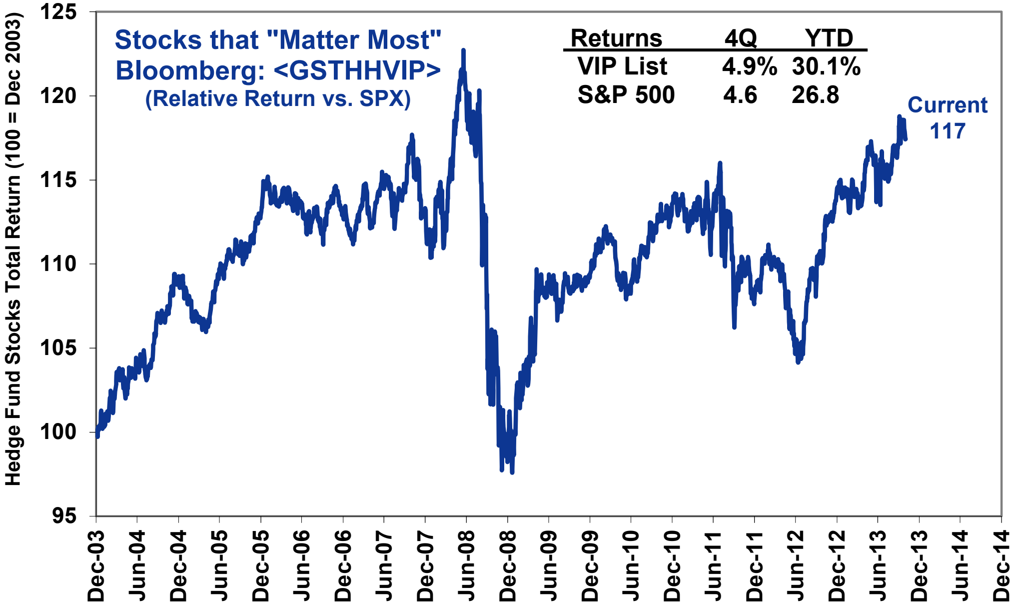
Hedge fund net positioning by sector

Sector	Aggregate Asset Allocation: Long Portfolio ($1029 bil)	Short Portfolio ($509 bil)	Allocation Difference	Net Weighting
Consumer Discretionary	21.0 %	17.0 %	408 bp	**25.0 %**
Energy	11.5	9.0	246	**13.9**
Information Technology	16.3	18.6	(239)	**13.9**
Financials	14.3	15.0	(69)	**13.7**
Industrials	10.2	10.1	13	**10.3**
Health Care	11.9	14.5	(259)	**9.4**
Materials	5.7	4.0	175	**7.5**
Consumer Staples	5.6	6.9	(134)	**4.3**
Telecom Services	1.6	2.2	(54)	**1.1**
Utilities	1.8	2.6	(87)	**0.9**
Total	100.0	100.0	0	**100.0**

Source: FactSet, Lipper, Lionshares via FactSet, IDC, Goldman Sachs Asset Management and Goldman Sachs Global Investment Research. Holdings as of June 30, 2013; Pricing as of October 18, 2013.

Stocks that "Matter Most" to hedge funds have 63% hit rate of outperformance vs. S&P 500 since 2001

Hedge Fund VIP List <GSTHHVIP>



Stocks that "Matter Most" have outperformed

Stocks that "Matter Most"
Bloomberg <GSTHHVIP>

Quarterly Relative Return vs. SPX

Maximum	674 bp
75th Percentile	188
Median	84
25th Percentile	(107)
Minimum	(785)
Standard Deviation	259
Average Excess Return (bp)	**65 bp**
Sharpe Ratio	**0.25**
Hit rate of outperformance since May 2001	63 %

Basket	Equity Cap ($ bil)	No. of funds with 10 to 200 positions owning stock 30-Jun-13	No. of funds with stock as Top 10 holding 30-Jun-13	Average portfolio weight when stock ranks among Top 10 holdings	% of Equity Cap owned by Hedge Funds 30-Jun-13	Total Return YTD	Beta
Average	$83	37	22	6 %	15 %	41 %	1.1
Median	38	31	18	6	14	37	1.0

Source: Lionshare via FactSet, IDC and Goldman Sachs Global Investment Research. As of October 31, 2013.

Hedge Fund Very Important Position (VIP) List <GSTHHVIP>

Goldman Sachs

Hedge Fund Very Important Position (VIP) Basket <GSTHHVIP>

Company	Ticker	Sub-sector	Total Return YTD	No. of funds with stock as Top 10 holding 30-Jun-13	Percent of Equity Cap owned by Hedge Funds 30-Jun-13
American Intl Group	AIG	Multi-line Insurance	41 %	69	14 %
Google Inc.	GOOG	Internet Software & Services	23	65	4
Apple Inc.	AAPL	Computer Hardware	(8)	50	2
General Motors	GM	Automobile Manufacturers	24	42	8
Citigroup Inc.	C	Other Diversified Financial Services	24	37	4
Microsoft Corp.	MSFT	Systems Software	30	32	2
Charter Communications	CHTR	Cable & Satellite	74	30	37
priceline.com	PCLN	Internet Retail	71	30	16
Hertz Global Holdings	HTZ	Trucking	42	29	34
Twenty-First Century Fox	FOXA	Movies & Entertainment	50	28	16
JPMorgan Chase	JPM	Other Diversified Financial Services	23	25	2
CBS Corp.	CBS	Broadcasting	49	24	15
Hess Corp.	HES	Integrated Oil & Gas	52	24	18
Pfizer Inc.	PFE	Pharmaceuticals	19	24	3
Delta Air Lines	DAL	Airlines	113	22	16
Liberty Global	LBTYA	Cable & Satellite	24	22	28
Life Technologies	LIFE	Life Sciences Tools & Services	53	22	25
Bank of America	BAC	Other Diversified Financial Services	21	20	1
Liberty Global Class C	LBTYK	Cable & Satellite	27	20	33
Visa Inc.	V	Data Processing & Outsourced Services	26	20	5
Anadarko Petroleum	APC	Oil & Gas Exploration & Production	27	19	8
QUALCOMM Inc.	QCOM	Communications Equipment	12	19	4
Liberty Interactive	LINTA	Catalog Retail	24	18	13
Thermo Fisher Scientific	TMO	Life Sciences Tools & Services	46	18	16
Yahoo! Inc.	YHOO	Internet Software & Services	75	17	15
Amazon.com	AMZN	Internet Retail	27%	16	3%
Zoetis Inc.	ZTS	Pharmaceuticals	NM	16	19
Assured Guaranty	AGO	Property & Casualty Insurance	39	15	31
Express Scripts Holding	ESRX	Health Care Services	16	15	6
Freeport-McMoRan Cp & Gld	FCX	Diversified Metals & Mining	5	15	6
Cheniere Energy	LNG	Oil & Gas Storage & Transportation	88	15	36
MasterCard	MA	Data Processing & Outsourced Services	37	15	4
Realogy Holdings	RLGY	Real Estate Services	3	15	62
Valeant Pharmaceuticals Intl	VRX	Pharmaceuticals	86	15	18
DISH Network Corp.	DISH	Cable & Satellite	33	14	24
Johnson & Johnson	JNJ	Pharmaceuticals	27	14	1
Liberty Media Corp.	LMCA	Broadcasting	NM	14	21
LyondellBasell Industries NV	LYB	Commodity Chemicals	35	14	20
MBIA Inc.	MBI	Property & Casualty Insurance	36	14	26
SanDisk Corp.	SNDK	Computer Storage & Peripherals	45	14	12
United Rentals	URI	Trading Companies & Distributors	33	14	16
Vodafone Sponsored ADR	VOD	Wireless Telecommunication Services	46	14	1
Wells Fargo & Co.	WFC	Diversified Banks	23	14	1
Aetna Inc.	AET	Managed Health Care	45	13	12
Capital One Financial	COF	Consumer Finance	23	13	6
Cisco Systems	CSCO	Communications Equipment	20	13	1
eBay Inc.	EBAY	Internet Software & Services	9	13	5
GSTHHVIP Average			**36%**	**22**	**14%**
Median			**30**	**18**	**13**

Source: Lionshares via FactSet, IDC, and Goldman Sachs Global Investment Research. Hedge fund holdings as of June 30, 2013; pricing as of October 31, 2013.

Goldman Sachs US Portfolio Strategy Baskets

Bloomberg <GSTH>

Goldman Sachs

Thematic Baskets

Bloomberg <GSTH1>

Macroeconomic

GSTHGARR
GSTHAINT
GSTHINTL
GSTHBETA
GSTHBRIC
GSTHWEUR

Fundamental

GSTHSEAS
GSTHUSTY
GSTHQUAL
GSTHREVG
GSTHGROE
GSTHOPHI
GSTHOPLO
GSTHHTAX
GSTHLTAX
GSTHSBAL
GSTHWBAL

Hedge Fund

GSTHHVIP
GSTHVISP
GSTHHFHI
GSTHHFSL

Valuation

GSTHDIVG
GSTHEPSR
GSTHSHRP
GSTHSVLU
GSTHAVLU

Sector Baskets

Bloomberg <GSTH2>

Cyclicals
GSSBCYCL

Defensives
GSSBDEFS

Global
GSSBGLBL

Domestic
GSSBDOMS

Global Cyclicals
GSSBGCYC

Domestic Cyclical
GSSBDCYC

Global Defensive
GSSBGDEF

Domestic Defensive
GSSBDDEF

Permission to our GS Portfolio Strategy Baskets

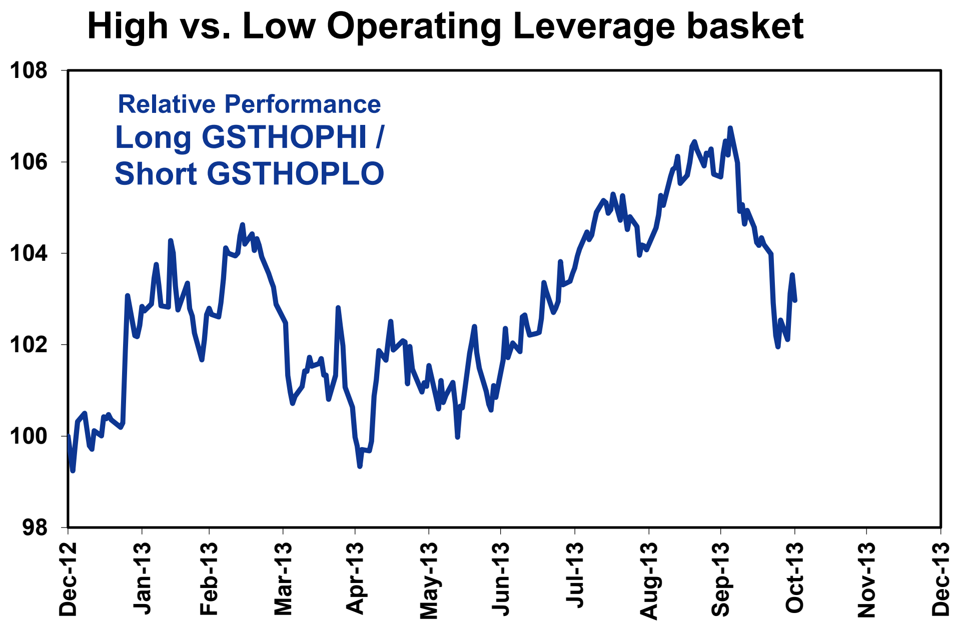
To receive access to the Goldman Sachs US Portfolio Strategy <GSTH> Bloomberg page, please follow the directions below:

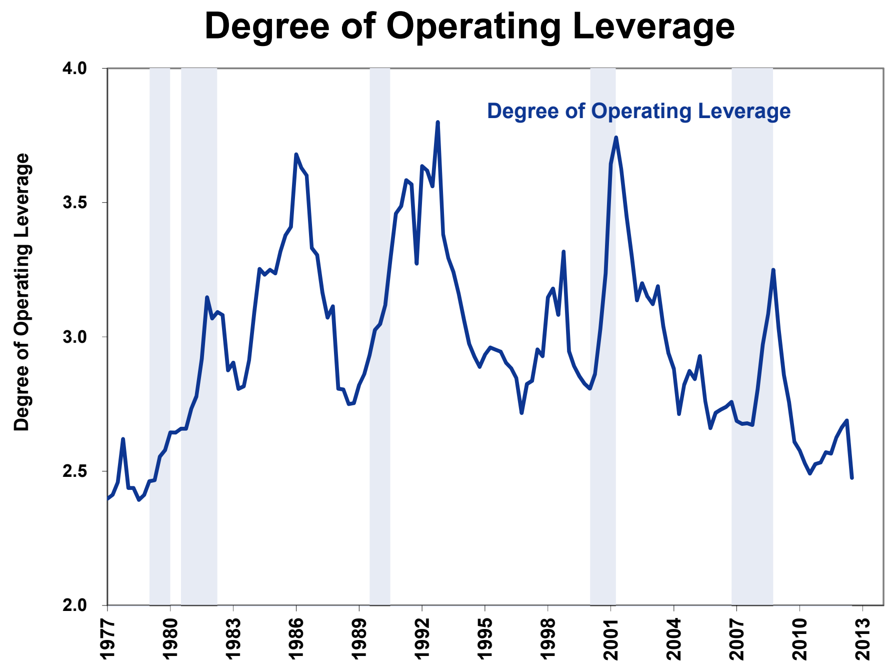
1. Please go to your Bloomberg terminal and type IAM <go>.
2. Take a screen shot of the page.
3. Send the attachment and an email to your Goldman Sachs salesperson requesting access to the US Portfolio Strategy Bloomberg <GSTH> page.

Source: Bloomberg and Goldman Sachs Global Investment Research.

High vs. Low Operating Leverage baskets <GSTHOPHI> vs. <GSTHOPLO>

Goldman Sachs





	Median Value and Growth Metrics						
	YTD Return	Beta	2014E Growth EPS	2014E Growth Sales	P/E NTM	Div Yield	Operating Leverage
High Operating Leverage	**33.5 %**	**1.1**	**16 %**	**6 %**	**17.4x**	**0.9 %**	**5.3**
Low Operating Leverage	**30.6**	**1.0**	**14**	**7**	**17.0**	**1.5**	**1.5**
S&P 500	27.3	1.0	11	5	16.3	1.7	2.7

Source: Compustat and Goldman Sachs Global Investment Research. As of October 31, 2013.

High Degree of Operating Leverage basket <GSTHOPHI>

Goldman Sachs

Company	Ticker	Market Cap ($ bil)	2014E Growth EPS	2014E Growth Sales	Degree of Operating Leverage
CONSUMER DISCRETIONARY (16% OF THE BASKET)					
General Motors	GM	$ 51	37 %	7 %	**46.7**
Amazon.com	AMZN	166	NM	22	**28.7**
Netflix Inc.	NFLX	19	NM	19	**20.0**
Abercrombie & Fitch	ANF	3	26	4	**8.5**
Expedia Inc.	EXPE	8	18	14	**7.8**
PVH Corp.	PVH	10	16	7	**5.8**
Cablevision Systems	CVC	4	77	3	**5.8**
Family Dollar Stores	FDO	8	7	6	**5.2**
Basket Median			**22 %**	**7 %**	**8.2**
Sector Median			**14**	**6**	**2.9**
CONSUMER STAPLES (14% OF THE BASKET)					
Safeway Inc.	SWY	$ 8	73 %	1 %	**15.1**
Avon Products	AVP	8	19	2	**7.8**
The Kroger Co.	KR	22	12	5	**7.3**
Whole Foods Market	WFM	24	19	14	**5.7**
The Estee Lauder Companies	EL	27	10	6	**5.5**
Sysco Corp.	SYY	19	8	5	**5.0**
Costco Wholesale	COST	52	11	9	**4.6**
Basket Median			**12 %**	**5 %**	**5.7**
Sector Median			**10**	**4**	**2.7**
ENERGY (15% OF THE BASKET)					
Pioneer Natural Resources	PXD	$ 28	19 %	14 %	**8.3**
EOG Resources	EOG	49	18	14	**5.5**
CONSOL Energy	CNX	8	NM	9	**4.1**
Nabors Industries	NBR	5	48	6	**3.7**
Range Resources	RRC	12	38	22	**3.2**
Anadarko Petroleum	APC	48	22	10	**2.8**
Noble Energy	NBL	27	26	21	**2.5**
Basket Median			**24 %**	**14 %**	**3.7**
Sector Median			**20**	**9**	**1.9**
HEALTH CARE (16% OF THE BASKET)					
Boston Scientific	BSX	$ 16	16 %	4 %	**5.3**
PerkinElmer	PKI	4	18	5	**5.2**
Bristol-Myers Squibb	BMY	86	12	6	**4.4**
Actavis	ACT	27	38	22	**4.2**
Hospira Inc.	HSP	7	5	1	**4.2**
Merck & Co.	MRK	132	1	(1)	**4.0**
DENTSPLY Intl	XRAY	7	10	4	**3.9**
Humana Inc.	HUM	14	(0)	4	**3.5**
Basket Median			**11 %**	**4 %**	**4.2**
Sector Median			**10**	**5**	**2.9**

Company	Ticker	Market Cap ($ bil)	2014E Growth EPS	2014E Growth Sales	Degree of Operating Leverage
INDUSTRIALS (12% OF THE BASKET)					
Ryder System	R	$ 3	13 %	5 %	**5.4**
Robert Half Intl	RHI	5	16	8	**4.5**
Pentair Ltd.	PNR	13	24	5	**4.1**
Tyco International	TYC	17	17	5	**3.9**
Southwest Airlines	LUV	12	19	3	**3.8**
Masco Corp.	MAS	8	44	8	**3.6**
Basket Median			**18 %**	**5 %**	**4.0**
Sector Median			**12**	**5**	**2.4**
INFORMATION TECHNOLOGY (21% OF THE BASKET)					
Electronic Arts	EA	$ 8	23 %	5 %	**20.8**
LSI Corp.	LSI	5	8	4	**8.8**
Citrix Systems	CTXS	11	14	11	**7.0**
Autodesk Inc.	ADSK	9	1	1	**6.6**
Lam Research Corp.	LRCX	9	37	14	**6.4**
NetApp Inc.	NTAP	13	16	6	**6.2**
Red Hat Inc.	RHT	8	14	14	**5.8**
Juniper Networks	JNPR	9	13	6	**5.8**
Yahoo! Inc.	YHOO	34	15	2	**5.2**
Symantec Corp.	SYMC	16	6	1	**4.6**
Broadcom Corp.	BRCM	15	(6)	3	**4.5**
Basket Median			**14 %**	**5 %**	**6.2**
Sector Median			**12**	**6**	**2.8**
MATERIALS (4% OF THE BASKET)					
United States Steel	X	$ 4	NM	6 %	**29.5**
Vulcan Materials	VMC	7	NM	11	**7.1**
Basket Median			**NM**	**8 %**	**18.3**
Sector Median			**15**	**5**	**2.6**
TELECOMMUNICATION SERVICES (2% OF THE BASKET)					
AT&T Inc.	T	$ 192	8 %	2 %	**5.9**
Basket Median			**8 %**	**2 %**	**5.9**
Sector Median			**12**	**1**	**3.6**
High Operating Leverage <GSTHOPHI> Median			**16 %**	**6 %**	**5.4**
S&P 500 (ex-Financials and Utilities) Median			**12**	**5**	**2.7**

Source: Compustat and Goldman Sachs Global Investment Research. As of October 31, 2013.

Low Degree of Operating Leverage basket <GSTHOPLO>

Company	Ticker	Market Cap ($ bil)	2014E Growth EPS	2014E Growth Sales	Degree of Operating Leverage
CONSUMER DISCRETIONARY (17% OF THE BASKET)					
Marriott Intl	MAR	$ 14	17 %	7 %	**1.1**
Omnicom Group Inc	OMC	18	10	5	**1.2**
The Walt Disney	DIS	123	16	7	**1.2**
The Interpublic of Companies	IPG	7	27	4	**1.2**
McDonald's Corp.	MCD	96	8	5	**1.5**
Chipotle Mexican Grill	CMG	16	24	17	**1.6**
Comcast Corp.	CMCSA	124	14	6	**1.6**
Starwood Hotels & Resorts	HOT	14	2	1	**1.7**
Basket Median			**15 %**	**6 %**	**1.3**
Sector Median			**14**	**6**	**2.9**
CONSUMER STAPLES (13% OF THE BASKET)					
Lorillard Inc.	LO	$ 19	12 %	9 %	**1.3**
Altria Group	MO	75	8	1	**1.3**
Reynolds American	RAI	28	6	1	**1.6**
Philip Morris Intl	PM	144	9	4	**1.6**
Hormel Foods Corp.	HRL	11	16	5	**2.0**
Monster Beverage	MNST	10	18	11	**2.1**
Kraft Foods Group	KRFT	32	13	3	**2.2**
Basket Median			**12 %**	**4 %**	**1.6**
Sector Median			**10**	**4**	**2.7**
ENERGY (13% OF THE BASKET)					
Schlumberger NV	SLB	$ 124	22 %	10 %	**1.1**
Ensco	ESV	13	17	12	**1.4**
Kinder Morgan Class P	KMI	37	11	15	**1.5**
Spectra Energy Corp	SE	24	12	6	**1.5**
Tesoro Corp.	TSO	7	50	(0)	**1.5**
Halliburton	HAL	45	33	10	**1.5**
Diamond Offshore Drilling	DO	9	19	20	**1.5**
Basket Median			**19 %**	**10 %**	**1.5**
Sector Median			**20**	**9**	**1.9**
HEALTH CARE (16% OF THE BASKET)					
Regeneron Pharmaceuticals	REGN	$ 28	57 %	29 %	**1.1**
Cigna Corp.	CI	22	8	13	**1.2**
Tenet Healthcare	THC	5	47	46	**1.6**
Gilead Sciences	GILD	109	57	26	**1.8**
DaVita HealthCare Partners	DVA	12	2	5	**1.9**
Intuitive Surgical	ISRG	15	6	7	**1.9**
Cerner Corp.	CERN	19	15	14	**2.0**
Perrigo Co.	PRGO	13	17	15	**2.0**
Basket Median			**16 %**	**14 %**	**1.8**
Sector Median			**10**	**5**	**2.9**

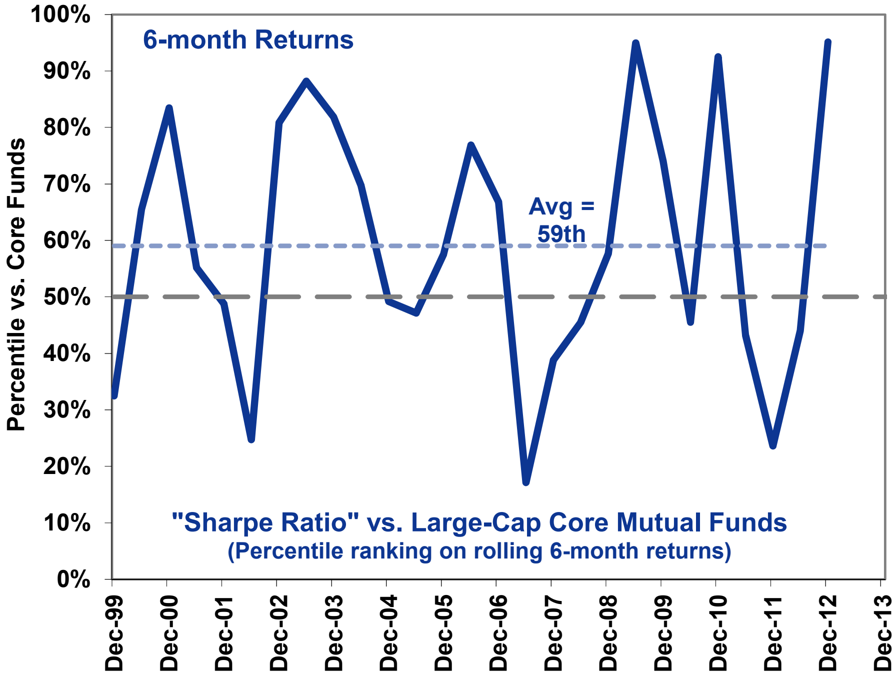
Company	Ticker	Market Cap ($ bil)	2014E Growth EPS	2014E Growth Sales	Degree of Operating Leverage
INDUSTRIALS (12% OF THE BASKET)					
Union Pacific Corp.	UNP	$ 70	14 %	6 %	**1.2**
Norfolk Southern	NSC	27	13	5	**1.3**
Kansas City Southern	KSU	13	24	13	**1.3**
Fluor Corp.	FLR	12	12	2	**1.3**
CSX Corp.	CSX	27	8	3	**1.3**
Precision Castparts	PCP	37	18	13	**1.3**
Basket Median			**14 %**	**6 %**	**1.3**
Sector Median			**12**	**5**	**2.4**
INFORMATION TECHNOLOGY (22% OF THE BASKET)					
Visa Inc.	V	$ 127	17 %	11 %	**1.1**
MasterCard	MA	86	17	12	**1.1**
Apple Inc.	AAPL	475	9	7	**1.5**
VeriSign Inc.	VRSN	8	12	6	**1.6**
Amphenol Corp.	APH	13	10	6	**1.8**
Linear Technology	LLTC	10	12	9	**1.8**
Paychex Inc.	PAYX	15	7	6	**1.9**
The Western Union	WU	9	3	3	**2.1**
Fiserv Inc.	FISV	14	11	5	**2.1**
Oracle Corp.	ORCL	155	9	4	**2.1**
KLA-Tencor Corp.	KLAC	11	20	9	**2.4**
Basket Median			**11 %**	**6 %**	**1.8**
Sector Median			**12**	**6**	**2.8**
MATERIALS (4% OF THE BASKET)					
LyondellBasell Industries NV	LYB	$ 42	18 %	5 %	**1.4**
Freeport-McMoRan Cp & Gld	FCX	38	29	12	**1.5**
Basket Median			**23 %**	**9 %**	**1.4**
Sector Median			**15**	**5**	**2.6**
TELECOMMUNICATION SERVICES (2% OF THE BASKET)					
Crown Castle Intl	CCI	$ 25	34 %	16 %	**2.0**
Basket Median			**34 %**	**16 %**	**2.0**
Sector Median			**12**	**1**	**3.6**
Low Operating Leverage <GSTHOPLO> Median			**14 %**	**7 %**	**1.5**
S&P 500 (ex-Financials and Utilities) Median			**12**	**5**	**2.7**

Source: Compustat and Goldman Sachs Global Investment Research. As of October 31, 2013.

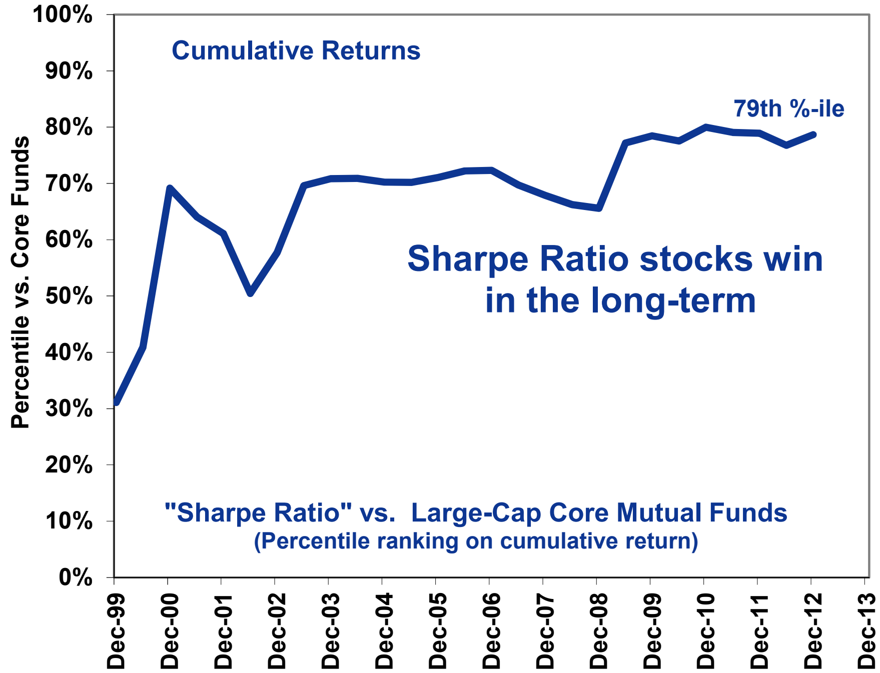
Sharpe Ratio strategy typically beats mutual funds on a 6-month basis; excess returns cumulate over time

Goldman Sachs

Strategy averages 59th percentile 6-month returns

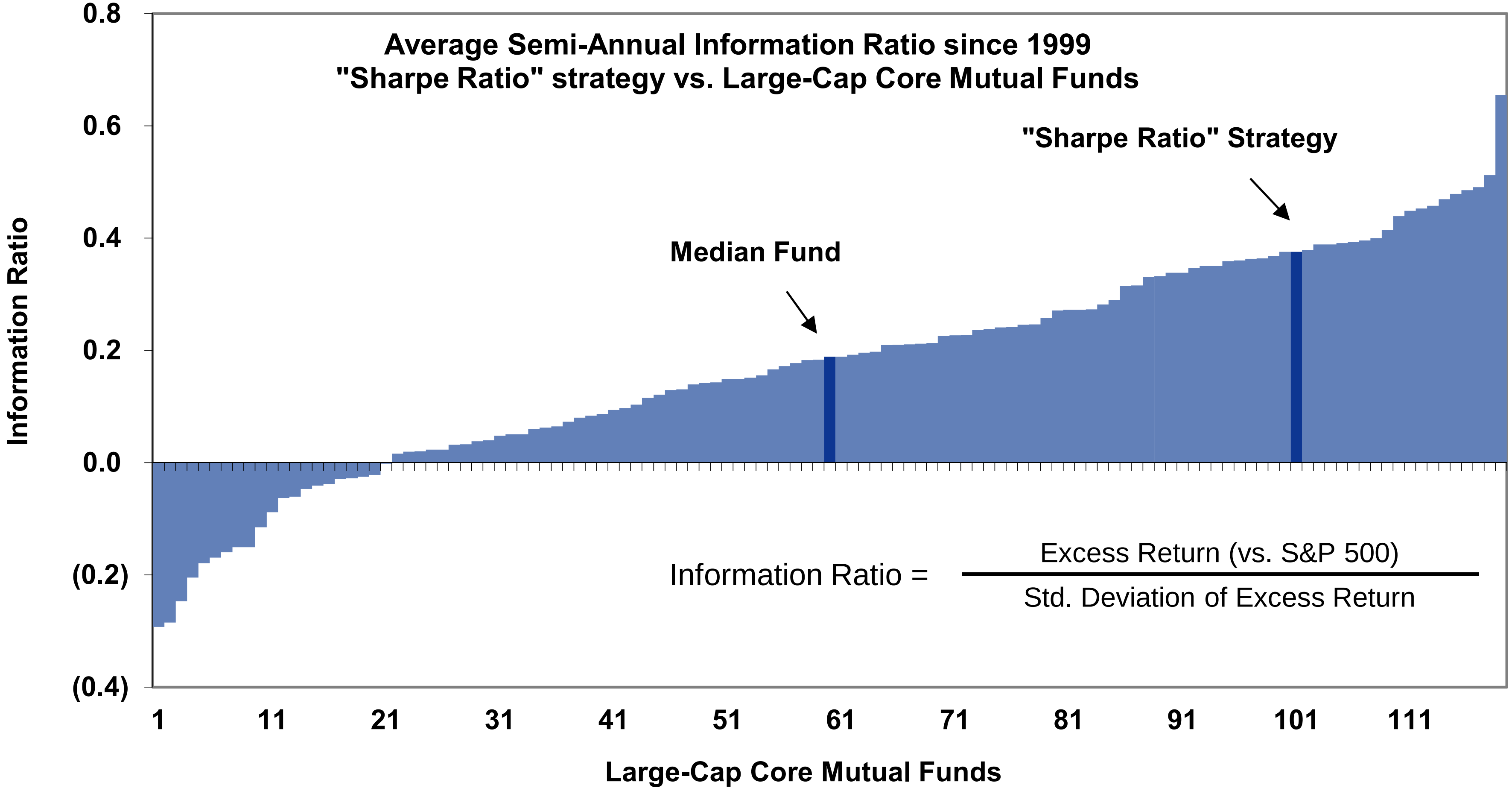


Cumulative performance of Sharpe Ratio



Source: Compustat, I/B/E/S, and Goldman Sachs Global Investment Research. As of June 11, 2013.

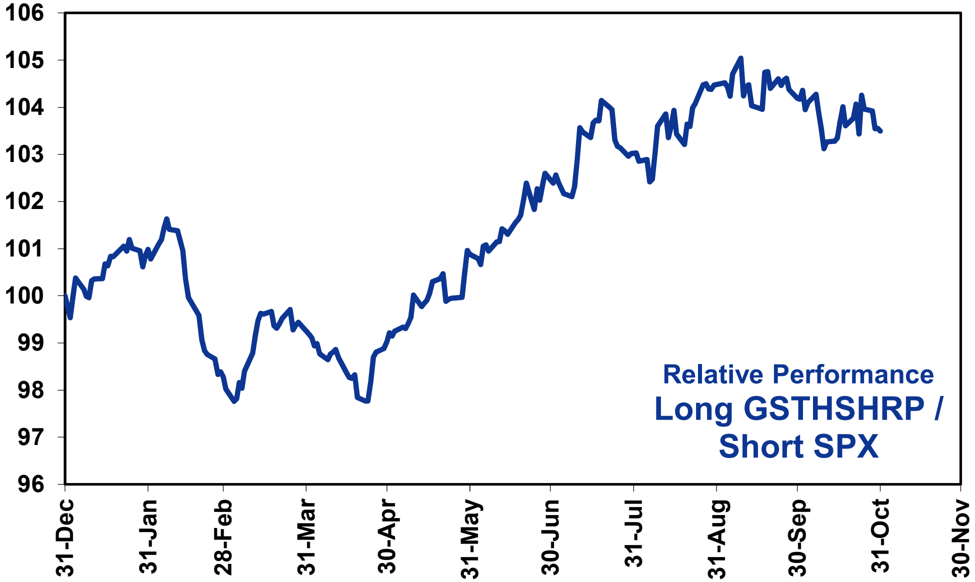
Sharpe ratio strategy has posted top-quintile results versus large-cap core mutual funds since 1999



Source: Compustat, I/B/E/S, and Goldman Sachs Global Investment Research. As of June 11, 2013.

SHRP: 50-stock sector-neutral basket with highest ratio of expected price return to six-month implied volatility

High Sharpe Ratio Basket <GSTHSHRP>



Performance of Sharpe Ratio Basket since 1999

High "Sharpe Ratio" Stocks
Bloomberg <GSTHSHRP>

Semi-Annual Return vs. SPX

Maximum	4,642	bp
75th Percentile	502	
Median	223	
25th Percentile	(70)	
Minimum	(720)	
Standard Deviation	1,032	
Avg Excess Return (bp)	**461**	**bp**
Information Ratio	**0.45**	
Hit rate of outperformance since December 1999	71 %	

Median Value and Growth Metrics

	YTD Return	SPX Beta	2013E Growth EPS	2013E Growth Sales	P/E NTM	Div Yield	Expected Return	6-Month Implied Vol	Expected Return / Implied Vol
High Sharpe Ratio	**28.8 %**	**1.1**	**7 %**	**7 %**	**16.0x**	**1.7 %**	**11 %**	**23 %**	**0.48**
S&P 500	27.3	1.0	8	4	16.3	1.7	6	23	0.28

Source: Haver Analytics, FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

High Sharpe Ratio Basket <GSTHSHRP>

Goldman Sachs

Company Name	Ticker	YTD Return	Expected Return	6-Mo Implied Vol	Expected Return / Implied Vol
CONSUMER DISCRETIONARY					
General Motors	GM	28 %	27 %	29 %	0.92
Urban Outfitters	URBN	(4)	22	29	0.74
Comcast Corp.	CMCSA	29	12	22	0.56
Wyndham Worldwide	WYN	27	10	22	0.46
Time Warner	TWX	46	7	22	0.30
Twenty-First Century Fox	FOXA	52	11	NM	NM
Basket Median		**29 %**	**12 %**	**22 %**	**0.56**
Sector Median		**35**	**6**	**25**	**0.24**
CONSUMER STAPLES					
ConAgra Foods	CAG	11 %	16 %	17 %	0.95
The Coca-Cola	KO	12	12	16	0.74
The Procter & Gamble	PG	23	7	15	0.48
Wal-Mart Stores	WMT	15	7	14	0.46
Philip Morris Intl	PM	10	7	15	0.45
Basket Median		**12 %**	**7 %**	**15 %**	**0.48**
Sector Median		**26**	**4**	**18**	**0.19**
ENERGY					
Devon Energy Corp.	DVN	23 %	18 %	24 %	0.76
Schlumberger NV	SLB	37	16	22	0.76
Denbury Resources	DNR	17	18	29	0.62
Peabody Energy	BTU	(26)	22	39	0.56
Newfield Exploration	NFX	14	17	36	0.48
Basket Median		**17 %**	**18 %**	**29 %**	**0.62**
Sector Median		**19**	**14**	**26**	**0.57**
FINANCIALS					
Simon Property Group	SPG	(0)%	16 %	19 %	0.83
American Tower	AMT	4	17	21	0.80
ACE Limited	ACE	22	12	17	0.70
The Allstate Corp.	ALL	34	9	19	0.51
HCP Inc.	HCP	(4)	9	22	0.44
The Travelers Companies	TRV	22	6	17	0.34
Host Hotels & Resorts	HST	21	7	24	0.29
Prologis Inc.	PLD	12	5	22	0.21
Basket Median		**16 %**	**9 %**	**20 %**	**0.47**
Sector Median		**28**	**7**	**22**	**0.33**
HEALTH CARE					
Merck & Co.	MRK	13 %	12 %	17 %	0.73
Abbott Laboratories	ABT	19	12	18	0.69
Allergan Inc.	AGN	(1)	15	23	0.66
Cigna Corp.	CI	44	15	25	0.60
Gilead Sciences	GILD	94	10	29	0.35
Amgen Inc.	AMGN	37	8	25	0.33
Basket Median		**28 %**	**12 %**	**24 %**	**0.63**
Sector Median		**36**	**8**	**23**	**0.33**

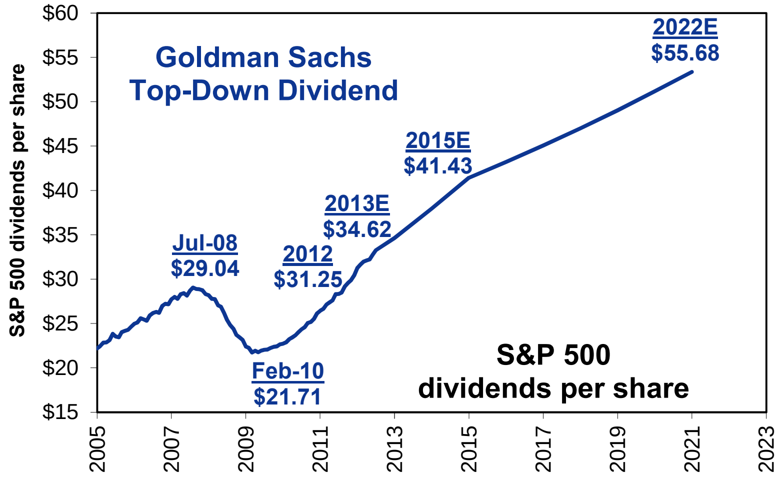
Company Name	Ticker	YTD Return	Expected Return	6-Mo Implied Vol	Expected Return / Implied Vol
INDUSTRIALS					
Iron Mountain	IRM	(12)%	33 %	41 %	0.81
Quanta Services	PWR	11	14	26	0.56
Caterpillar	CAT	(5)	8	20	0.41
Deere & Co.	DE	(4)	5	21	0.22
FedEx Corp.	FDX	43	(2)	24	(0.09)
Basket Median		(4)%	8 %	24 %	0.41
Sector Median		**32**	**6**	**21**	**0.27**
INFORMATION TECHNOLOGY					
EMC Corp.	EMC	(4)%	23 %	23 %	1.03
Red Hat Inc.	RHT	(18)	29	32	0.89
Citrix Systems	CTXS	(13)	26	32	0.81
eBay Inc.	EBAY	3	18	26	0.68
Broadcom Corp.	BRCM	(19)	13	30	0.44
Apple Inc.	AAPL	0	10	27	0.39
QUALCOMM Inc.	QCOM	14	7	22	0.35
Cognizant Tech Solutions	CTSH	18	5	30	0.16
salesforce.com, inc.	CRM	27	0	35	0.01
Basket Median		**0 %**	**13 %**	**30 %**	**0.44**
Sector Median		**27**	**7**	**25**	**0.30**
MATERIALS					
Newmont Mining	NEM	(40)%	17 %	37 %	0.48
Freeport-McMoRan Cp & Gld	FCX	15	7	27	0.24
Basket Median		**(12)%**	**12 %**	**32 %**	**0.36**
Sector Median		**18**	**4**	**24**	**0.17**
TELECOMMUNICATION SERVICES					
Crown Castle Intl	CCI	5 %	15 %	23 %	0.66
Frontier Communications	FTR	11	7	25	0.28
Basket Median		**8 %**	**11 %**	**24 %**	**0.47**
Sector Median		**12**	**7**	**21**	**0.36**
UTILITIES					
PPL Corp.	PPL	11 %	7 %	14 %	0.48
The AES Corp.	AES	33	7	23	0.30
Basket Median		**22 %**	**7 %**	**18 %**	**0.39**
Sector Median		**14**	**4**	**17**	**0.28**
Basket Median		13 %	11 %	23 %	0.48
S&P 500 Median		27	6	23	0.28

Source: Goldman Sachs Global Investment Research. As of October 31, 2013.

Our 2013-2022 dividend forecast is currently in-line with the dividend swap market at 6% CAGR growth

Goldman Sachs

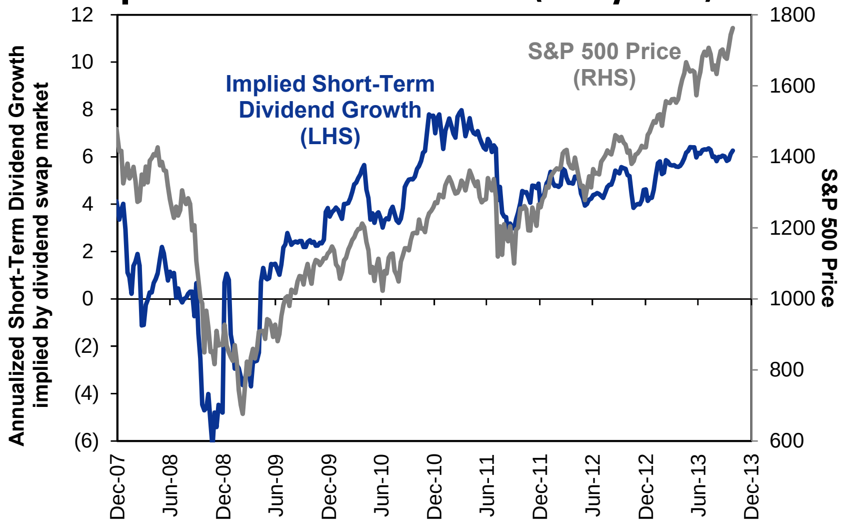
Goldman Sachs S&P 500 dividend forecast



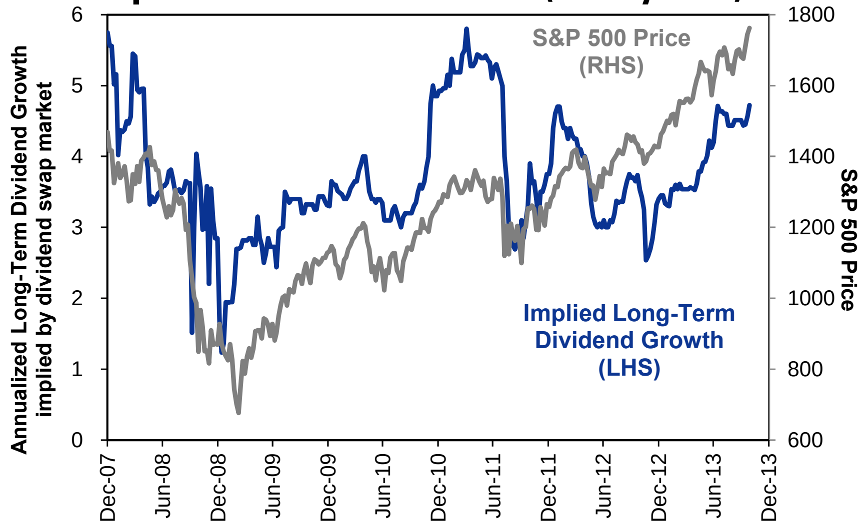
Dividend forecasts, 2013-2022

	Goldman Sachs Top-down Forecast		Dividend Swap Level		GS vs. Div Swap
	Level	Growth	Level	Growth	Level
2012	$31.25	18.2 %	$31.25	18.2 %	
2013	34.62	10.8	34.81	11.4	(1)%
2014	37.97	9.7	38.11	9.5	(0)
2015	41.43	9.1	40.55	6.4	2
2016	43.20	4.3	42.76	5.5	1
2017	45.07	4.3	44.92	5.0	0
2018	47.02	4.3	47.14	4.9	(0)
2019	49.05	4.3	49.45	4.9	(1)
2020	51.17	4.3	51.85	4.8	(1)
2021	53.37	4.3	54.34	4.8	(2)
2022	55.68	4.3	56.92	4.8	(2)

Implied Dividend Growth (0-5 years)



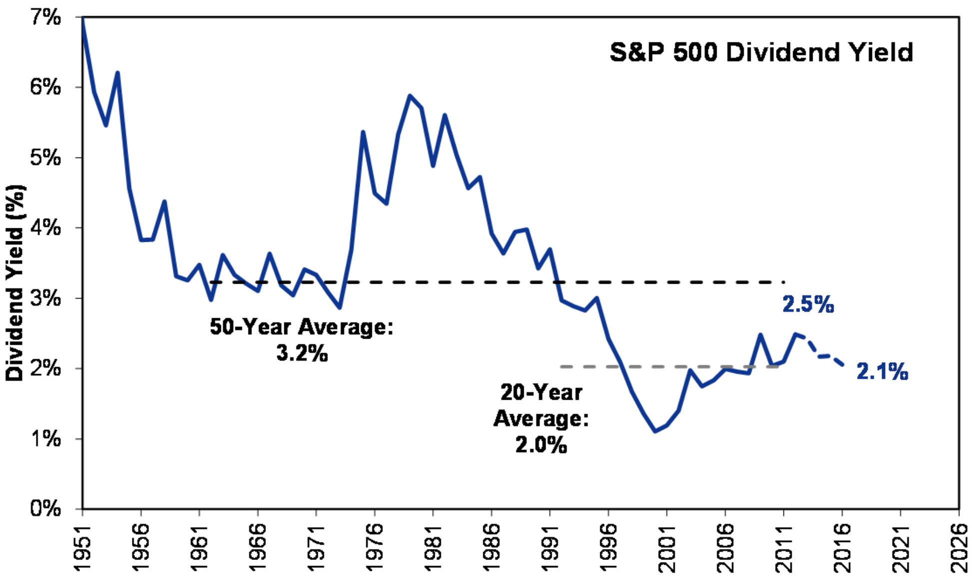
Implied Dividend Growth (6-10 years)



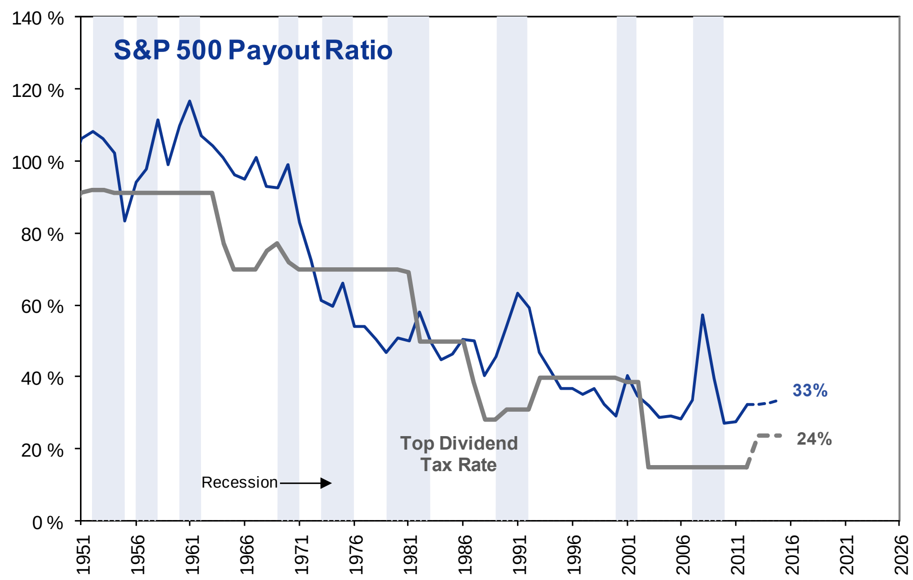
Source: US Treasury, Compustat, and Goldman Sachs Global Investment Research. As of October 28, 2013.

S&P 500 dividend yield has averaged 2% during the past 20 years; dividend payout ratio is currently 33%

S&P 500 dividend yield



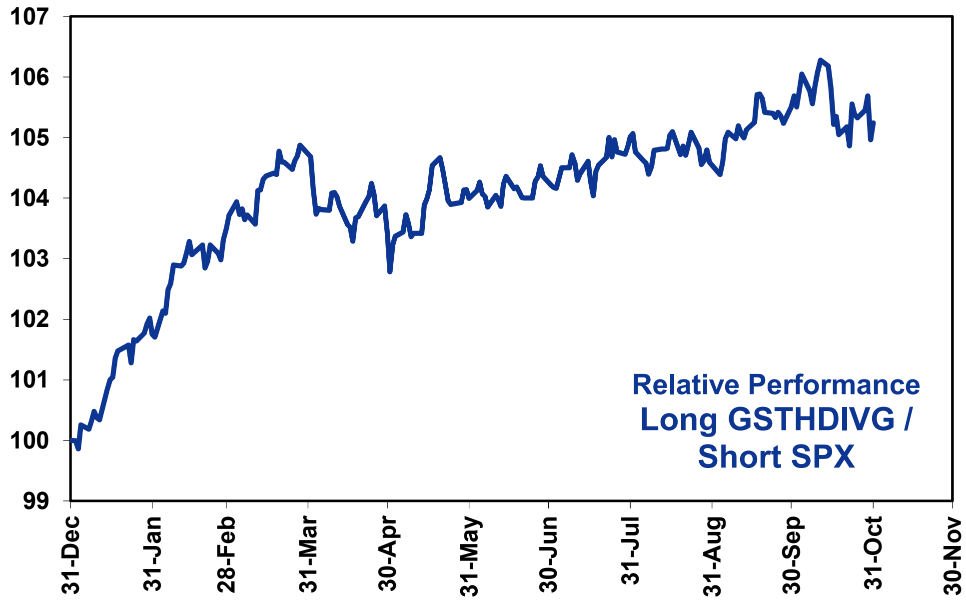
S&P 500 dividend payout ratio



Source: US Treasury, Compustat, and Goldman Sachs Global Investment Research. As of October 31, 2013.

DIVG: 50-stock sector-neutral basket combines high dividend yield and growth

Dividend Growth Basket <GSTHDIVG>



S&P 500 sector concentration for 2013E dividends

	Market cap		2013E DPS			
Sector	**($Bil)**	**Share**	**Points**	**Share**	**Yield**	**Growth**
Info Tech	$2,781	18 %	$4.96	**14 %**	1.6 %	24 %
Consumer Staples	1,600	10	4.81	**14**	2.7	7
Financials	2,515	16	4.69	**14**	1.7	15
Health Care	2,046	13	3.98	**12**	1.7	6
Energy	1,640	10	3.91	**11**	2.1	15
Industrials	1,698	11	3.78	**11**	2.0	5
Consumer Discretionary	1,956	12	2.96	**9**	1.3	15
Utilities	493	3	2.16	**6**	3.9	4
Telecom Services	391	2	2.04	**6**	4.6	(4)
Materials	547	3	1.34	**4**	2.2	15
S&P 500	**$15,668**	**100 %**	**$34.62**	**100 %**	**2.0 %**	**11 %**

Median Value and Growth Metrics

	YTD	SPX	2013E Growth		P/E	Div	Dividend Growth	
	Return	**Beta**	**EPS**	**Sales**	**NTM**	**Yield**	**2013**	**2014**
Dividend Growth	**30.5 %**	**1.0**	**4 %**	**2 %**	**14.1x**	**2.5 %**	**16.1 %**	**10.8 %**
S&P 500	27.9	1.0	8	4	16.4	1.7	8.1	7.5

Source: Haver Analytics, FactSet and Goldman Sachs Global Investment Research. As of October 31, 2013.

Dividend Growth Basket <GSTHDIVG>

Goldman Sachs

Company Name	Ticker	Price 1-Nov-13	Market Cap ($ bil)	Ann. Payout Ratio	2013E Dividend Yield	Dividend Growth 2013E Growth	Dividend Growth 2014E Growth	2012-2014 Dividend CAGR	2014E Cash Return on Cash Invested
CONSUMER DISCRETIONARY									
Darden Restaurants	DRI	$51.48	$7	72 %	4.1 %	13 %	7 %	10 %	4.4 %
Mattel Inc.	MAT	44.81	15	50	3.2	16	11	14	3.6
Kohl's Corp.	KSS	56.85	12	32	2.5	9	11	10	2.7
Ford Motor Co.	F	16.89	67	23	2.4	100	20	55	2.8
Time Warner Cable	TWC	123.51	35	36	2.1	16	12	14	2.4
Coach Inc.	COH	50.42	14	37	2.6	17	13	15	2.9
CONSUMER STAPLES									
Philip Morris Intl	PM	$89.76	$145	64 %	4.0 %	10 %	10 %	10 %	4.4 %
Safeway Inc.	SWY	35.16	8	49	2.2	16	13	14	2.5
Molson Coors Brewing	TAP	53.99	9	32	2.4	0	7	3	2.5
Walgreen Co.	WAG	60.52	53	36	1.9	18	11	14	2.2
Coca-Cola Enterprises	CCE	41.77	10	29	1.9	25	15	20	2.2
ENERGY									
Chevron Corp.	CVX	$118.01	$228	33 %	3.3 %	11 %	10 %	11 %	3.6 %
Exxon Mobil Corp.	XOM	89.82	395	32	2.7	13	10	11	3.0
Occidental Petroleum	OXY	95.65	77	35	2.7	19	8	13	2.9
Noble Corp.	NE	37.15	9	16	2.0	41	32	36	2.7
Marathon Oil Corp.	MRO	35.27	25	24	2.0	6	6	6	2.2
FINANCIALS									
Apartment Investment and Mg	AIV	$27.65	$4	44 %	3.5 %	26 %	13 %	19 %	3.9 %
Invesco Ltd.	IVZ	33.84	15	38	2.5	32	12	22	2.8
JPMorgan Chase	JPM	52.51	198	33	2.6	18	19	19	3.1
U.S. Bancorp	USB	37.37	69	31	2.4	13	14	14	2.7
Huntington Bancshares	HBAN	8.85	7	29	2.1	19	21	20	2.6
SLM Corp.	SLM	25.25	11	24	2.4	20	13	17	2.7
KeyCorp	KEY	12.54	11	22	1.7	19	9	14	1.9
First Horizon National	FHN	10.91	3	26	1.8	400	40	165	2.6
HEALTH CARE									
Pfizer Inc.	PFE	$31.17	$206	42 %	3.1 %	9 %	8 %	9 %	3.3 %
Johnson & Johnson	JNJ	93.37	263	47	2.8	8	8	8	3.0
Cardinal Health	CAH	60.25	20	33	2.0	25	(2)	11	2.0
Baxter Intl	BAX	65.75	36	39	2.9	22	2	12	3.0
St. Jude Medical	STJ	58.14	17	26	1.7	9	8	8	1.9
Becton, Dickinson and	BDX	105.17	20	32	1.9	8	5	6	2.0

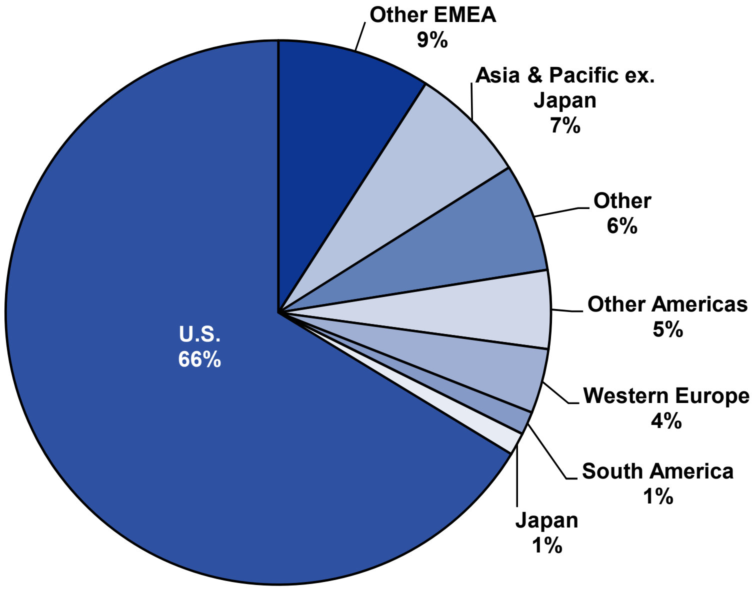
Company Name	Ticker	Price 1-Nov-13	Market Cap ($ bil)	Ann. Payout Ratio	2013E Dividend Yield	Dividend Growth 2013E Growth	Dividend Growth 2014E Growth	2012-2014 Dividend CAGR	2014E Cash Return on Cash Invested
INDUSTRIALS									
General Electric	GE	$26.54	$270	44 %	3.0 %	13 %	15 %	14 %	3.4 %
Norfolk Southern	NSC	87.00	27	34	2.3	5	8	6	2.5
Stanley Black & Decker	SWK	79.05	13	38	2.5	10	8	9	2.7
Eaton Corp.	ETN	70.67	33	35	2.4	11	10	10	2.6
CSX Corp.	CSX	26.28	27	31	2.2	9	7	8	2.4
INFORMATION TECHNOLOGY									
The Western Union	WU	$17.48	$10	35 %	2.9 %	21 %	13 %	17 %	3.3 %
Texas Instruments	TXN	42.03	46	58	2.5	49	12	29	2.9
Harris Corp.	HRS	61.72	7	35	2.6	13	9	11	2.8
Microsoft Corp.	MSFT	35.53	269	41	2.7	17	18	17	3.2
Corning Inc.	GLW	17.13	25	29	2.3	24	3	13	2.3
QUALCOMM Inc.	QCOM	69.90	120	30	1.9	35	31	33	2.4
Accenture	ACN	73.00	47	41	2.4	17	16	17	2.8
Xilinx Inc.	XLNX	45.28	12	43	2.1	14	9	12	2.3
Motorola Solutions	MSI	62.39	15	29	1.8	19	14	16	2.1
MATERIALS									
The Dow Chemical	DOW	$38.95	$47	49 %	3.4 %	8 %	7 %	8 %	3.6 %
LyondellBasell Industries NV	LYB	73.93	33	30	2.7	46	23	34	3.3
TELECOMMUNICATION SERVICES									
AT&T Inc.	T	$36.24	$192	69 %	5.0 %	2 %	2 %	2 %	5.1 %
Verizon Communications	VZ	50.49	144	64	4.1	3	3	3	4.2
UTILITIES									
ONEOK Inc.	OKE	$56.40	$12	83 %	2.6 %	17 %	22 %	19 %	3.2 %
NextEra Energy	NEE	88.14	37	53	3.0	10	11	10	3.3
Dividend Growth <GSTHDIVG> Median			**$26**	**35%**	**2.5%**	**16%**	**11%**	**13 %**	**2.8 %**
S&P 500 Median		**1762**	**15**	**27**	**1.7**	**8**	**8**	**8**	**1.9**

Source: Bloomberg LP, Compustat, FirstCall, IDC via FactSet and Goldman Sachs Global Investment Research. As of November 1, 2013.

S&P 500 foreign revenues by region and sector

Non-US sales account for 34% of S&P 500 revenues

Revenues by region for the S&P 500



2012 S&P 500 foreign revenues by sector

Sector	Revenues ($ Billions) Total	Foreign	Foreign Sales Exposure
Information Technology	$1,110	$658	**59 %**
Materials	412	196	**47**
Energy	1,601	749	**47**
Industrials	1,121	462	**41**
Consumer Staples	1,594	486	**31**
Consumer Discretionary	1,353	356	**26**
Financials	1,273	291	**23**
Health Care	1,192	246	**21**
Utilities	318	21	**7**
Telecom Services	310	0	**0**
S&P 500 (sales weighted)	**$10,283**	**$3,465**	**34 %**

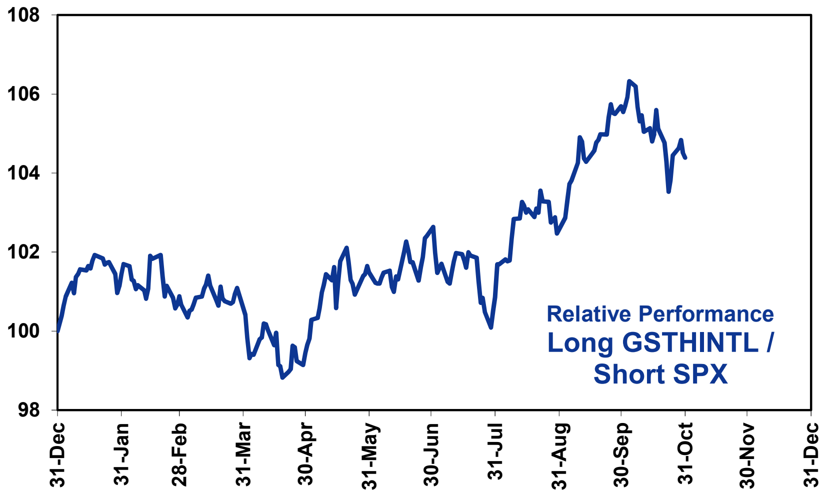
Source: Company 10-K filings, FactSet, Worldscope, Compustat, and Goldman Sachs Global Investment Research.

Geographic sales baskets – Performance vs. S&P 500

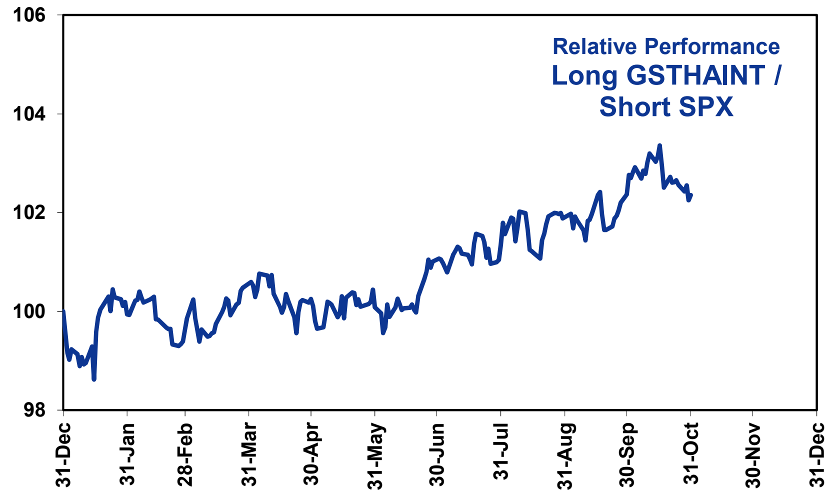
International sales, US sales, BRICs sales, Europe sales

Goldman Sachs

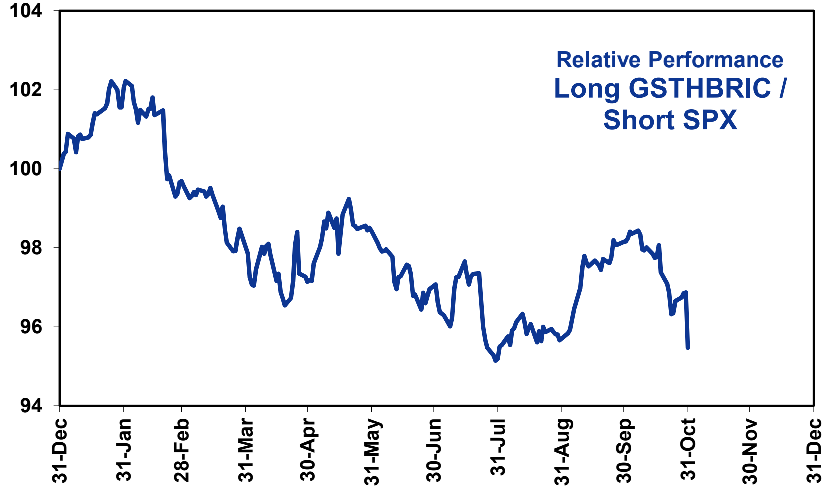
International Sales <GSTHINTL>



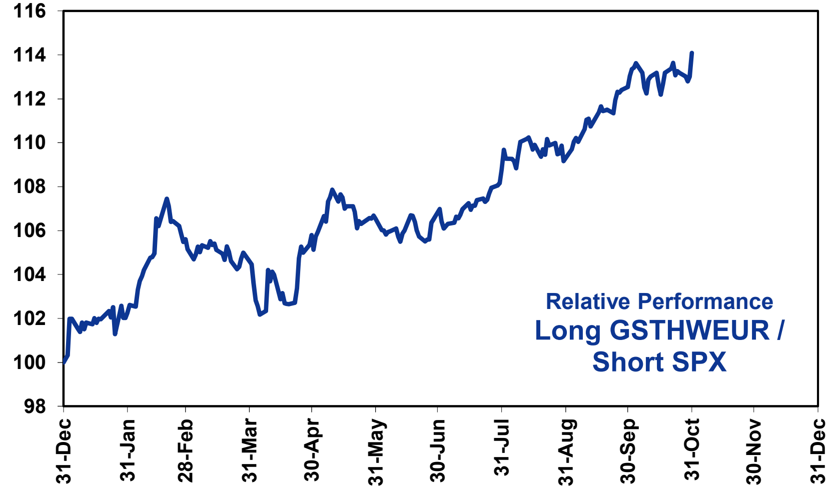
US Sales <GSTHAINT>



BRICs Sales <GSTHBRIC>



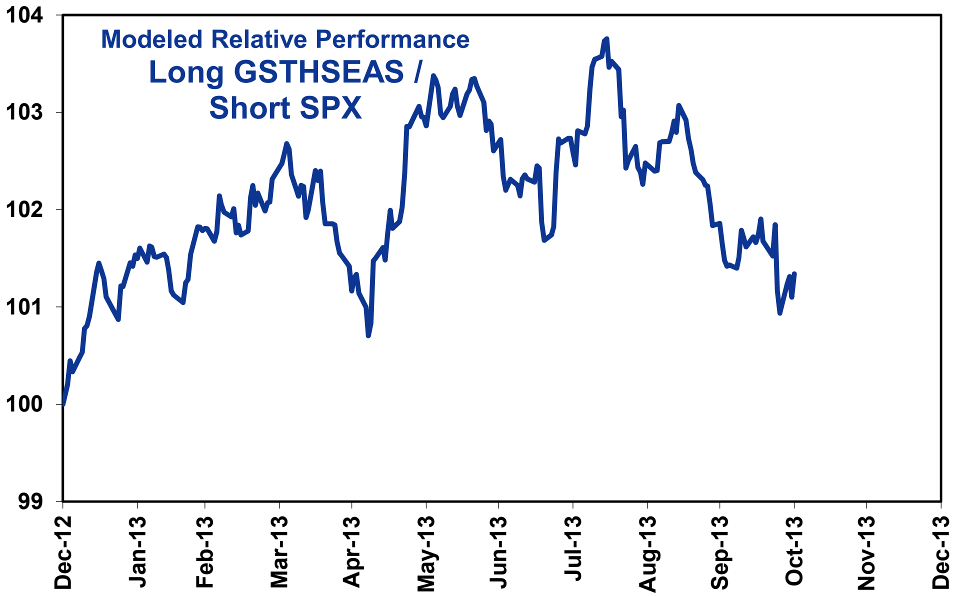
Western European Sales <GSTHWEUR>



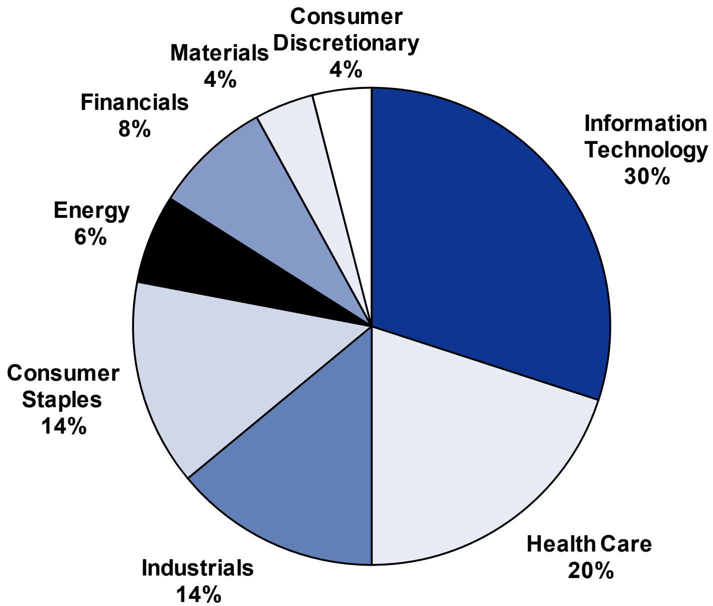
Source: FactSet , Compustat, FirstCall, I/B/E/S and Goldman Sachs Global Investment Research. As of October 31, 2013.

SEAS: Top 50 S&P 500 companies have $1.3 trillion of earnings permanently reinvested overseas

High overseas earnings balance basket



Sector composition of GSTHSEAS basket



Median Value and Growth Metrics

	YTD Return	SPX Beta	2013E Growth EPS	2013E Growth Sales	P/E NTM	Div Yield	Overseas Earnings	Non-US Sales
Overseas Earnings	**NM**	**0.9**	**5 %**	**1 %**	**14.9x**	**2.4 %**	**53 %**	**57 %**
S&P 500	27.3	1.0	8	4	16.3	1.7	**NA**	**31**

Source: Compustat and Goldman Sachs Global Investment Research. As of October 31, 2013.

High overseas earnings balance basket <GSTHSEAS>

Company	Ticker	Market Cap ($ bil)	Overseas Earnings Permanently Reinvested Value ($ bil)	Overseas Earnings Permanently Reinvested Yr/Yr Change	Non-US Sales	10-Year Median Tax Rate
CONSUMER DISCRETIONARY						
McDonald's Corp.	MCD	$ 96	**$ 15**	17 %	66 %	30 %
Twenty-First Century Fox	FOXA	79	**8**	(2)	45	NM
CONSUMER STAPLES						
The Procter & Gamble	PG	$ 221	**$ 39**	11 %	65 %	27 %
PepsiCo Inc.	PEP	130	**32**	(6)	49	26
The Coca-Cola	KO	175	**27**	14	59	23
Wal-Mart Stores	WMT	250	**19**	(3)	29	33
Philip Morris Intl	PM	144	**18**	20	100	29
Mondelez Intl	MDLZ	60	**11**	6	83	29
Kimberly-Clark	KMB	41	**10**	13	53	24
ENERGY						
Exxon Mobil Corp.	XOM	$ 394	**$ 43**	(9)%	67 %	41 %
Chevron Corp.	CVX	232	**27**	9	60	43
Apache Corp.	APA	36	**16**	16	63	41
FINANCIALS						
Citigroup Inc.	C	$ 148	**$ 43**	19 %	58 %	27 %
JPMorgan Chase	JPM	194	**25**	15	19	30
Bank of America	BAC	150	**17**	(7)	13	NM
American Express	AXP	88	**9**	10	30	29
HEALTH CARE						
Pfizer Inc.	PFE	$ 203	**$ 73**	16 %	61 %	20 %
Merck & Co.	MRK	132	**53**	21	57	27
Johnson & Johnson	JNJ	261	**49**	18	56	23
Abbott Laboratories	ABT	57	**40**	25	58	20
Amgen Inc.	AMGN	87	**22**	14	22	20
Bristol-Myers Squibb	BMY	86	**21**	14	41	23
Eli Lilly and	LLY	56	**21**	2	46	22
Medtronic Inc.	MDT	57	**20**	14	45	19
Boston Scientific	BSX	16	**11**	7	47	NM
Baxter Intl	BAX	36	**11**	19	57	20

Company	Ticker	Market Cap ($ bil)	Overseas Earnings Permanently Reinvested Value ($ bil)	Overseas Earnings Permanently Reinvested Yr/Yr Change	Non-US Sales	10-Year Median Tax Rate
INDUSTRIALS						
General Electric	GE	$ 266	**$ 108**	6 %	52 %	16 %
United Technologies	UTX	97	**22**	NA	44	27
Caterpillar	CAT	53	**15**	15	69	27
Honeywell Intl	HON	68	**12**	43	54	26
Danaher Corp.	DHR	50	**9**	19	57	24
3M Co.	MMM	86	**9**	21	65	31
Illinois Tool Works	ITW	35	**8**	32	57	30
INFORMATION TECHNOLOGY						
Microsoft Corp.	MSFT	$ 295	**$ 61**	36 %	47 %	25 %
International Bus. Machines	IBM	196	**44**	17	65	27
Cisco Systems	CSCO	121	**41**	13	51	22
Apple Inc.	AAPL	475	**40**	73	61	29
Hewlett-Packard	HPQ	47	**33**	15	65	20
Google Inc.	GOOG	343	**33**	34	53	25
Oracle Corp.	ORCL	155	**26**	25	58	28
Dell Inc.	DELL	24	**19**	19	50	23
TE Connectivity	TEL	21	**18**	6	72	NM
Intel Corp.	INTC	122	**18**	23	84	28
QUALCOMM Inc.	QCOM	119	**16**	21	95	21
eBay Inc.	EBAY	68	**12**	19	52	23
Corning Inc.	GLW	25	**12**	10	77	NM
Xerox Corp.	XRX	12	**8**	4	34	26
EMC Corp.	EMC	50	**8**	27	47	19
MATERIALS						
The Dow Chemical	DOW	$ 48	**$ 15**	14 %	68 %	26 %
E. I. du Pont de Nemours	DD	57	**13**	(1)	62	18
GSTHSEAS		**$ 6,266**	**$ 1,281**		53 %	

Source: Compustat and Goldman Sachs Global Investment Research. As of October 31, 2013.

Disclosure Appendix

November 5, 2013

Disclosure Appendix

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