

# Goldman Sachs Emerging Markets Equity Fund

## Market Review

Growth and Emerging Markets ended the first quarter with strong gains, despite a pull back in March led by the large BRIC markets. The MSCI EM and MSCI BRIC Indexes declined 3.3% and 6.3%, respectively, in March, though they returned 14.1% and 13.8% for the quarter, boosted by strong currency gains against the dollar. All country markets made gains during the quarter, with some of last year's weakest performers, such as Egypt, Hungary and India, posting amongst the highest returns for the quarter. The Thai equity market also rallied during the quarter, as many economists believe the recovery from last year's flooding is well under way. Chinese equities lagged the broader market as the government officially announced in March that it would target economic growth of 7.5% this year, the first time in recent years that it has been under 8%. Indonesia significantly underperformed during the quarter, as market participants feared that its central bank's surprise interest rate cut, amid strong growth, could lead to inflation. All sectors made gains in the quarter, led by significant returns in the Information Technology and Industrials sectors, which benefitted from strong trends worldwide.

## Performance Attribution

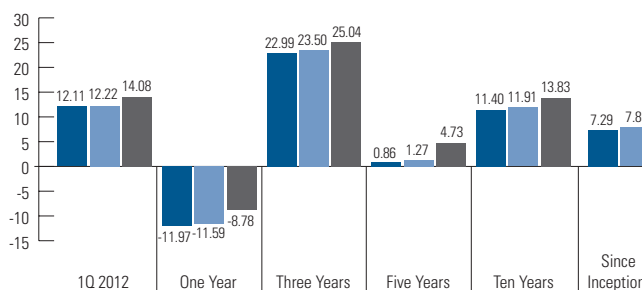
The Goldman Sachs Emerging Markets Equity Fund underperformed its benchmark, the MSCI Emerging Markets Index, during the first quarter of 2012. Strong stock selection in Indonesia and India contributed to the portfolio's performance, while the portfolio's positioning in South Korea and China detracted from relative returns.

At a country level, India was the largest contributor to the Fund's relative returns over the quarter, driven by strong stock selection in the Financials sector. Our holding in Indusind Bank (0.0%), the Mumbai-based mid-sized private sector bank, was one of the top contributor to performance during the quarter. Since the start of the year, the Financials sector has outperformed the broader market as the interest rate cycle has peaked and concerns over asset quality deterioration have receded. In addition, the stock showed strong performance as the bank continues to demonstrate good profitability and asset quality.

All index returns in USD.

### Performance History as of March 31, 2012 (%)

■ GS Emerging Markets Equity Fund Total Returns Class A (at NAV), Since Inception 12/15/97  
■ GS Emerging Markets Equity Fund Total Returns Class I (at NAV), Since Inception 12/15/97  
■ MSCI Emerging Markets Index



**For periods one year or greater, performance is annualized. The returns represent past performance. Past performance does not guarantee future results. The Fund's investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. Please visit [www.goldmansachsfunds.com](http://www.goldmansachsfunds.com) to obtain the most recent month-end returns.**

**Goldman Sachs Emerging Markets Equity Fund Performance – Standardized Total Returns for period ended 3/31/12. Reflects a maximum sales charge of 5.5% for Class A shares. Class I shares do not reflect a sales charge.**

	Class A Shares	Class I Shares
One Year	-16.82%	-11.59%
Five Years	-0.28%	1.27%
Ten Years	10.77%	11.91%

**The Standardized Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value. These returns reflect the maximum initial sales charge of 5.5% for Class A Shares. Because Institutional shares do not include a sales charge, such a charge is not included in the standardized total returns.**

### Goldman Sachs Emerging Markets Equity Fund – Expense Ratio

	Current Expense Ratio (net)	Expense Ratio Before Waivers (gross)
Class A Shares	1.82%	1.94%
Class I Shares	1.42%	1.54%

**The expense ratios of each Fund, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations) are as set forth above. Each Fund's waivers and/or expense limitations will remain in place through at least February 28, 2013, and prior to such date the investment adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees.**

In Turkey, our positioning in the Consumer Staples sector, helped to drive outperformance. In particular, our holding in Bizim (1.2%), one of the first cash and carry retailers in Turkey, posted strong gains, driven by increased market recognition of their first-mover advantage within what is a very fragmented industry. Furthermore, their low-cost expansion model should also be beneficial as levels of wealth and disposable incomes in Turkey rise going forward.

In Indonesia positive performance over the quarter, came from strong stock selection in the Consumer Discretionary sector. Within this sector, our holding in Media Nusantara (1.0%), an integrated media company with a leading free-to-air TV network, was the largest contributor to performance. The stock performed well during the quarter as Media Nusantara introduced new programming initiatives aimed at gaining audience, which may potentially lead to higher ad-rates for the company. We believe the stock has more upside potential given the strong growth outlook and its significant valuation discount to other stocks in its sector.

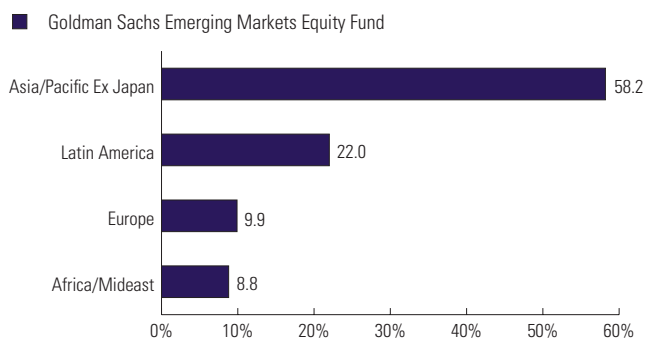
Our positioning in South Korea detracted from relative performance as some of our holdings in the Consumer Discretionary and Materials sectors underperformed during the quarter. Within the Consumer Discretionary sector, our holding in Cheil Worldwide (0.8%), the advertising affiliate of South Korean electronics giant Samsung (2.9%) underperformed on the back of deteriorating consumer sentiment and speculation that the New Media Act, which would enable big media agencies to gain larger market share, might not be approved. Furthermore, defensive consumer sectors underperformed the broader market during January as cyclical sectors rallied as investor sentiment improved. We remain confident on the outlook for Cheil Worldwide given the increasing demand globally for Samsung's products and the resulting impact on their advertising spend. In the Materials sector, POSCO Chemtech (0.3%), the supplier of refractory material maintenance services to Korean steel maker POSCO, suffered from a lack of momentum given the restart of its new businesses in 2014, as well as the weakening demand for steel experienced by POSCO in the region. This slowdown in demand has increased investors concerns about a potential delay in capacity expansion and reduced shipment growth. We remain confident in their long-term prospects, given the positive structural outlook for steel demand, as well as their expansion into new stable margin businesses selling by-products of POSCO's steel making process.

In China, our holding in Dongfang Electric (0.5%), a company involved in production of power-generation

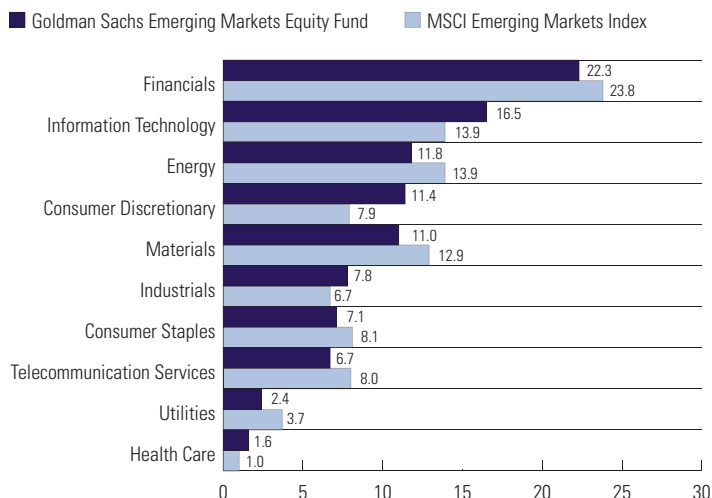
### Top Ten Holdings (%)

Company	Portfolio
Samsung Electronics	4.2
Vale	3.1
Petrobras	3.0
TSMC	2.6
Banco Bradesco	2.1
China Construction Bank	1.8
China Mobile	1.8
ICBC	1.7
Hon Hai Precision	1.5
Cognizant Technology Solutions	1.5

### Regional Allocations (%)



### Sector Weights (%)



Data as of 3/31/12

#### Past performance does not guarantee future results.

Holdings and allocations shown are unaudited, and may not be representative of current or future investments. Holdings and allocations may not include the Fund's entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities.

equipment and nuclear energy projects, underperformed as nuclear equipment orders did not pick up during the first quarter of 2012, contrary to the market's expectation. In addition, the company's stock declined as the expectations of power tariff increases diminished. We maintain strong conviction in Dongfang Electric, as we think the company will benefit from China's growing demand for electricity and its diversified product mix.

## Positioning

During the quarter, we elected to switch our positioning within the Consumer Staples sector in Russia. We sold out of our position in X5 Retail Group (0.0%), Russia's largest retailer by revenue and initiated a position in Magnit (0.7%), the second largest retailer, which mainly operates convenience stores. We believe that given Magnit's strong track record of organic store expansion and sales growth, they are well positioned to benefit from positive macro-economic environment for the consumer sector, especially low inflationary pressures, real wage growth and low unemployment. Furthermore, in addition to reporting strong gross margin expansion during the fourth quarter of last year, Magnit's management has taken some steps to improve its margins on a sustainable basis, which will contribute to the company's strong position in the market. Magnit also started expansion into cosmetics stores, which may develop into a growth driver for the company, given the underpenetrated nature of the industry and Magnit's ability to leverage its existing distribution system. We decided to sell out of our position in X5 Retail Group as the retailer is in the process of switching to a different business model, which may have negative effect on X5's margin recovery. Furthermore, X5's position in the largest cities has been challenged as competitors have started gaining market share at the expense of X5.

Within China, we elected to switch our positioning within the Energy sector. During the quarter we trimmed our position in Sinopec (0.0%), China's largest oil and gas refiner and initiated a position in CNOOC (1.3%), producer of crude oil and natural gas. We believe that the robust oil prices are likely to have negative impact on Sinopec's margins in the refinery sector and preferred to switch our energy exposure to CNOOC.

### Top/bottom contributors to return

Top 10	Gross Return (%)	Contribution (bps)
IndusInd Bank	47.8	31
Barloworld	41.9	19
Bizim Toptan Satis	37.2	19
Radiant Opto-Electric	55.4	14
Media Nusantara	42.3	14
Exide Industries	48.1	13
Shin Corporation	47.5	13
Dixy Group	41.0	13
Life Healthcare	27.4	12
Hon Hai Precision	41.7	11

Bottom 10	Gross Return (%)	Contribution (bps)
MTN Group	2.3	-20
Posco Chemtech	-20.3	-19
Himart	-23.4	-17
Cheil Worldwide	-3.8	-17
Dongfang Electric	-18.1	-16
ZTE	-14.1	-16
Indomobil Sukses	-6.1	-13
Hankook Tire	-4.1	-11
China Shenhua Energy	-2.8	-11
Banco Bradesco	6.0	-11

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Data as of 3/31/12

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## Outlook

Growth and Emerging Markets have started the year off very strongly, with the MSCI Emerging Markets Index up 14% during the first quarter of 2012.<sup>1</sup> This came as the outlook for global growth and global macroeconomic sentiment improved, and investors started to rotate into risk assets. During March weaker than expected economic data from China did, however, renew the market's concerns about an economic slowdown in Asia, which weighed on equity markets. Despite recent uncertainties about the sustainability of economic momentum, we maintain our positive outlook for the Growth and Emerging Market economies.

While we have a positive outlook for corporate earnings growth in 2012, we think first quarter earnings results could be weaker than expected by the market. We do, however, believe economic activity and corporate earnings will rebound sharply during the second half of the year. Currently, the market expects Growth and Emerging Markets' earnings to grow by 14.6% this year, in comparison to 11.0% expected in developed markets,<sup>2</sup> offering investors the potential for healthy equity returns. Despite the recent recovery of capital flows into developing markets, the year to date inflows have only reached a half of the outflows seen during 2011.<sup>3</sup> Valuations remain attractive relative to the long-term average and to developed markets, with Growth and Emerging Market equities trading at a 10% discount to their 5 year average and a 15% discount to developed markets.<sup>4</sup>

Despite our positive outlook for the second half of 2012, we remain aware of some of the risks that the current economic environment poses. Although investors' concerns about the state of European economies have been somewhat alleviated since the start of the year, we do not dismiss the possibility of a new escalation of the European debt crisis, which we believe would have a negative impact on market sentiment. While inflationary pressures across Growth and Emerging Markets have eased significantly from their peak in 2011, we are cautious about a potential renewal of inflationary concerns in the near-term driven by a combination of monetary easing and robust commodity prices.

We maintain a positive outlook for Growth and Emerging Markets in the long-term. We believe that the strong demographics profiles and increasing levels of wealth will be the key structural driver of robust economic growth. The Growth and Emerging Markets' middle class in aggregate spends close to \$7 trillion every year,<sup>5</sup> and in our opinion, this figure is set to increase rapidly in the near future. We believe that the theme of domestic consumption is attractively reflected in the equity opportunity set and we have positioned our portfolios to benefit from growing domestic consumption.

<sup>1</sup> Source: Factset, as at 30-Mar-2012.

<sup>2</sup> Source: Bank of America Merrill Lynch, April 2012.

<sup>3</sup> Source: Morgan Stanley, April 2012.

<sup>4</sup> Source: Factset, as at 30-Mar-2012. Refers to the MSCI EM.

<sup>5</sup> Source: McKinsey, "Capturing the world's emerging middle class", July 2010.

## Risk Consideration

The Emerging Markets Equity Fund invests primarily in securities of issuers in countries with emerging markets or economies and is subject to market risk so that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular industry sectors and/or general economic conditions. Emerging markets securities are volatile, less liquid and are subject to substantial currency fluctuations and sudden economic and political developments. The securities markets of emerging countries have less government regulation and are subject to less extensive accounting and financial reporting requirements than the markets of more developed countries. At times, the Fund may be unable to sell certain of its portfolio securities without a substantial drop in price, if at all.

The Fund may participate in the Initial Public Offering (IPO) market, and a portion of the Fund's returns consequently may be attributable to its investment in IPOs. The market value of IPO shares may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, and the small number of shares available for trading and limited information about the issuer. When a fund's asset base is small, IPOs may have a magnified impact on the fund's performance. As a fund's assets grow, it is probable that the effect of the fund's investment in IPOs on its total returns may not be as significant, which could reduce the fund's performance.

**A summary prospectus, if available, or a Prospectus for the Fund containing more information may be obtained from your authorized dealer or from Goldman, Sachs & Co. by calling 1-800-526-7384 (Institutional: 1-800-621-2550). Please consider a fund's objectives, risks, and charges and expenses, and read the summary prospectus, if available, and the Prospectus carefully before investing. The summary prospectus, if available, and the Prospectus contains this and other information about the Fund.**

## General Disclosures

The MSCI Emerging Markets (Net, Unhedged, USD) Index (the "MSCI Emerging Markets Index") is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of January 2011, the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

The Index figures do not reflect any deduction of fees, expenses or taxes.

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The MSCI BRIC (Net, Unhedged, USD) Index (the "MSCI BRIC Index") is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the following four emerging market country indices: Brazil, Russia, India and China.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Percentages may not sum to 100% due to rounding.

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