



**Asset  
Management**

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# **Investment Opportunities in Global Fixed Income Markets**

**GSAM Insurance Fixed Income**

May 2017

# GSAM Insurance Asset Management

## Key Themes for 2017 € Economic Backdrop



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**End of the Distortion € Monetary to Fiscal  
Policy Transition**

**Cyclical Expansion Continues Apace €  
Can it Continue?**

**Geopolitical € Ever Present but on the  
Rise and Anti-globalism**

**Valuations**

Source: GSAM. As of March 31, 2017.

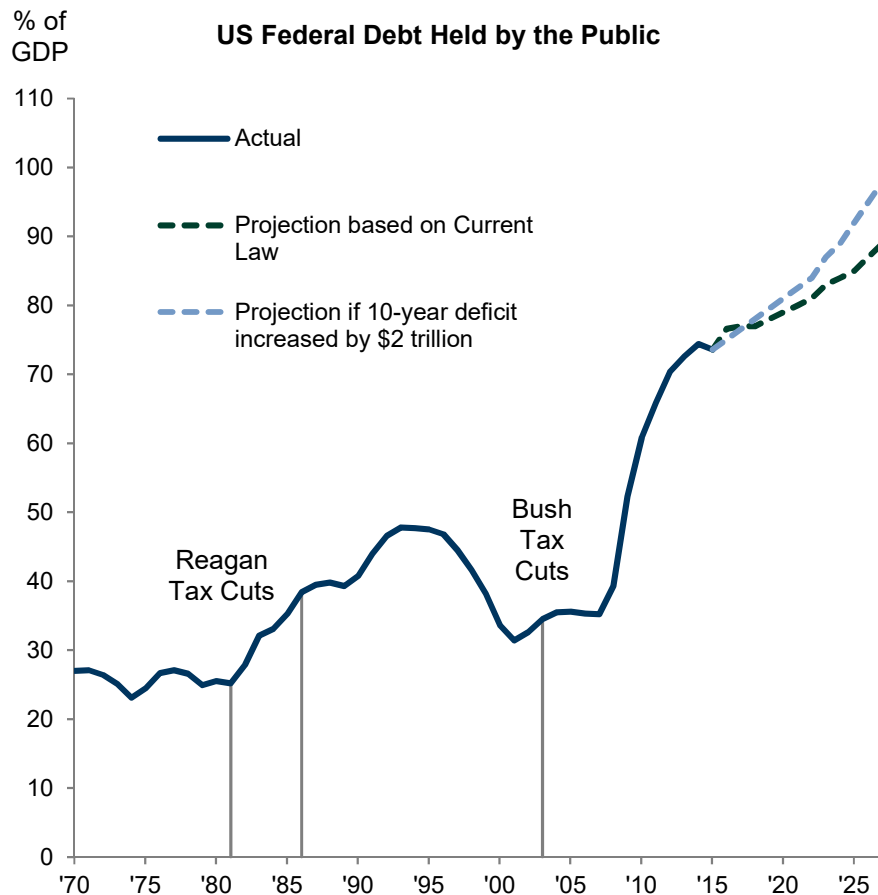
# US: Potential Fiscal Easing Adds to Case for Fed Tightening

Fiscal expansion appears likely but may be limited by concerns over debt-to-GDP. In an economy at full employment, tax cuts could add pressure to shrink Fed balance sheet

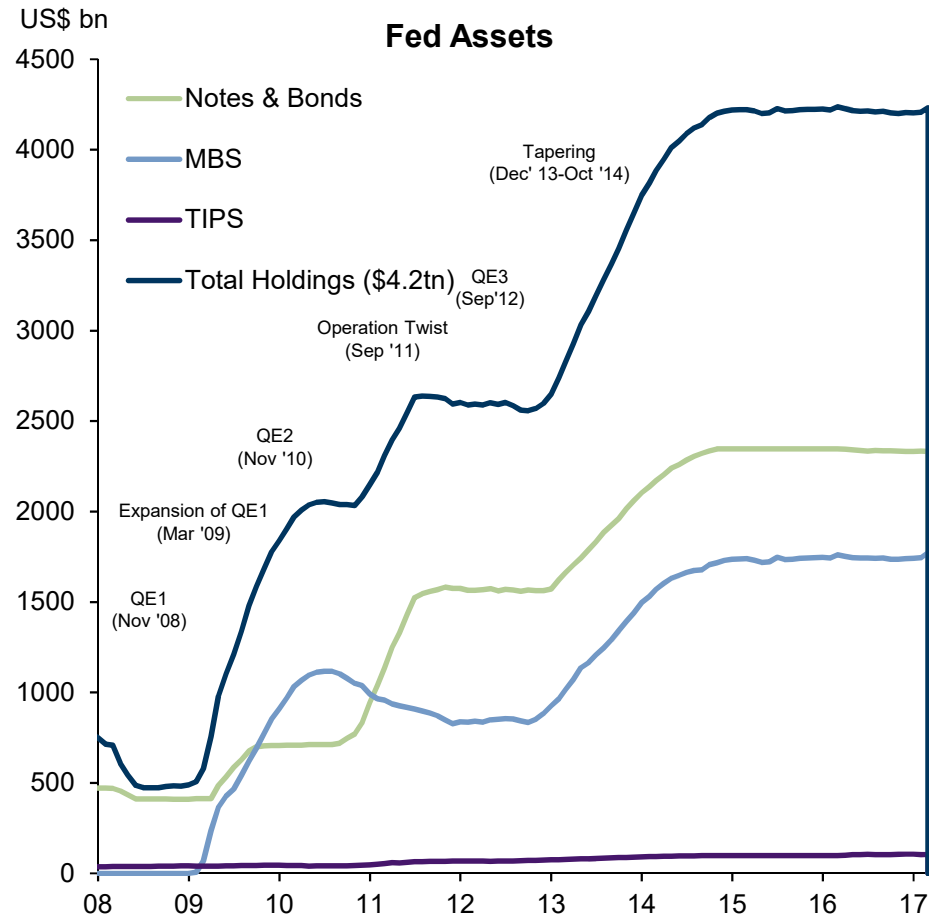


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## Tax cuts are likely but fiscal concerns may limit size



## Fed likely to announce balance sheet plan this year



Source: Congressional Budget Office for actual and projections. As of March 2017. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Goldman Sachs does not provide accounting, tax or legal advice. Please see additional disclosures at the end of this presentation.

Source: GSAM, Bloomberg, Federal Reserve Board, Goldman Sachs Global Investment Research. As of March 17, 2017.

# Interest Rates: We Expect Divergence to Continue

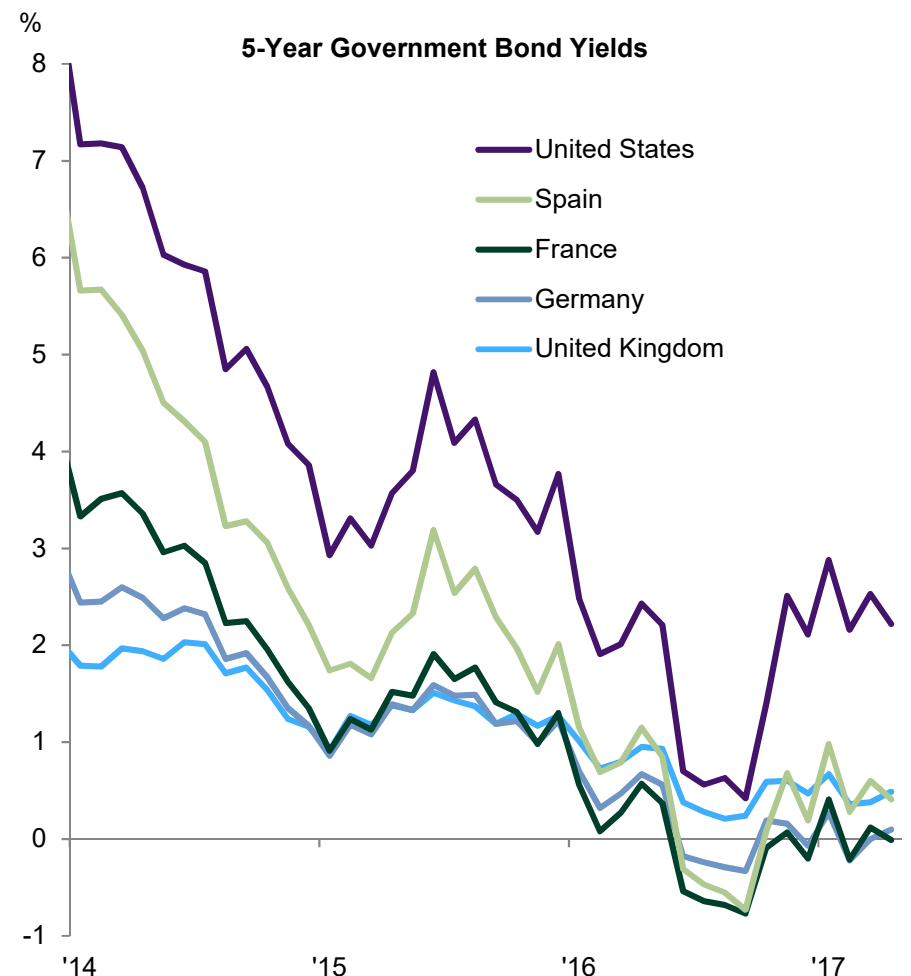
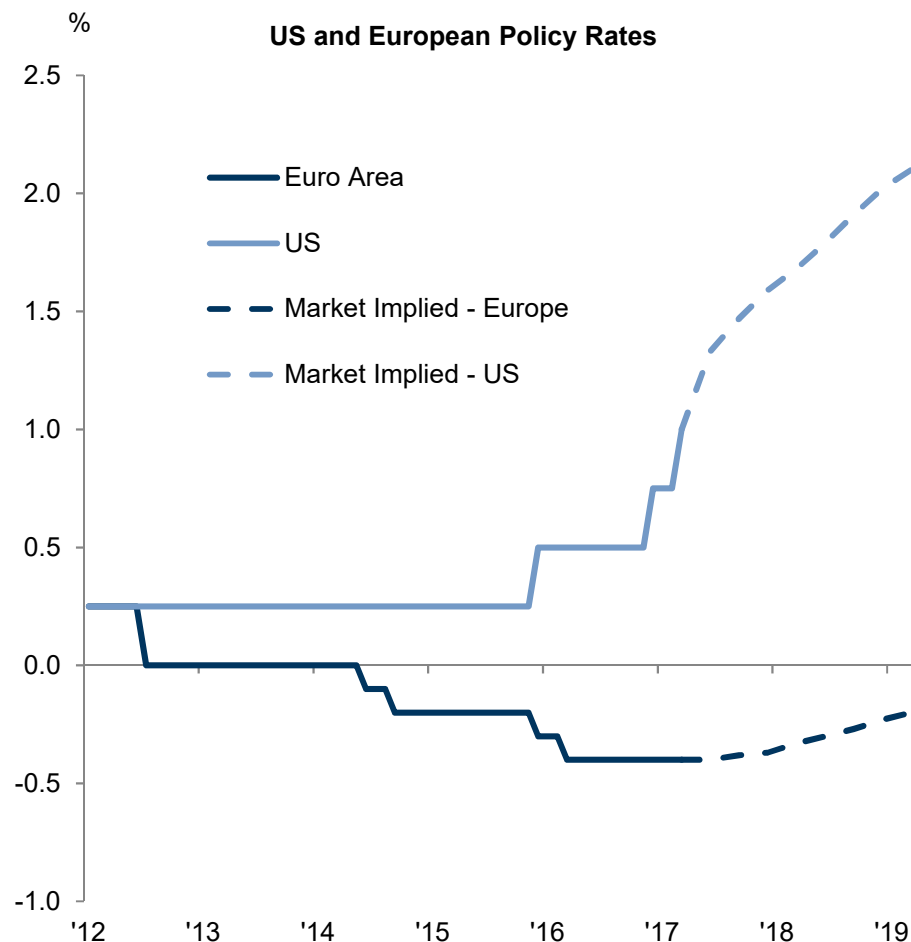


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We expect European rates to remain low relative to US and UK rates as the Fed tightens, the BoE contends with inflation and the ECB remains accommodative

We expect a further two rate hikes in the US this year while we expect rates to remain low in Europe through to 2018

We expect European rates to remain low relative to US, UK



Source: GSAM, Bloomberg. As of March 30, 2017. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

Source: Macrobond. As of April 2017.

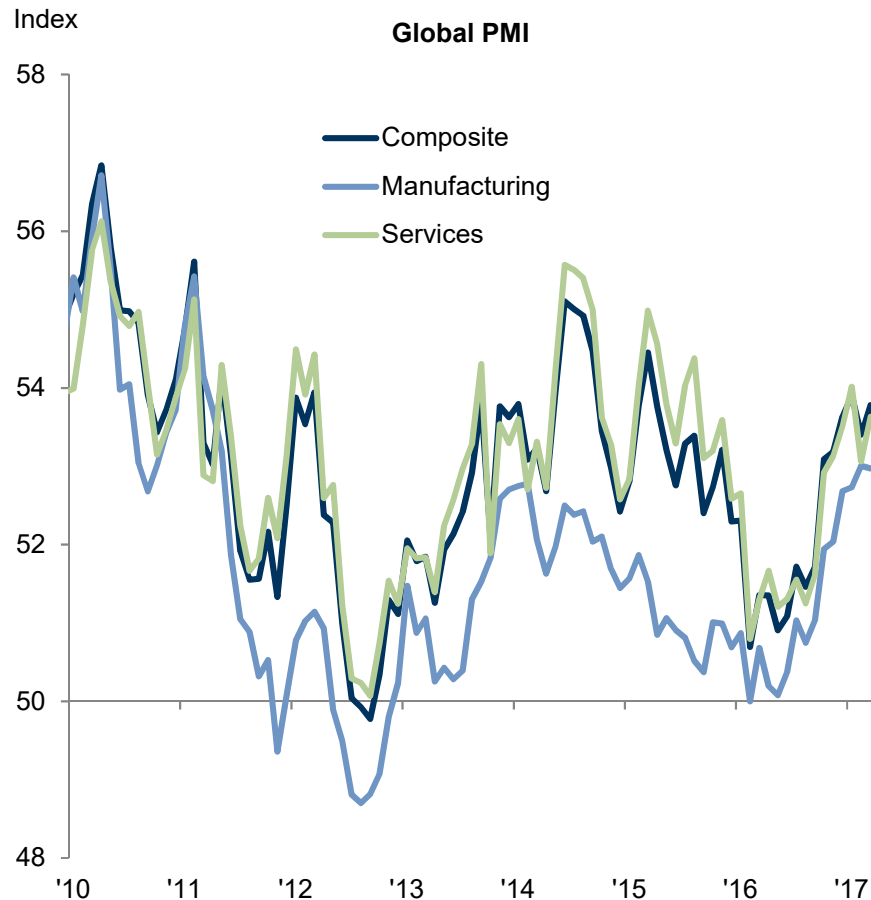
# Global: Broad-Based Improvement in Economic Growth

2017 Data (So Far) Suggests Broad-based Growth



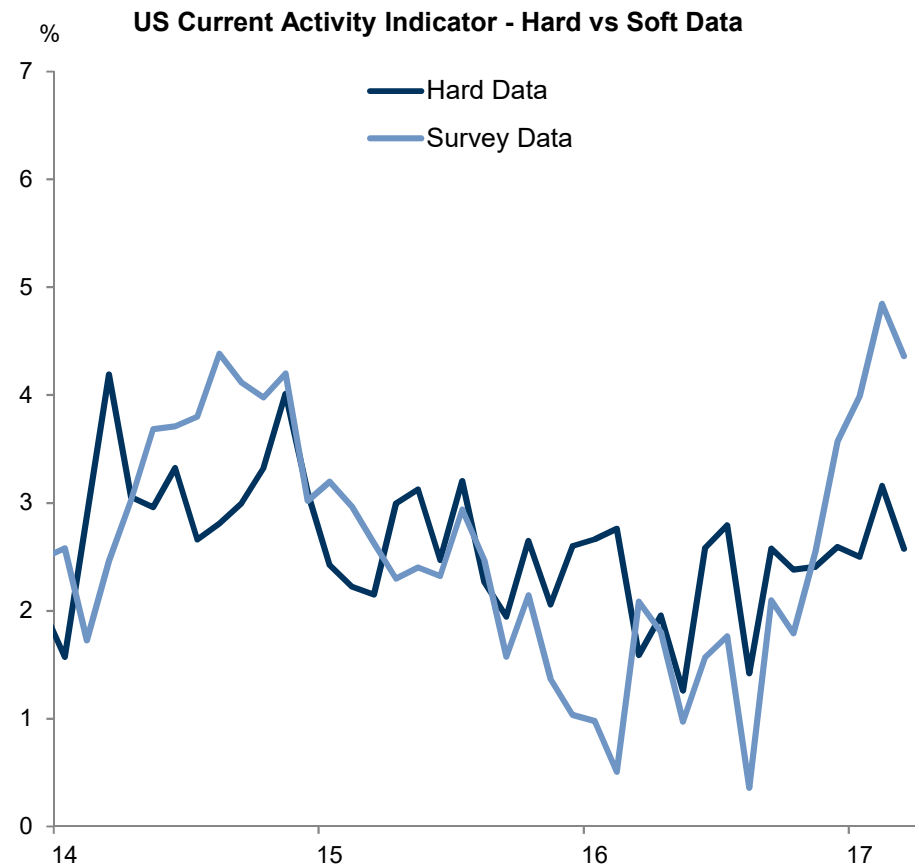
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## Improving global economic activity



Source: Macrobond. As of March 2017.

## Survey data suggests elevated expectations



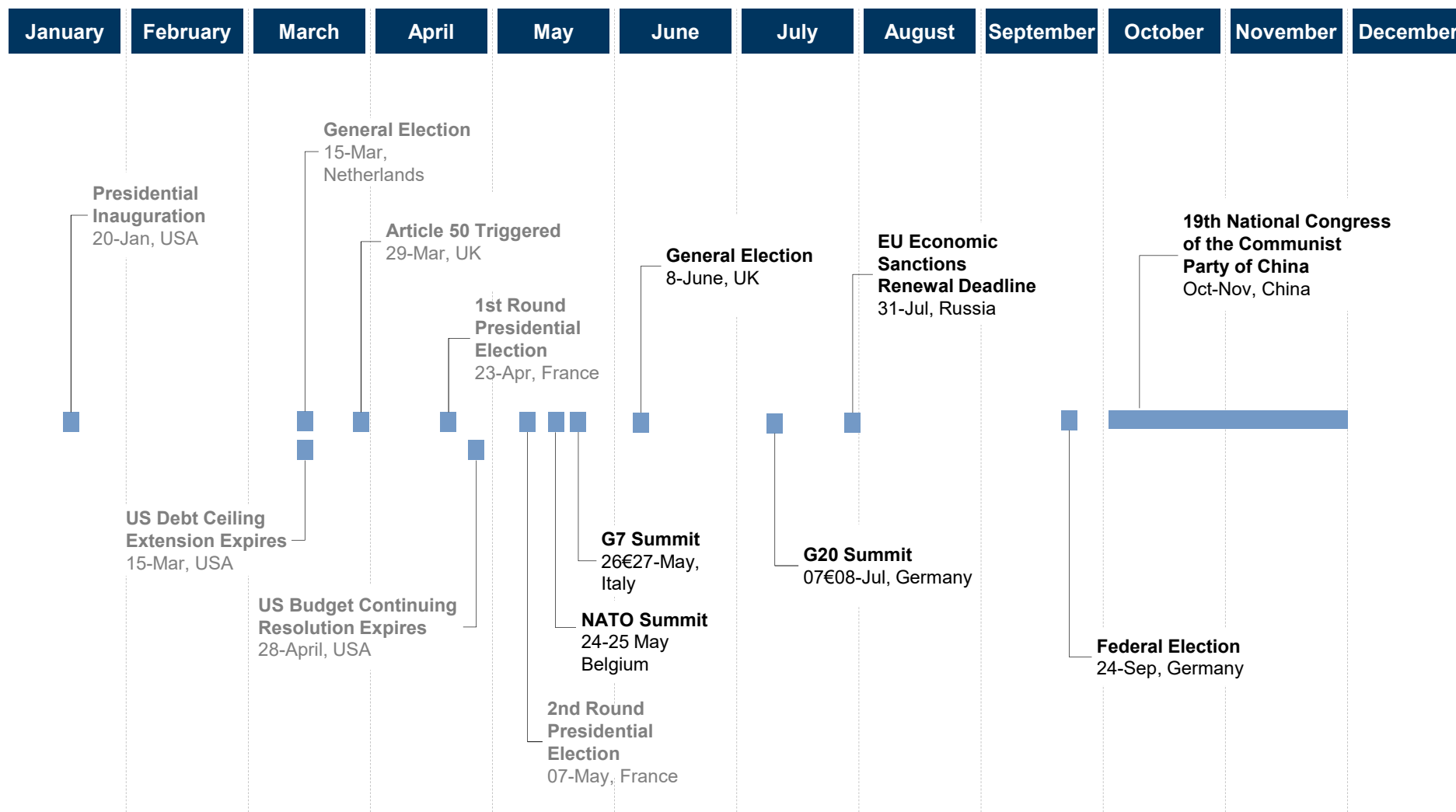
Source: Goldman Sachs Global Investment Research. As of March 2017. Survey data include measures such as consumer confidence, ISM indices, and manufacturing/non-manufacturing surveys. Hard data include concrete, quantitative measures such as sales and spending, payrolls, and industrial production. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

# Global: A Busy Political Calendar Raises Potential Risks

Brexit negotiations, European elections, US policy developments and China's priorities ahead of its National Communist Party Congress may be important market drivers.



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Source: GSAM. As of April 17, 2017. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

# Corporate Credit: Late in the Credit Cycle

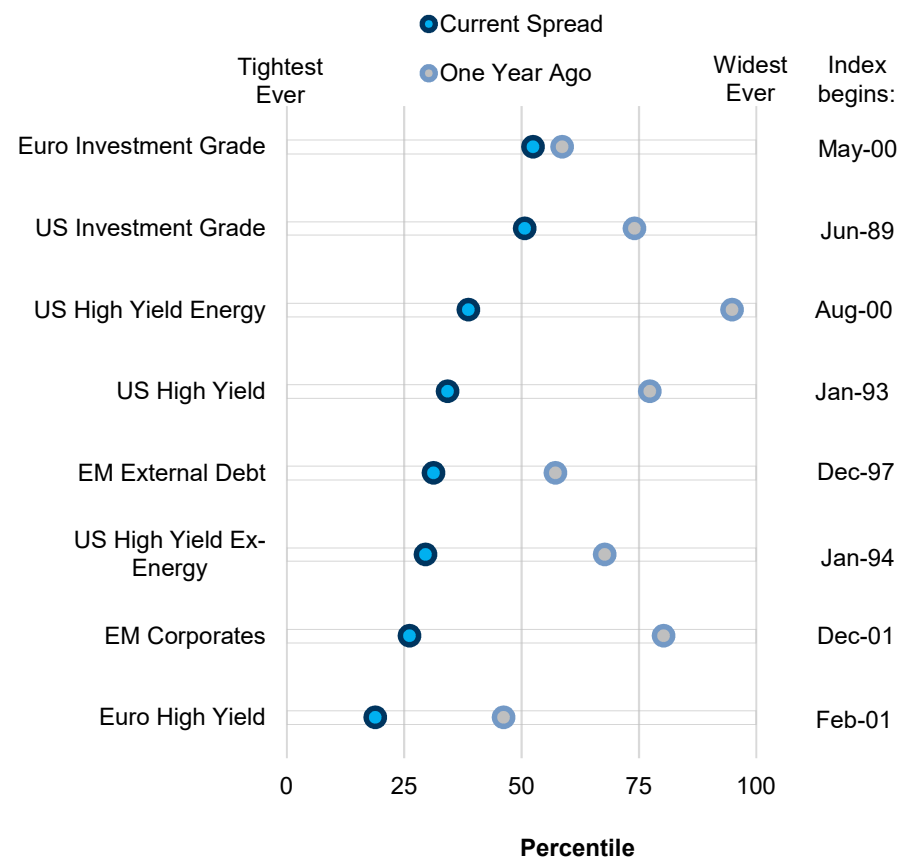
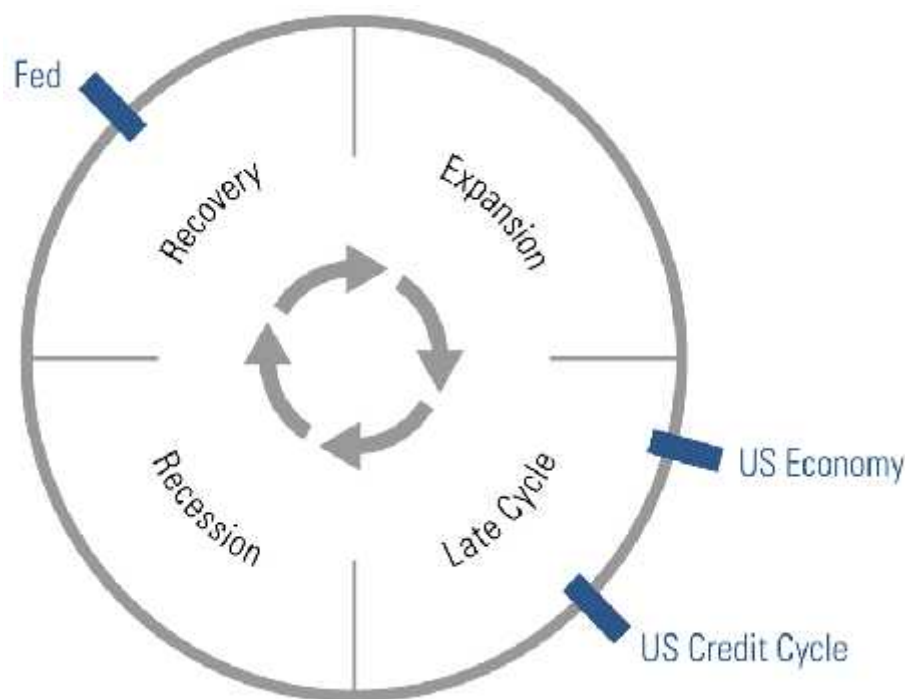
We are Cautious on Corporate Credit Given Tight Valuations at this Stage of the Cycle



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Recent improvement in fundamentals, but still •Late Cycle O'clock,

Tight spreads relative to history, reduced scope for further gains



Source: GSAM. As of March 2017.

Source: Bloomberg, Barclays US Corporate Index, Barclays US High Yield Index, Barclays Euro Corporate Index, Barclays Euro High Yield Index, JP Morgan Global Bond Index-EM, JP Morgan Emerging Market Bond Index Global Diversified, JP Morgan Corporate Emerging Market Bond Index. As of March 2017.

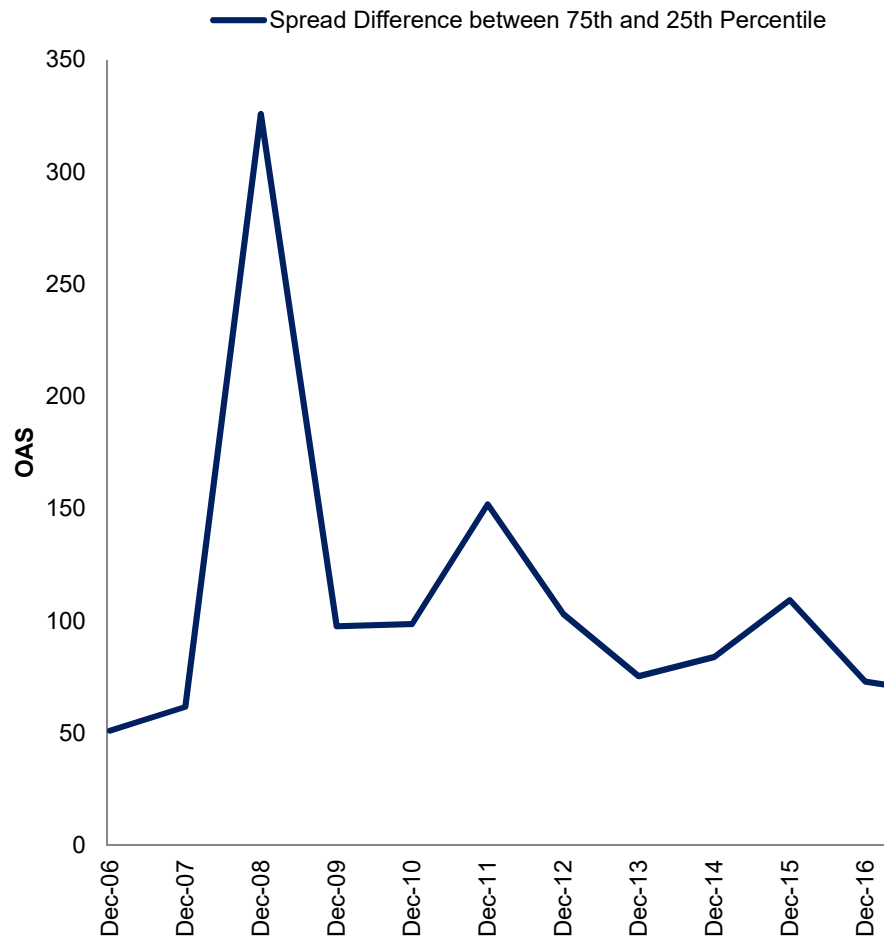
# Spread Dispersion is Low

When Potential Policy Changes Create Greater Winners and Losers

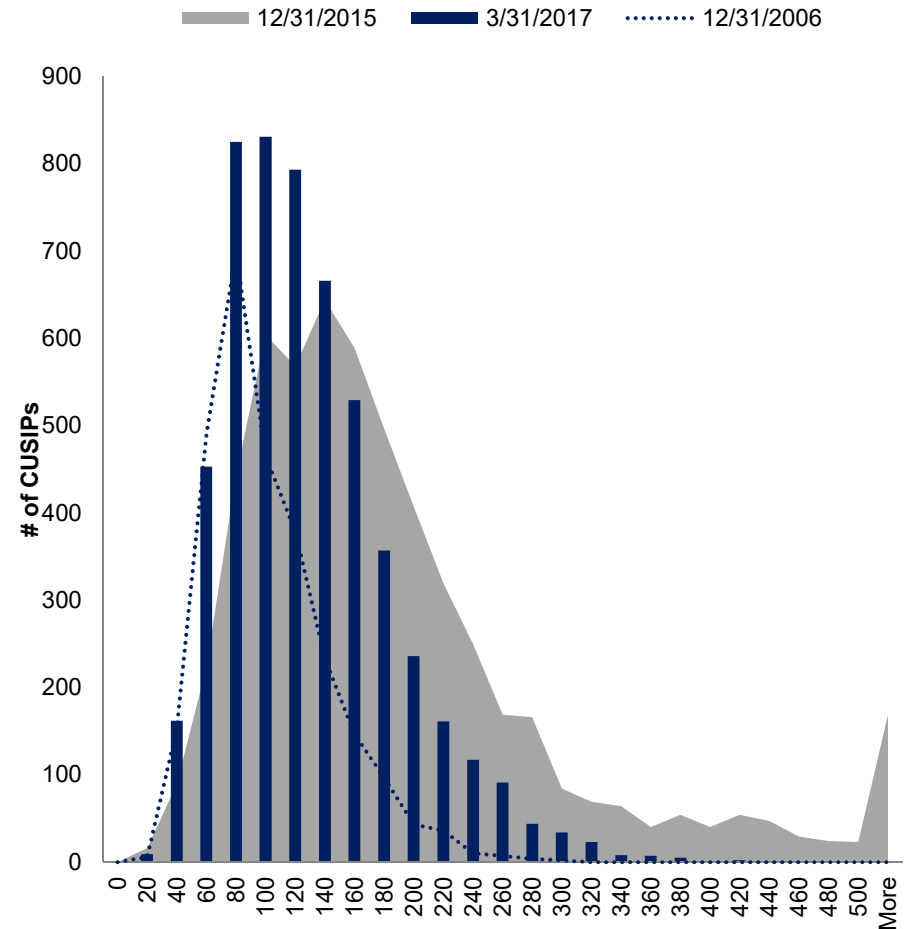


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Barclays US\$ IG Index: Dispersion over time



Barclays US\$ IG Index: Dispersion by OAS



Source: Barclays, GSAM Estimates. Data as of 31 March 2017.



# GSAM Insurance Asset Management

## 4 Fixed Income Strategies for Insurers



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### Securitized

- Floating rate assets offer attractive carry and more domestic US
- Positively exposed to more aggressive Fed and LIBOR

### Bank Loans

- Floating rate asset offers exposure to corporate credit
- Benefits from credit cycle extension

### Emerging Markets (Corps and Blended)

- Selection opportunities increase the with concerns of trade disputes and fed rate hikes
- Demonstrated resilience through FX regimes, valuations tight but 2017 should allow opportunities

### Macro Volatility

- High volatility allows for good selection and alpha opportunities
- Correlation reducer which helps de-risk balance sheet while maintaining risk allocation

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