Asset Management

Investment Commentary

1Q 2012

Class A: GSSMX Class I: GSSIX
Class C: GSSCX Class S: GSSSX
Class R: GSQRX Class IR: GSQTX

Goldman Sachs Small Cap Value Fund

Market Overview

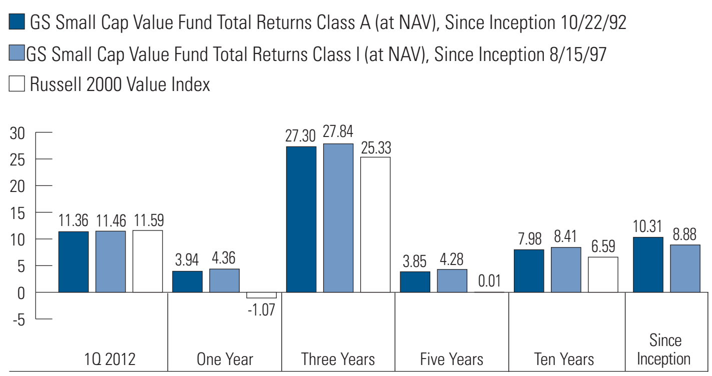
US equities extended their rally in March on increasing conviction that the economy is recovering. The S&P 500 Index rose another 3.3% in March, ending the quarter up 12.6%, its strongest first quarter since 1998. During the quarter, the Dow Jones Industrial Average closed above 13,000 for the first time since May 2008 and the NASDAQ made a new 11-year high. US equities rose on evidence that the labor market and manufacturing were improving. Lending activity at US banks showed the biggest quarterly increase in four years and the results of the Federal Reserve's stress tests allowed many US banks to implement capital return initiatives. As a result, financial stocks, which lagged significantly in 2011, rallied sharply. Better than expected earnings reports from several large technology companies led strong gains in the Information Technology sector. The Russell 2000 Value index rose 11.59% during the quarter, outpacing mid-cap and large cap stocks.

Portfolio Attribution

During the first quarter of 2012, the Goldman Sachs Small Cap Value Fund underperformed the Russell 2000 Value Index. In the portfolio for the quarter, our investments in the Information Technology and Materials sectors contributed the most to positive performance, whereas investments in the Financials and Health Care sectors detracted.

In the Information Technology sector, our position in Parametric Technology Corp. (0.5%) positively contributed to returns, driven by a strong earnings announcement with better-than-expected results stemming from strong sales from Europe. The company showed strength across all product lines and increased operating margins as a result of improving efficiencies in its sales and services groups. We continue to believe that Parametric has significant growth opportunities and the potential for further margin expansion. Within Materials, H.B. Fuller (0.8%), a manufacturer of specialty chemicals, was a top contributor to returns in the portfolio, boosted by an accretive acquisition during the quarter and continued strong execution by management. We believe that the company

Performance History as of March 31, 2012 (%)



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 to obtain the most recent month-end returns.**

Goldman Sachs Small Cap Value 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	-1.75	4.36
Five Years	2.68	4.28
Ten Years	7.37	8.41

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. Class A shares reflect the maximum initial sales charge shown above. Because Institutional shares do not include a sales charge, such a charge is not included in the standardized total returns.

Goldman Sachs Small Cap Value Fund – Expense Ratios

	Current Expense Ratio (net)	Expense Ratio Before Waivers (gross)
Class A Shares	1.44%	1.46%
Class I Shares	1.04%	1.06%

The expense ratios of the 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 December 29, 2012, and prior to such date the investment adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees.

is well-positioned as it continues its transition from a commoditized to a more specialized company, providing further opportunity for margin expansion, pricing power, and market share gains.

For the quarter, the bottom performing sectors in the portfolio were Financials and Health Care. Within Financials, specialty insurance underwriter Meadowbrook Insurance Corp. (0.8%) was a top detractor. Shares declined as the company announced weak quarterly earnings driven by reserve deficiencies within its sizeable workers' compensation business. Despite these near-term issues, we maintain high conviction in this well-managed company as the insurance pricing environment continues to improve. Within Health Care, Team Health Holdings (0.5%), which provides staffing and administrative services to hospitals, was a bottom performing stock. After outperforming in 4Q 2011, shares declined due to higher operating costs and tax expenses, which we view as short-term headwinds given this was temporary and driven by net new contract growth. We continue to believe that company fundamentals remain strong and opportunities abound for margin expansion, driven by Team Health's highly-demanded niche product set, unique business model, and potential for additional profitability.

Portfolio Review

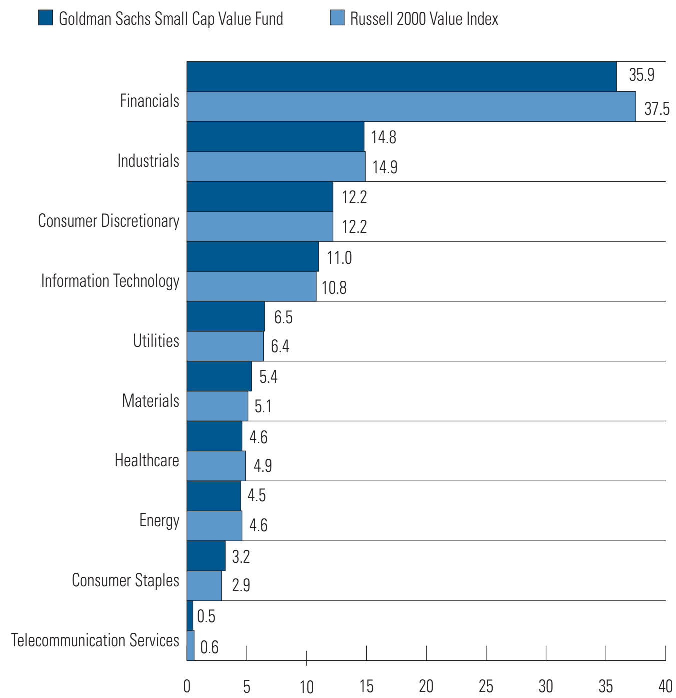
During the quarter, we initiated a new position in Big Lots Inc. (0.7%), a broadline closeout retailer which sells a wide variety of discount goods ranging from furniture to beauty products. We feel that the company's exposure to the lower-end consumer, combined with a wide diversity of merchandise offerings, will enable it perform well in different economic environments. In addition, Big Lots recently acquired LW Stores, a Canadian retailer that liquidates consumer merchandise, which we believe will accretive to the company's earnings in the next several years. We have high confidence in the management team, and we feel that their strong balance sheet should allow them the financial flexibility to expand its footprint in North America.

We also started a position in Newpark Resources Inc. (0.7%), a diversified oil and gas industry supplier primarily engaged in supplying companies with more environmentally friendly drilling products. As we have already begun to see large integrated oil companies supporting these drilling initiatives, we think that Newpark is ideally situated to benefit from this transition. Moreover, we like the

Top Ten Holdings (%)

Company	Portfolio
Southwest Gas Corp.	2.0
El Paso Electric Co.	1.9
American Campus Communities Inc.	1.2
RSC Holdings Inc.	1.1
Signature Bank	1.0
HealthSouth Corp.	1.0
Approach Resources Inc.	1.0
ProAssurance Corp.	1.0
Carlisle Cos Inc.	0.9
American Equity Investment Life	0.9

Sector Weights (%)



Data as of 3/31/12.

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.

company's management team and think that Newpark has tremendous growth prospects both domestically and internationally.

True to our sell discipline, one of the reasons we may reduce a position is if the stock price approaches our price target or if the stock reaches the higher end of our market capitalization range. As such, we sold our position in Rosetta Resources Inc. (0.0%), an independent energy company engaged in the exploration, development, exploitation and acquisition of onshore oil and natural gas properties in the US. We moved the capital into other names with higher upside potential. We also sold our position in Iconix Brand Group Inc. (0.0%), a brand management company engaged in licensing and marketing for a portfolio of consumer brands. We were disappointed in the company's recent organic revenue growth and redeployed the capital into higher conviction names with more attractive risk/reward profiles.

Strategy/Outlook

Looking ahead into the rest of the year, while risks remain over rising oil prices and its impact on the recovery, geopolitical risk, and political uncertainty (especially in a US election year), we remain cautiously optimistic on the US equity market going forward. Companies continue to exhibit solid fundamentals and cash-rich balance sheets. As we gain clarity on some of these macro issues, we believe that this will provide further catalysts for management teams focused on returning value to shareholders through M&A, buybacks, dividends, and deleveraging of balance sheets. Regardless of the future direction of the broader market, we remain vigilant in following data points and outlooks from the individual management teams of our companies. Our stock-specific focus has continued to serve us well throughout the market cycle. While markets remain volatile, we believe that there remains an attractive risk-reward trade-off for small cap stocks. We maintain our unwavering, consistent focus on identifying quality companies with strong or improving fundamentals, led by strong management teams that are smart allocators of capital, and remain focused on the long-term outperformance of the portfolio.

Top/bottom contributors to return

Top 10	Gross Return (%)	Contribution (bps)
Littelfuse Inc.	46.4	13
Approach Resources Inc.	25.6	12
CoreSite Realty Corp.	33.4	12
Fossil Inc.	66.3	12
Herbalife Ltd.	33.8	11
SS&C Technologies Holdings Inc.	29.2	10
H.B. Fuller Co.	42.4	10
PolyOne Corp.	25.1	10
Beacon Roofing Supply Inc.	27.3	8
On Assignment Inc.	56.3	8

Bottom 10	Gross Return (%)	Contribution (bps)
El Paso Electric Co.	-5.6	-31
Meadowbrook Insurance Group Inc.	-12.2	-20
Southwest Gas Corp.	1.2	-18
Deckers Outdoor Corp.	-16.6	-11
Team Health Holdings Inc.	-6.8	-11
Key Energy Services Inc.	-0.1	-9
TreeHouse Foods Inc.	-9.0	-8
Lincare Holdings Inc.	1.5	-8
Twin Disc Inc.	-30.1	-7
Signature Bank	5.1	-7

Data as of 3/31/12.

Past performance does not guarantee future results.

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The Small Cap Value Fund invests primarily in small capitalization U.S. equity investments 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. Stocks of smaller companies are often more volatile and less liquid and present greater risks than stocks of larger companies. 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 invest in foreign securities, which may be more volatile and less liquid than investment in U.S. securities and will be subject to the risks of currency fluctuations and sudden economic or political developments. 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 invest in fixed income securities. Investments in fixed income securities are subject to the risks associated with debt securities including credit and interest rate risk.

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 S&P 500 Index is the Standard & Poor's 500 Composite Stock Price Index of 500 stocks, an unmanaged index of common stock prices. The Index figures do not reflect any deduction for fees, expenses or taxes.

The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Please note an investor cannot invest directly in an index.

It is not possible to invest directly in an unmanaged index.

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