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It's time to redefine emerging markets:

"Growth Markets" – an introduction

The BRIC concept was the dominant theme of the last decade

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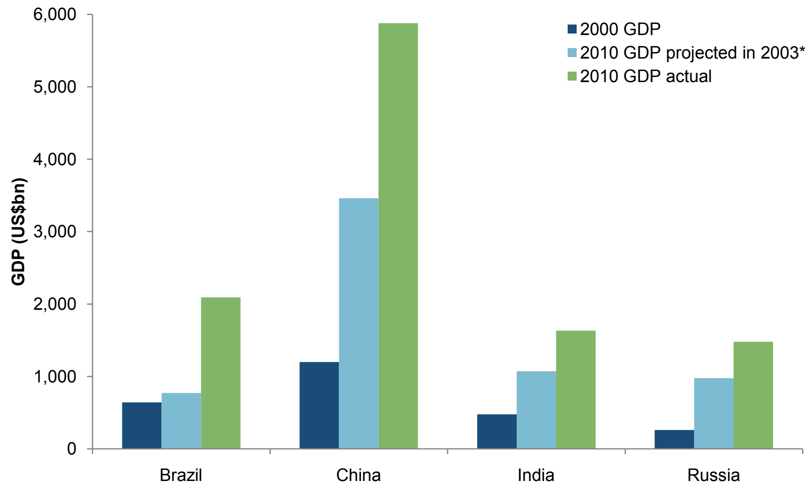
In 2001, Jim O'Neill first identified the BRICs; 10 years later, they have exceeded even our growth expectations[1]



[1] Source: GSAM, GS Global ECS Research, as at Oct-11. * Re-scaled using US implicit GDP deflator.

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Are these characteristics of traditional Emerging Markets?

- Home to almost 20% of Fortune 500 companies[1] and 30% of the world's billionaires[2].
- Average investment grade sovereign debt rating[3].
- Home to fifteen of the world's twenty largest cities[4].
- Six out of the fifteen largest economies, including the world's second largest[5].
- Eight out of the top ten contributors to global growth over the coming decade[6].

[1] Source: Fortune magazine, 2010 Global Fortune 500.
[2] Source: Forbes magazine, 2010 World Billionaires.
[3] Source: S&P, Moody's, Fitch, as at 1-Jan-11.
[4] Source: http://www.citypopulation.de/world/Agglomerations.html.
[5] Source: IMF World Economic Outlook 2010, as at October 2010.
[6] Source: GSAM, "It is Time to Re-define Emerging Markets", 31-Jan-11.

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Redefining Emerging Markets: introduction to Growth Markets

200+ countries in the world[1]

Developed Markets[2]

- High average income per capita
- Advanced stages of economic development
- Open and transparent financial markets

32 countries[2]

For example; **US**, **Japan**, **Germany**, **UK** and **other G7 countries**.

Growth Markets

- Current share of global GDP ≥ 1%
- Favourable demographics and rising productivity going forward
- Adequate market size and depth to achieve scale and liquidity

8 countries

BRICs (Brazil, Russia, India & China)

South Korea, **Mexico, Indonesia** and **Turkey**.

Emerging Markets

- Current share of global GDP < 1%
- Generally low GDP and incomes per capita, but rapidly increasing in places
- Scope for improvement of investment environment

160+ countries

For example; **Nigeria**, **Vietnam**, **Philippines**, **Iran**, **Egypt**, **Pakistan** and **Bangladesh**.

N-11

Source: GSAM, "It is Time to Re-define Emerging Markets", 31-Jan-11.
[1] Source: IMF, as at Apr-11.
[2] Consistent with the IMF's definition of advanced economies, ex Korea. As at Apr-11.

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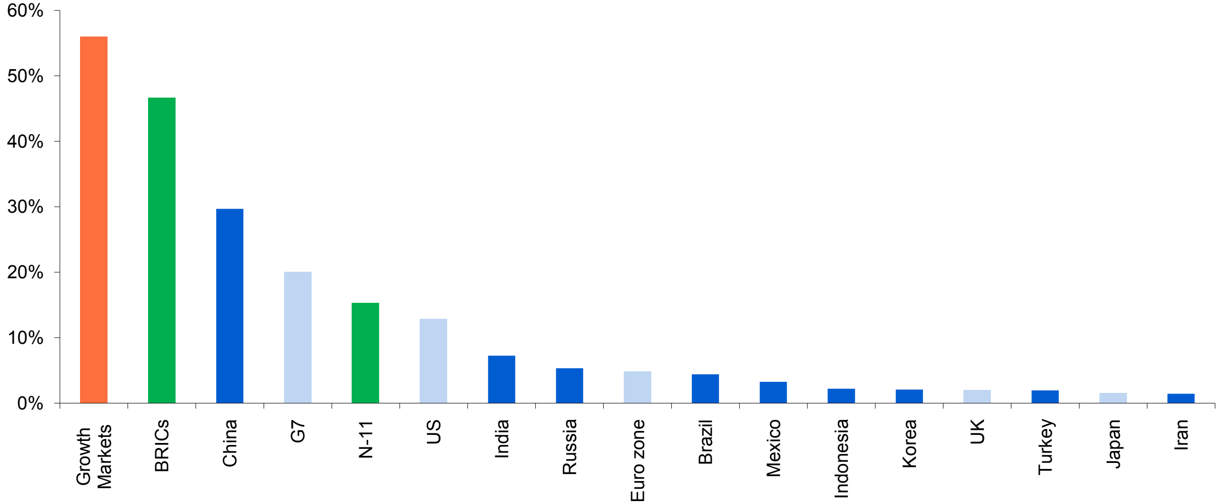
We believe the Growth Markets will be 8 out of the top 10 contributors to global growth over the next decade

Contribution to Global GDP (2010-2019)[1]



[1] Source: Global ECS Research, Global Economics Paper 208, "The BRICs 10 Years On: Halfway Through The Great Transformation", as at 7-Dec-11.

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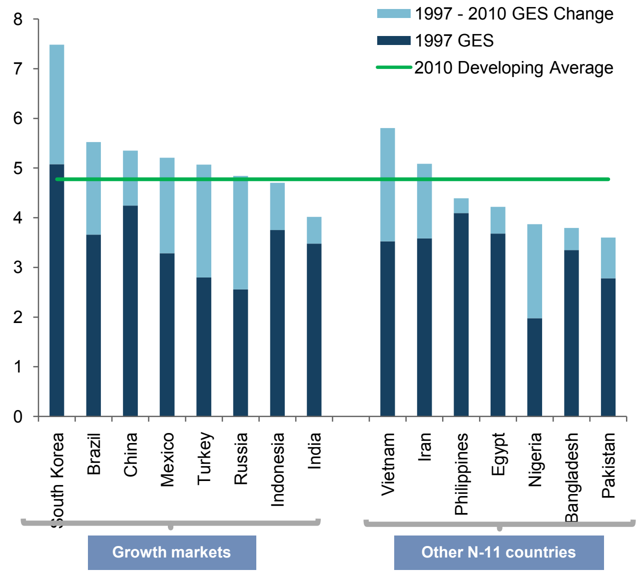
Growth Markets have the essential growth conditions in place

Growth Environment Scores

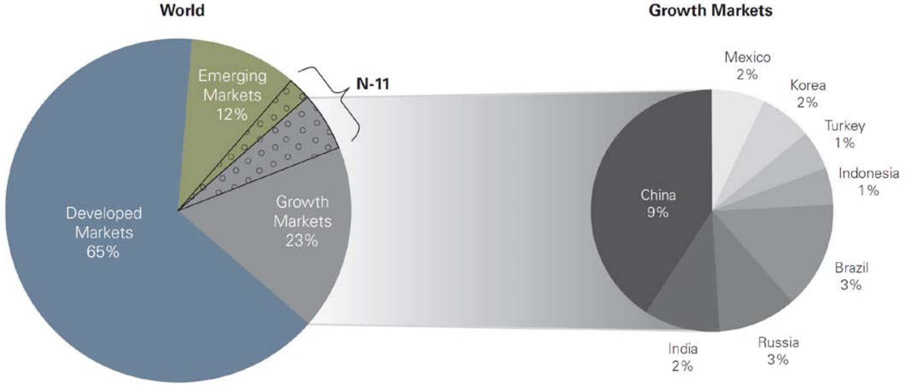
- The Growth Environment Score (GES) is calculated every year by Goldman Sachs for over 180 countries.
- It monitors productivity and sustainability of growth.
- Scores range from 0-10 (where 0 is the worst and 10 is the best).
- The factors considered are:

Macroeconomic stability	Inflation Government balance External debt
Macroeconomic conditions	Investment rates Openness of the economy
Technological capabilities	Phone penetration Personal computer penetration Internet penetration
Human capital	Educational levels Life expectancy
Political conditions	Political stability Rule of law Corruption indices



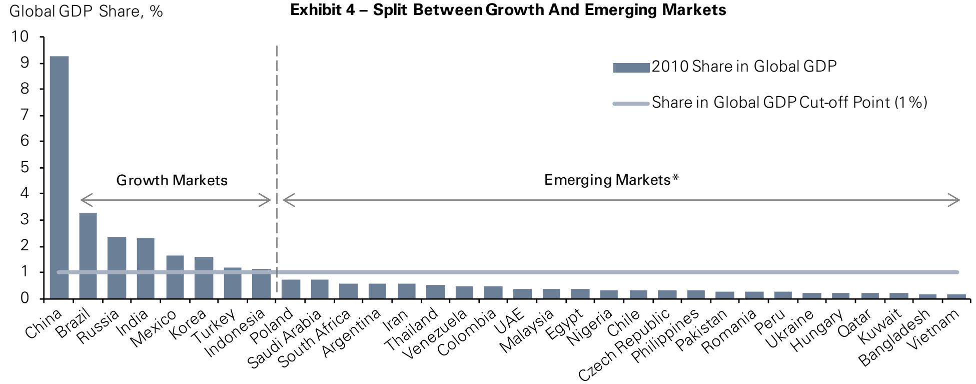
The Growth Environment Scores (GES) are designed as a simple representation of the conditions necessary for convergence (i.e. catch-up growth) to occur. For an equivalent GES, less developed countries should grow faster. Some simple regressions of growth on income per capita and the index suggest that one point on the index adds about 0.6% to a country's growth rate, and there is also evidence that it increases the convergence speed significantly. (Definition source: GS Global Economics Paper No:134 "How Solid are the BRICs? - Appendix 2: Measuring Conditions: How the GES is Compiled", as at 1-Dec-05).

Exhibit 3 – Country Classification (2010 GDP Share)



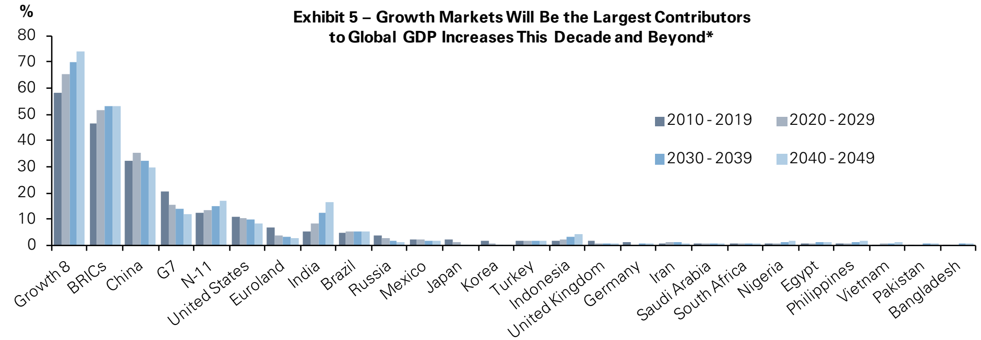
Source: GSAM

Exhibit 4 – Split Between Growth And Emerging Markets



*Up to the smallest N-11. Source: IMF World Economic Outlook 2010, GSAM calculations

Exhibit 5 – Growth Markets Will Be the Largest Contributors to Global GDP Increases This Decade and Beyond*



*Original projections re-based from 2007 to 2010. Source: GS Global ECS Research, GSAM calculations

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Identifying the 15 countries that we believe are really going to matter

Finding the most attractive countries in a broad landscape

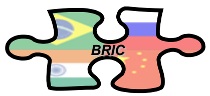
170+
Total non-developed countries in the world[1]

→ **Lots of opportunities to consider**

What is an 'Emerging Market'?
- Dow Jones =35 countries
- MSCI = 21 countries
- FTSE = 6 advanced and 13 secondary
- Standard & Poors = 19 countries

→ **Little consistency between index providers**

15
Most attractive Investment opportunities BRICs +N-11



+

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Focusing on the 15 countries that we believe are really going to matter

[1] Source: IMF, as at Apr-11.
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BRICs + N-11 could comprise a much larger proportion of global market capitalisation

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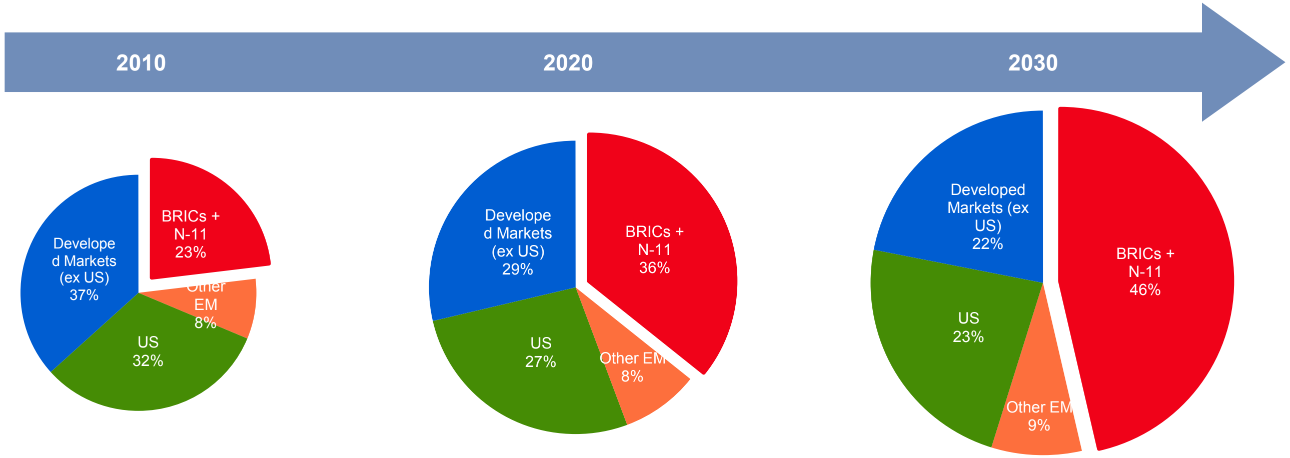
Composition of World Equity Market Cap[1]



Total World Equity Market Cap = $43 trillion

Total World Equity Market Cap = $83 trillion

Total World Equity Market Cap = $145 trillion

[1] Source: "Global Economics Paper No: 204", GS Global ECS Research. 8-Sep-10.

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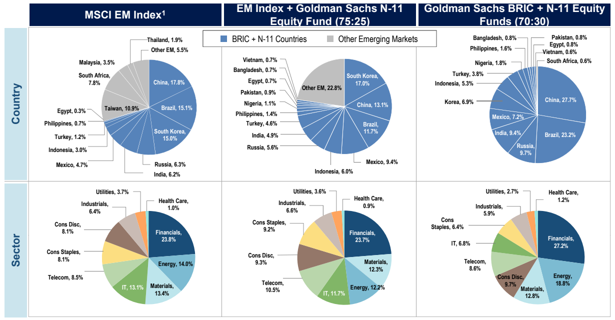
Why now?

BRIC and N-11 increases exposure to higher growth areas

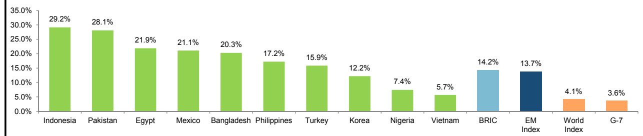


[1] As of 31-Dec-11. Source: MSCI. Other includes Colombia, Peru, Philippines, Hungary, Egypt, Czech Republic and Morocco.
BRIC and N-11 fund allocations are as of 31-Dec-11.
The N-11 equity fund is benchmarked to the MSCI GDP Weighted N-11 ex Iran Index. Please note that the GS N-11 Equity Portfolio is subject to legal and regulatory prohibitions with regards to investments in Iran. As a result of this the fund will not invest in Iran.
For information on the Developed, Growth and Emerging Markets framework, please refer to slide 3. For informational purposes only.

BRIC and N-11 markets have outperformed the global equity markets

BRIC and some N-11 countries have also produced greater returns over the past 10 years relative to broader EM

10 Year Average Annual Returns (as of 12/31/2011)



Source: Bloomberg

Past performance of the various indices shown does not guarantee future results and do not reflect the performance of the Goldman Sachs N-11 Equity Fund or any Goldman Sachs Asset Management product. The Goldman Sachs N-11 Equity Fund incepted on 2.28.11 and does not have a performance history. Please note that you cannot invest directly in an index.

Emerging market securities may be more volatile and less liquid than investment in developed markets and will be subject to the risks of currency fluctuations and sudden economic or political developments.

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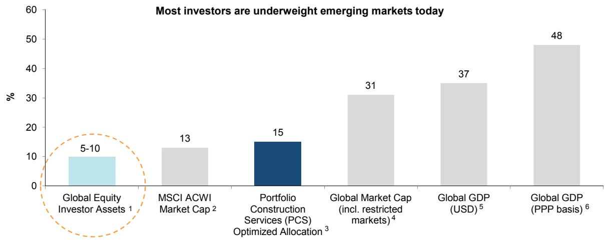
Bangladesh is represented by the Dhaka Stock Exchange General index (DHAKA:IND). A weighted Average share price index calculated according to the SEC DIRECTIVE. Egypt is represented by the HERMES Financial Index (HFI). It tracks the most active Egyptian stocks traded on the Cairo and Alexandria Stock Exchanges. The HFI is capitalization weighted and is calculated on a total return basis, with the reinvestment of dividends. Indonesia is represented by the Jakarta Stock Price (JCI) Index. It is modified capitalization-weighted index of all stocks listed on the regular board of the Indonesia Stock Exchange. Korea is represented by the KOSPI Index. It is a capitalization-weighted index of all common shares on the Korean Stock Exchanges. Nigeria is represented by the Nigerian Stock Exchange All Share (NGSEINDX) Index. Only ordinary shares are included in the computation of the index. The index is value-relative and is computed daily. Mexico is represented by the Mexican IPC (MEXBOL) Index, a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange. Pakistan is represented by the Karachi Stock Exchange (KSE100) Index. It comprises the top company from each of the 34 sectors on the KSE, in terms of market capitalization. The rest of the companies are picked on a market cap ranking. Philippines are represented by the Philippine Stock Exchange PSEi Index (PCOMP). It is a capitalization-weighted index composed of stocks representative of the Industrial, Properties, Services, Holding Firms, Financial and Mining & Oil Sectors of the PSE. Turkey is represented by the Istanbul Stock Exchange National 100 Index (XU100) Index. It's a capitalization-weighted index composed of National Market companies except investment trusts. The constituents of the ISE National 100 Index are selected on the basis of pre-determined criteria directed for the companies to be included in the indices. Vietnam is represented by the Vietnam Stock Index or VN-Index. It will a capitalization-weighted index of all companies listed on the Ho Chi Minh City Stock Exchange.

Why increase Emerging Markets Equity allocation?

Emerging Markets Exposure (% of total)



As at 31-Dec-10

[1] Source: Intersec, Morningstar. Calculated by dividing total assets in emerging market equity investment vehicles by total assets in equity investment vehicles.
[2] Source: Factset.
[3] Source: Global Portfolio Solutions
[4] Source: "Global Economics Paper No: 204", GS Global ECS Research. 8-Sep-10.
[5] Source: GSAM.
[6] Source: Morgan Stanley. PPP: Purchasing Power Parities (PPPs) are currency conversion rates that both convert to a common currency and equalise the purchasing power of different currencies. In other words, they eliminate the differences in price levels between countries in the process of conversion.

Closing the gap: increasing EM allocation strategically

Potential investment options to shape today's equity portfolios for the future

- Increase traditional EM exposure to market weight
- Build and diversify overweight to the fastest growing economies in the world

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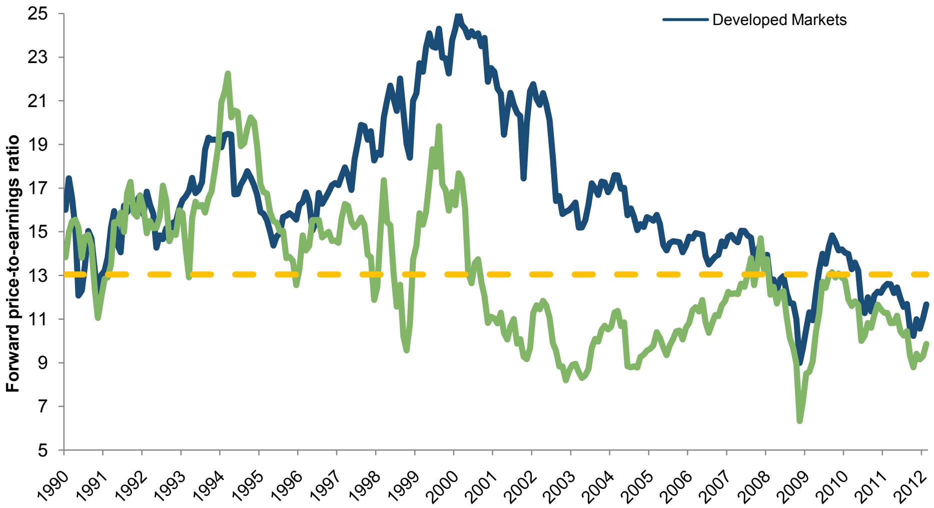
We believe current valuations provide an attractive cyclical entry point for a robust secular growth opportunity

Growth and Emerging Market equities:

- Saw $48bn in outflows over 2011.[1]
- Forward P/E ratio at 9.9x – lowest quartile and 23% discount to 20-Yr ave.[2]
- P/B ratio approaching 1.7x – 16% discount to 5-Yr ave.[3]
- Equity risk premium close to 2008 highs.[4]

Forward Price-to-Earnings ratio[1]



[1] Source: GSAM, IBES, Datastream as at 5-Sep-11. [2] Source: Morgan Stanley, Asia/GEM Strategy Equity Flows Monitor, as at 7-Oct-11. [3] Source: Morgan Stanley, GSAM, IBES, Datastream as at 5-Sep-11. [4] Source: Morgan Stanley, as at Sep-11. [5] Source: Morgan Stanley, GSAM, as at Sep-11. ERP calculated relative to 10 year US treasuries

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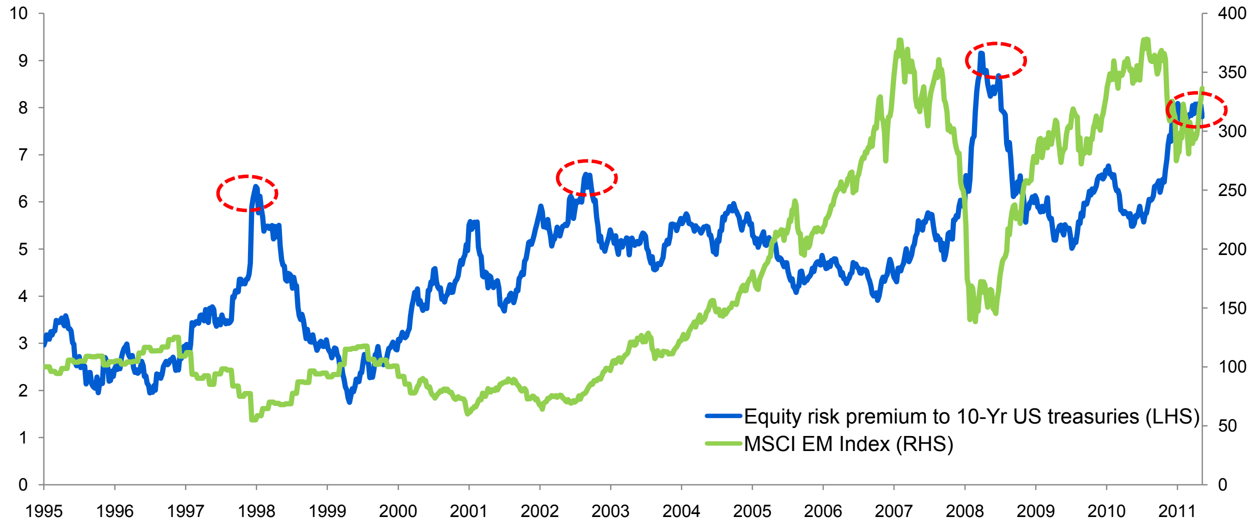
Growth and Emerging Market equities look attractive relative to other asset classes

MSCI EM Index: equity risk premium vs. 10 year US treasuries[1]



[1] Source: GSAM, Datastream, as at 3-Feb-12.
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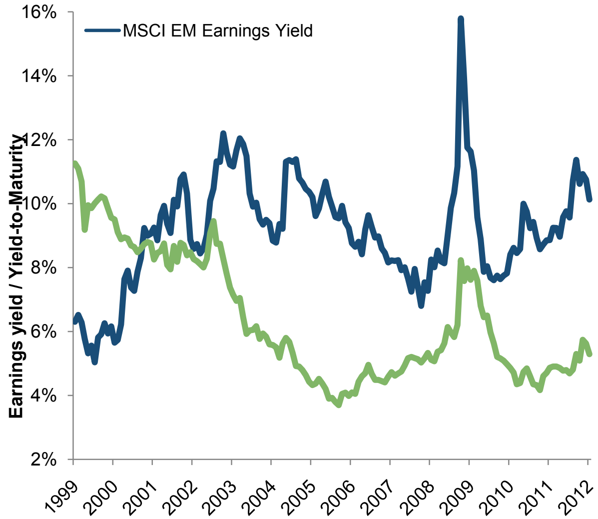
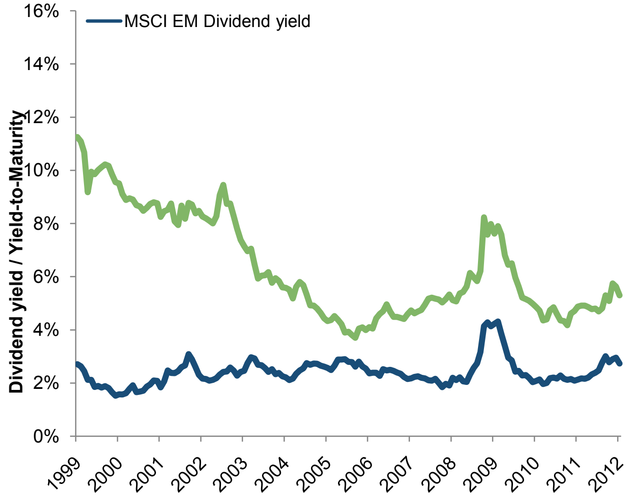
Equities look better value than debt in Growth and Emerging Markets

Equity earning yield is twice that of the EMBI[1]



Equity dividend yields have converged toward debt yields[1]



[1] Source: GSAM, UBS, IBES, Datastream as at 31-Jan-12. Equity universe shown for MSCI Emerging Markets Index. Debt universe shown for JPM Emerging Markets Bond Index (Global Diversified Composite).
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Box: Q&A on Growth Markets Basics

1. **By defining Growth Markets, are you broadening the BRIC concept?**

   No. The BRIC concept remains intact. By defining Growth Markets, we simply identify those countries that have already grown large enough (above 1% of global GDP)—and have the potential to grow even larger—to be important for the global economy in a number of ways. These countries simply no longer fall under the traditional Emerging Markets definition. So the concept of Growth Markets is broader than the BRICs. It includes the BRICs, as well as four other countries (Mexico, Korea, Turkey and Indonesia).

2. **What is the difference between a Growth Market and a BRIC?**

   A Growth Market is an economy which currently accounts for at least 1% of global GDP. A BRIC is an economy which already accounts for more than 1% and has the potential to be at least 3-5% of global GDP in the foreseeable future. The BRICs are a subset of the Growth Markets.

3. **What is the difference between a Growth Market and an N-11 member?**

   The N-11 are the next set of largest population countries beyond the BRICs, which also have potential to grow much larger over the next several decades and have a BRIC-like impact in rivaling the G7. Four of the largest N-11 countries, namely Mexico, Korea, Turkey and Indonesia, meet the Growth Market criterion today. There is an overlap between the Growth Markets and the N-11.

4. **Could there be any more Growth Markets?**

   Of course. A number of countries in the Emerging Market universe could cross the 1% GDP threshold and achieve Growth Market status over time. According to GS Global ECS Research long-term GDP projections, the most likely candidates are Nigeria and the Philippines, which might grow sufficiently large by the mid-2040s. Egypt and Iran could also approach this threshold at some point over the horizon to 2050. See text for more discussion on this.

5. **What defines the transition from a Growth Market to a Developed Market?**

   There is no strict rule that defines the transition from the Growth Market to Developed Market universe. A number of criteria would have to be reached, including robust growth conditions, advanced financial markets as well as high income levels. Given its complexity, this decision will have to be somewhat subjective.

   Korea is a good example. While we still define it as a Growth Market, it would be the first country out of the eight in the group to graduate to Developed Market status. Korea already has robust growth conditions in place, and its financial markets are relatively well developed. In this case, wealth will serve as a legitimate cut-off point. As Korea raises its income per capita further, in line with the developed countries average, we will re-classify it as a Developed Market. However, this categorisation process could be less clear-cut in the case of other Growth Markets.

6. **Can an Emerging Market become Developed without becoming a Growth Market first? How does this transition work?**

   Yes, there can be a direct transition. An Emerging Market does not necessarily have to become large to be classified as Developed. Just like in the case of Growth-to-Developed transition, there are no strict criteria.

   A transition to the Developed group from Emerging status would involve an even more arbitrary decision than a transition from Growth status. This is because Growth Markets, by construction, implicitly assume a certain level of growth conditions and financial market development, so incomes per capita there play a decisive role. The Emerging Market group is much more diverse on these parameters. So defining strict cut-off points is not entirely sensible.

   The Gulf Cooperation Council (GCC) countries are a good example. They are already among the richest countries in the world, but it is difficult to classify them as Developed.

7. **Can a Growth Market slip back to the Emerging group?**

   It can. A Growth country that does not keep improving its growth conditions could drop below the 1% share of global GDP and thus move back to the Emerging Markets group. As highlighted in the text, it is absolutely critical for some countries such as India, Russia and Indonesia to address some of their most pressing issues in the near future.

8. **Doesn't Growth Market status imply that you think these countries will always grow?**

   No. Of course, these countries will experience cycles just like others, but over time their share of global GDP, already above 1% each, is likely to rise.

9. **Why don't we get rid of the Emerging Market name completely?**

   If we could think of a smarter, non-offensive word that simply summarised their status, we would. However, this universe of countries is very diverse. Many are still in the early stages of development and still have the characteristics that led Antoine Van Agtmael to coin them as "Emerging Markets" in the early 1980s in the first place.