



# Goldman Sachs Strategic Income Fund



## MONTHLY FUND UPDATE

MARCH 2012

### Overview

**Macro:** Core government yields ended March substantially higher than at the start of the year on the back of strong risk appetite and the continued trend of robust US data. Eurozone sovereign risk has subsided, as the relatively smooth progress of Greece's debt restructure and the European Central Bank's (ECB) three-year loans helped boost market sentiment. Despite these efforts reducing the risk of global contagion stemming from the Eurozone, we believe the effects may be short-lived and we remain negative in our outlook for the region.

**Credit:** Fixed income risk markets have performed exceptionally well year-to-date, with corporate credit and emerging markets indexes posting among their strongest first-quarter returns on record. We remain overweight these asset classes, and our largest overweight continues to be in non-agency mortgages.

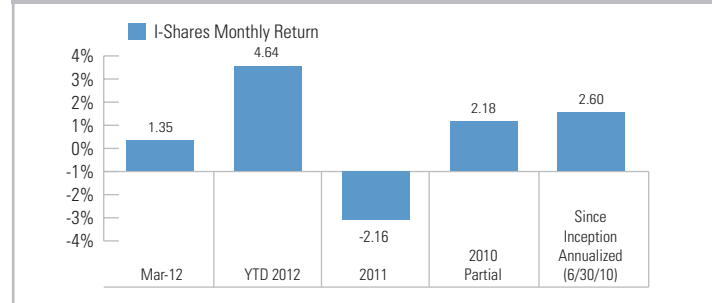
### Fund Performance

**Contributors:** Within our credit strategies, our exposure to non-agency mortgages was the main contributor to returns during the month, in line with broader risk markets. Additionally, our exposure to corporate credit contributed to returns. Within our macro strategies, our short US duration positioning contributed positively to returns during the month.

**Detractors:** Within our macro strategies, our short peripheral European position detracted slightly from returns. Additionally, within our currency positioning, our exposure to the New Zealand dollar, the Canadian dollar, the Norwegian krone, and the Malaysian Ringgit detracted from returns during the month.

Class I: GSZIX      Class A: GSZAX      Class C: GSZCX  
Class IR: GZIRX      Class R: GSZRX

#### Class I Performance at NAV (as of 03/31/12)



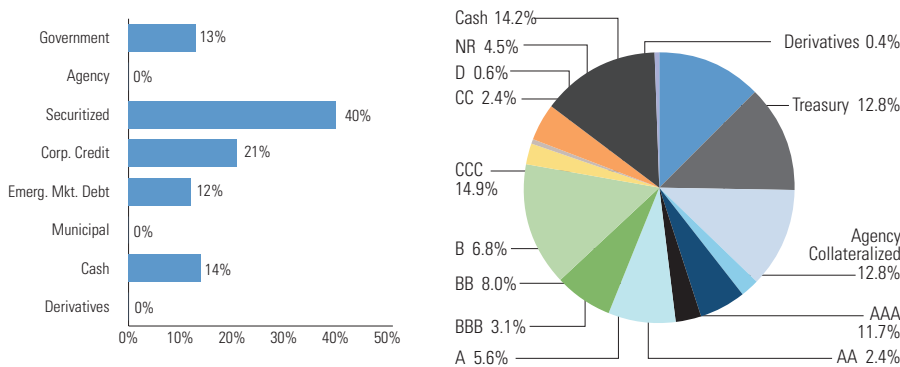
**Standardized Total Returns for period ending 03/31/12:**  
Since Inception: 2.60%; 1 yr 2.04%

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 our Web site at [www.goldmansachsfunds.com](http://www.goldmansachsfunds.com) to obtain the most recent month-end returns.

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. Because Institutional (and Service) Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns.

### Portfolio Positioning (as of 03/31/12)

*Investment Objective: Total return consisting of income and capital appreciation*



AUM (all share classes)	\$1,927M
Interest Rate Duration (years)*	0.10
Spread Duration (years)*	2.79
30-Day SEC Yield (I-Shares, net)	3.41%
30-Day SEC Yield (I-Shares, gross)	3.41%
30-Day Distribution Rate (I-Shares, net)	2.54%
Expense Ratio (I-Shares, net)	0.68%
Expense Ratio (I-Shares, gross)	0.74%
Last 60 Days Realized Vol (current)	2.25%
Last 60 Days Realized Vol (prior)	3.03%

\* Durations are defined on page 4

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 set forth above. The Fund's waivers and/or expense limitations will remain in place through at least July 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.

This fund has not been rated by an independent rating agency. The credit allocation provided above refers to the Fund's underlying portfolio securities. GSAM may receive credit quality ratings on the Fund's underlying securities from the three major rating agencies—S&P, Moody's and Fitch. GSAM develops the credit quality breakdown by taking the highest rating if more than one agency rates a security. GSAM will use a single rating if that is the only one available. Securities that are not rated by all three agencies are reflected as such in the breakdown. GSAM converts all ratings to the equivalent S&P major rating category when illustrating the Fund's credit rating breakdown. Ratings and portfolio credit quality may change over time. Unrated securities do not necessarily indicate low quality, and for such securities the investment adviser will evaluate the credit quality.

Please note additional credit rating disclosures and a description of the treatment of unrated securities can be found on page 4.

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.

<sup>1</sup> The 30-Day Standardized Subsidized Yield of the Fund is calculated by dividing the net investment income per share (as defined by securities industry regulations) earned by the Fund over a 30-day period (ending on the stated month-end date) by the maximum public offering price ("POP") per share of the Fund on the last day of the period. This number is then annualized. This yield does not necessarily reflect income actually earned and distributed by the Fund and, therefore, may not be correlated with the dividends or other distributions paid to shareholders. The 30-Day Standardized Unsubsidized Yield does not reflect any applicable expense reductions.

<sup>2</sup> The Distribution Rate is the net annualized distribution rate for the month, based on the average daily income dividend during the period and the ending NAV per unit.

<sup>3</sup> The Realized Volatility is subject to change and may vary from what is shown.

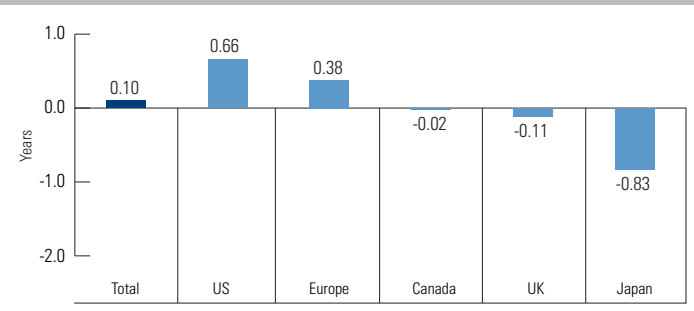


Macro Outlook

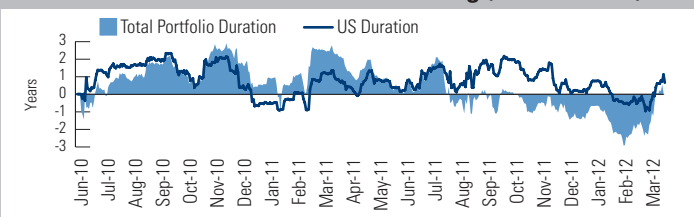
Duration

- Our largest duration position continues to be our short Japanese duration positioning, but we trimmed our exposure slightly during the month. We believe that 1% yields for 10-year Japanese Government Bonds (“JGBs”) are not sustainable, based on Japanese debt-to-GDP ratios and potential further downgrades.
- As core government yields rose in March, we remained generally short duration in the US and the UK. Around month-end, we moved briefly to a slight long exposure in the US as rates rallied on cautious comments on the US recovery from Fed Chairman Ben Bernanke. We trimmed our exposure to the UK, but remain slightly short on the belief that the Bank of England (BoE) has probably delivered its last round of quantitative easing, and gilts are likely to weaken as investors scale back their expectations for further stimulus. We moved to a slightly long position in Europe, on the belief that the ECB is likely to maintain accommodative policy until clearer signs of a broader recovery emerge.

Interest Rate Duration (as of 03/31/12)



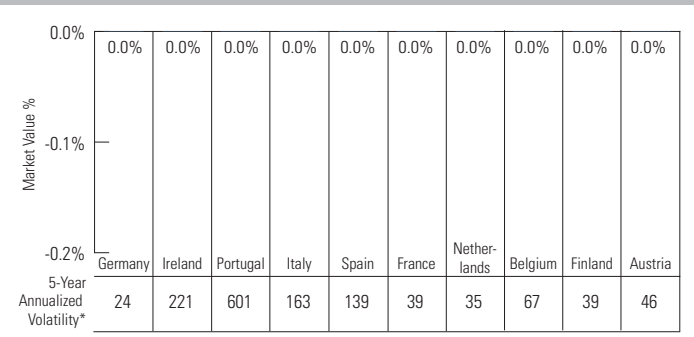
Interest Rate and US Duration Positioning (as of 03/31/12)



Country

- While we scaled back our short exposure to Europe via SOVX during the month, we believe that the positive effects of the ECB’s three-year Long Term Refinancing Operations (LTROs) are wearing off. Additionally, the recent deterioration in Spanish bond markets and weaker Purchasing Manager Index (PMI) data in March, specifically in France and Germany, has reinforced our overall negative outlook for the Eurozone.
- In G10, we currently hold no relative growth trades. We continue to expect positive growth in China and the US, which should likely support smaller open economies throughout 2012, and we see the Eurozone in a recessionary phase.

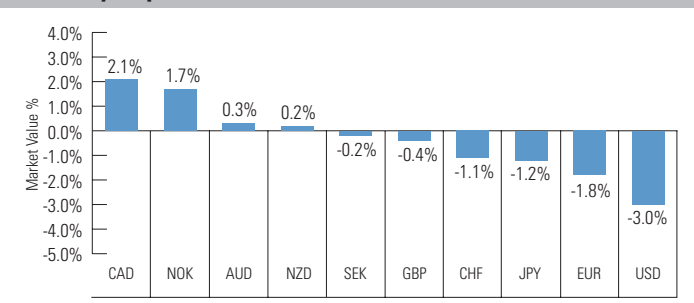
European Positioning (as of 03/31/12)



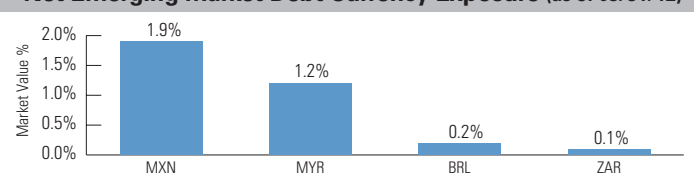
Currency

- Within G10 currencies, we remain long currencies where we believe stronger growth momentum (e.g., CAD, AUD), particularly in the US, should benefit countries with substantial commodities exports. We remain short currencies most exposed to deterioration in Europe (e.g., EUR, CHF, GBP, SEK).
- In EM currencies, we continue to believe that over the medium-term, fiscal imbalances in major developed economies along with zero policy rates and anemic growth will support flows into EM. Our favored positions are in countries benefiting from strong balance of payments profiles, particularly in Asia. We remain long the Mexican peso and the Malaysian ringgit.

Currency Exposure (as of 03/31/12)



\*Net Emerging Market Debt Currency Exposure (as of 03/31/12)



\* Source Bloomberg March 31, 2012. We have used 5 year government bonds in each market as a proxy for yield volatilities.

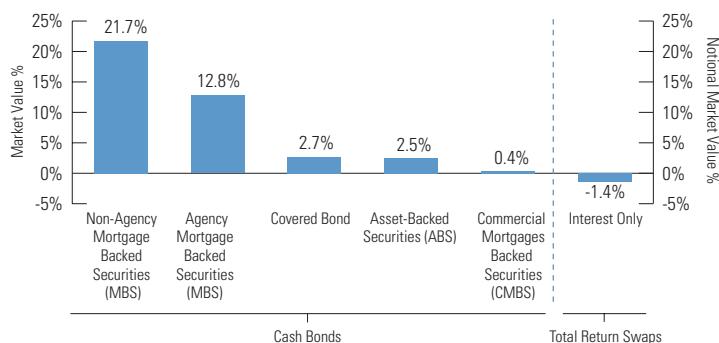
This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. Please see additional disclosures.



### Credit Highlights

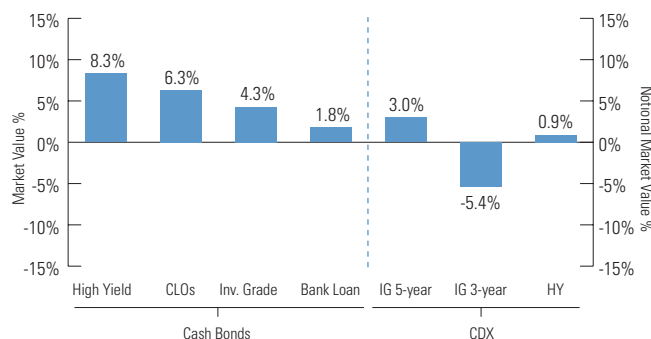
#### Securitized Non-Agency Mortgages (Current Market Value MV%: 22%; Previous Month's Market Value MV%: 21%)

- Agency mortgages remain exposed to heightened prepayment risk, as primary mortgage rates hover near historic lows. In light of this prepayment risk, we retained our longstanding down-in-coupon bias and maintained a short interest-only mortgage position.
- Non-agency mortgages remain our highest conviction position across risk assets. We believe that the US housing market has stabilized and despite short-term headwinds from seasonal effects and elevated market volatility, we maintain our preference to capitalize on US housing stabilization via non-agency mortgages as they are directly linked to US housing fundamentals. Additionally, they can potentially offer attractive default loss-adjusted yields and are currently trading at distressed levels, thereby potentially insulating them from further downside risks in Europe.



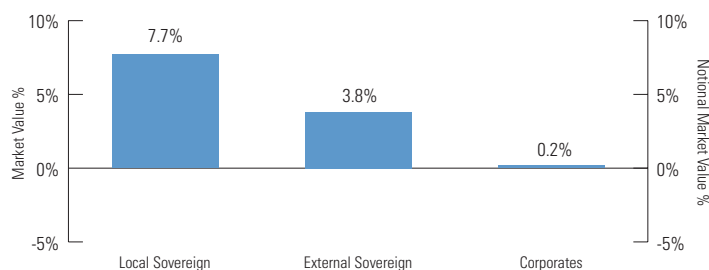
#### Corporate Credit Inclusive of CDX\* exposure (Current MV%: 19%; Previous Month's MV%: 18%)

- Corporate credit experienced a slight pullback in March, as economic data showed some signs of slowing down. While there may likely be near-term volatility as macro uncertainty persists, we believe credit spreads have room for compression considering default expectations and economic growth. Credit fundamentals are strong and improving in many sectors, with margins close to all-time highs and healthy cash balances.
- We maintained our exposure in corporate credit with a bias towards high yield and Collateralized Loan Obligations (CLOs). Additionally, we have maintained our flattening bias in the 3- to 5-year portion of the investment grade credit curve (i.e., favor 5-year Investment Grade vs. 3-year Investment Grade) and our exposure to bank loans.



#### Emerging Market Debt: Inclusive of CDX\* exposure (Current MV%: 12%; Previous Month's MV%: 12%)

- Local emerging market debt posted a negative return of -2% in March predominantly due to EM currency depreciation, while external debt posted a small positive return in March. We maintain a long term positive view on emerging market debt, as we see the asset class shifting from a niche to a core component of investor portfolios. Over the medium term, we believe that returns in local emerging debt should likely be driven primarily by currency appreciation rather than rates, based on the strong divergence in real GDP growth between emerging markets and mature markets.
- The Fund's EMD allocation is predominantly local sovereign debt (e.g., South Africa, Malaysia, Mexico, Brazil TIPS), with some exposure to external sovereign debt (e.g., Ivory Coast external debt, Venezuelan distressed debt), and some exposure to corporate debt (e.g., Mexican corporates).

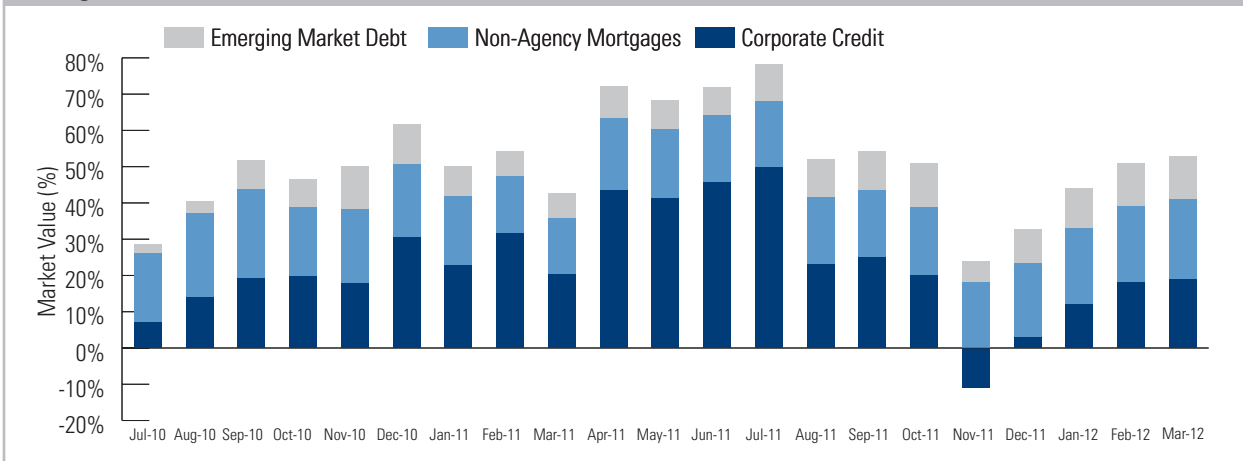


\*CDX: A Credit Default Swap on an index between a protection buyer and a protection seller in which the buyer pays a periodic fee in exchange for a recovery payment by the seller contingent upon some credit event (e.g., default).

Source: All data from GSAM. Data as of March 31, 2012 and subject to change. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. Please see additional disclosures. 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.

The economic and market forecasts presented herein have been generated by GSAM for informational purposes as of the date of this presentation. They are based on proprietary models and there can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

Changes in Credit Sector Allocation Over Time (as of 03/31/12)



Risk Metrics	Annualized Volatility (since 6/30/10)	Correlations to GSZAX (since 6/30/10)
GS Strategic Income Fund (I-shares)	2.55%	1.00
Barclays Capital US Aggregate Index	3.79%	-0.06
Barclays Capital Municipal Bond Index	2.78%	-0.07
Barclays Capital US Corporate High Yield Index	4.29%	0.62
S&P/LSTA Leveraged Loan Index	2.28%	0.52
JPMorgan EMBI Global Diversified Index	4.27%	0.49
JPMorgan GBI-EM Global Diversified Composite	10.03%	0.40
S&P 500	19.57%	0.36

**Goldman Sachs Strategic Income Fund Risk Considerations**

The **Goldman Sachs Strategic Income Fund** invests in a broadly diversified portfolio of U.S. and foreign investment grade and non-investment grade fixed income investments including, but not limited to: U.S. Government securities (such as U.S. Treasury securities or Treasury inflation protected securities), non-U.S. sovereign debt, agency securities, corporate debt securities, agency and non-agency mortgage-backed securities, asset-backed securities, custodial receipts, municipal securities, loans and loan participations, and convertible securities. The Fund's investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity and interest rate risk. The guarantee on certain U.S. government securities applies only to the underlying securities of the Fund if held to maturity and not to the value of the Fund's shares. The Fund's investments in mortgage-backed securities are subject to, among other risks, prepayment risks. These risks may result in greater share price volatility. The Fund may invest in high yield, fixed income securities that, at the time of purchase, are non-investment grade, also known as "junk bonds." High yield securities involve greater price volatility, are less liquid and present greater risk than higher rated fixed securities.

The Fund may also invest in foreign issuers which are denominated in currencies other than the U.S. dollar and in securities of issuers located in emerging countries denominated in any currency. The Fund's foreign and emerging market investments may be more volatile and less liquid than its investments 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 also make substantial investments in other derivatives instruments, including interest rate futures contracts, options (including options on futures contracts, swaps, bonds, stocks and indexes), swaps (including credit default, index, basis, total return, volatility and currency swaps), other forward contracts and other derivatives instruments. The Fund may engage in foreign currency transactions for hedging purposes (including cross hedging) or for speculative purposes. Derivative instruments may involve a high degree of financial risk. These risks include the risk that a small movement in the price of the underlying security or benchmark may result in a disproportionately large movement, unfavorable or favorable, in the price of the derivative instrument; risks of default by a counterparty; and the risks that transactions may not be liquid.

The Fund is subject to the risks associated with implementing short positions. Taking short positions involves leverage of the Fund's assets and presents various other risks. Losses on short positions are potentially unlimited as a loss occurs when the value of an asset with respect to which the Fund has a short position increases. Note that the implementation of short positions, as well as the use of derivatives generally, involves sophisticated investment techniques that have the potential to add additional risk to a portfolio.

**This material is not authorized for distribution unless preceded or accompanied by a current prospectus or summary prospectus, if applicable. Investors should consider a fund's objectives, risks, and charges and expenses, and read the summary prospectus, if available, and the prospectus carefully before investing or sending money. The summary prospectus, if available, and the Prospectus contains this and other information about the Fund.**

Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Goldman Sachs has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

The High Yield and Emerging Market Debt sectors involve exposure to higher credit risk, currency risk and liquidity risk. High yield, lower rated securities involve greater price volatility and present greater risks than higher rated fixed income securities. Fixed income securities of emerging countries are less liquid and are subject to greater price volatility and will be subject to the risks of currency fluctuations and sudden economic or 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.

The J.P. Morgan EMBI Global Diversified Index is an unmanaged index of debt instruments of 31 emerging countries. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The Case-Shiller Index measures the change in prices of a group of homes in 20 major metropolitan areas in the US. It is not possible to invest directly in an unmanaged Index.

The Barclays US Aggregate Bond Index represents an unmanaged diversified portfolio of fixed-income securities, including U.S. Treasuries, investment-grade corporate bonds, and mortgage-backed and asset-backed securities. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The Barclays Capital U.S. Corporate High Yield Bond Index (formerly the Lehman Brothers U.S. Corporate High Yield Bond Index), 2% Issuer Capped, covers the universe of U.S. dollar denominated, non-convertible, fixed rate, non-investment grade debt. Index holdings must have at least one year to final maturity, at least \$150 million par amount outstanding, and be publicly issued with a rating of Ba1 or lower. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

S&P/LSTA Leveraged Loan Index: The LLI is a daily total return index that uses LSTA/LPC Mark-to-Market Pricing to calculate market value change. On a real-time basis, the LLI tracks the current outstanding balance and spread over LIBOR for fully funded term loans. The facilities included in the LLI represent a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers.

JPMorgan Government Bond Index - Emerging Markets Global Diversified Index is an unmanaged index of debt instruments of 14 Emerging Countries. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The Barclays Capital 3 Year Municipal Index is a subset of the Barclays Capital Municipal Bond Index covering those issues with remaining maturities of two to three years.

The Barclays Capital Aggregate Municipal Bond Index (formerly the Lehman Brothers Aggregate Municipal Bond Index) is an unmanaged broadbased total return index composed of approximately 8,000 investment grade, fixed rate, and tax-exempt issues, with a remaining maturity of at least one year. The Index figures do not include any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

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

**Interest Rate Duration:** GSAM adjusts interest rate duration based on spread level (i.e., yield differential between risky assets and Treasuries). For example, the wider the spread on a bond, the less sensitivity that bond will have to changes in interest rates.

**Spread Duration** is the sensitivity of a bond given changes in yield spreads.

**Realized volatility** refers to the standard deviation of a Fund's continuously compounded returns within a certain timeframe.

**Correlation:** A statistical measure of how two securities move in relation to each other.

#### Descriptions of non-S&P equivalent rating categories reflected in the Credit Allocation pie chart on page 1.

**Treasury** includes holdings of government securities issued by the United States Department of Treasury.

**Agency Collateralized** includes holdings of U.S. government-backed agency (e.g., Ginnie Mae, Freddie Mac, Fannie Mae) mortgage-backed securities and may include to-be-announced (TBA) mortgage-backed securities.

**Derivatives** (guidelines permitting) may include futures, swaps, options, and forwards and may be used for hedging purposes and/or to express outright investment views. The table's market value percentage total for derivatives reflects aggregated unrealized gains or losses on all derivative positions. The impact of derivatives is allocated to their respective classifications on the contribution-to-duration tables (e.g., interest rate futures are allocated to "Government"; high yield credit default swaps are allocated to "Corporate-High Yield", etc.).

**Non-Rated (NR)** includes holdings of securities not rated by any major rating agency. Unrated securities held in the fund may be of higher, lower, or comparable credit quality to securities that have a credit rating from a Nationally Recognized Statistical Rating Organization (NRSRO). Therefore, investors should not assume that the unrated securities in the fund increase or decrease the fund's overall credit quality.

**Cash** may include local currency, foreign currency, short-term investment funds, bank acceptances, commercial paper, margin, repurchase agreements, time deposits, variable-rate demand notes, and/or money market mutual funds. The Cash category may show a negative market value percentage as a result of a) the timing of trade date versus settlement date transactions and/or b) the portfolio's derivative investments, which are collateralized by the portfolio's available cash and securities. Such securities are AAA rated by an independent rating agency, have durations between -2 and 1 years, and are limited to the following sectors: governments, agencies, supranationals, corporates, and agency-backed adjustable-rate mortgages. These securities are not reclassified under the Cash category; rather, they remain classified under their proper descriptions (e.g., rating, sector, etc.).

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