



**Eurozone Country Credit Ratings – S&P Downgrades  
Implications for the GS Financial Square Money Market Funds and Goldman Sachs Variable  
Insurance Trust Money Market Fund (the Funds)**

**January 18, 2012**

**Executive Summary**

On January 13, 2012, Standard & Poor's cut the long-term credit rating of France, Italy and seven other European countries. Five countries were cut by one notch, including France, which lost its AAA rating, and four were cut by two notches. The ratings agency further assigned a negative outlook to 14 countries, but gave a stable outlook to Germany and Slovakia, and affirmed the ratings of seven countries. The action followed a December 5, 2011 announcement to put the long-term credit ratings of 15 of the 17 Eurozone members on credit watch with negative implications.

- Germany has had its AAA rating affirmed with a stable outlook
- France – which had previously been AAA rated – has been downgraded one notch to AA+
- Italy – which had been A rated – has been downgraded two notches to BBB+
- Portugal – which had been BBB- rated – has been downgraded two notches to BB, sub-investment grade
- Only Greece remains on credit watch with negative implications, indicating the potential for a downgrade within the next 90 days

**Details of the ratings action**

The following table summarises the ratings action, country by country:

Country	Long Term Rating		Outlook	
	From	To	Stable	Negative
<u>Affirmed</u>				
Belgium	AA	AA		•
Estonia	AA-	AA-		•
Finland	AAA	AAA		•
Germany	AAA	AAA	•	
Ireland	BBB+	BBB+		•
Luxembourg	AAA	AAA		•
Netherlands	AAA	AAA		•
				•
<u>1 Notch downgrade</u>				•
Austria	AAA	AA+		•
France	AAA	AA+		•
Malta	A	A-		•
Slovakia	A+	A	•	
Slovenia	AA-	A+		•
				•
<u>2 Notch downgrade</u>				•
Cyprus	BBB	BB+		•
Italy	A	BBB+		•
Portugal	BBB-	BB		•
Spain	AA-	A		•

Source: Standard & Poor's, GSAM.



### **Key Points:**

- We – and the market – have been anticipating these changes. We believe the immediate implications to the Funds should be minimal. The changes did not impact the Funds' 1.00 NAV
- We are comfortable with the Funds' direct and indirect exposure to France and Austria
  - The Funds' investments have short-term maturities
  - The countries' short-term ratings remain the highest credit quality
  - France's long-term rating is now the same as the United States
  - The short-term ratings have greater primary significance under applicable regulations and Fund prospectus guidelines
- Short-term country debt inherently has a lower probability of default than long-term country debt. A country with a very high credit rating such as AA+ under financial strain is still likely to be able to meet its short-term debt obligations
- The Funds have no direct exposure to Cyprus, Italy, Portugal, Malta, Slovakia, Slovenia, or Spain
- A ratings downgrade does not necessarily mean that a country is going to default on its debt. A ratings change reflects the agency's view that the *probability* of default has changed
- Money market funds are prohibited by prospectus and regulations from investing in any debt with outstanding maturities of longer than 397 days
- We believe the sovereign downgrades are likely to be accompanied by the downgrades of various government guaranteed or sponsored entities around the Eurozone. For example, the AAA rating of the European Financial Stability Facility (EFSF) was downgraded to AA+, to reflect the one-notch downgrade by France
- We continue to monitor the markets, and would be happy to discuss with you in further detail

### **Additional Information**

#### **Rating Agencies' Ratings Guidelines**

A depiction rating agencies' ratings scheme is available on GLM's web site:

<http://www2.goldmansachs.com/gsam/glm/education/guide-to-mmf/rating-guidelines/index.html>

Standard & Poor's FAQ

<http://www.standardandpoors.com/ratings/articles/en/us/?articleType=HTML&assetID=1245327305715>

Standard & Poor's communiqué

<http://www.standardandpoors.com/ratings/articles/en/us/?articleType=HTML&assetID=1245327294763>

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### Details of direct exposure to Goldman Sachs Financial Square Money Market Funds

The following table summarizes the ratings changes and GS Fund exposure:

Countries	Former Ratings	Current Ratings	Exposure in GS Funds	Longest Maturity Exposure and Issuer
Austria	AAA / A-1+	AA+ / A-1+	No	N/A
Belgium	AA / A-1+	AA / A-1+	No	N/A
Cyprus	BBB / A-3	BB+ / B	No	N/A
Estonia	AA- / A-1+	<i>No change</i>	No	N/A
Finland	AAA / A-1+	<i>No change</i>	No	N/A
France	AAA / A-1+	AA+ / A-1+	Yes	19 days / BNP
Germany	AAA / A-1+	<i>No change</i>	Yes	62 days / Deutsche
Greece	CC	<i>No change</i>	No	N/A
Ireland	BBB+ / A-2	BBB+ / A-2	No	N/A
Italy	A / A-1	BBB+ / A-2	No	N/A
Luxembourg	AAA / A-1+	<i>No change</i>	No	N/A
Malta	A / A-1	A- / A-2	No	N/A
Netherlands	AAA	<i>No change</i>	No	N/A
Portugal	BBB- / A-3	BB / B	No	N/A
Slovak Republic	A / A-1	<i>No change</i>	No	N/A
Slovenia	AA- / A-1+	A+ / A-1	No	N/A
Spain	AA- / A-1+	A / A-1	No	N/A



### European Exposure: Detailed Fund Information – GS Financial Square Funds

GS Financial Square Money Market Fund	Direct (%)	Indirect (%)	Total (%)	Longest Maturity (Days)	Exposure WAM (Days)
France	5.2	4.0	9.2	19	0.3

GS Financial Square Prime Obligations Fund	Direct (%)	Indirect (%)	Total (%)	Longest Maturity (Days)	Exposure WAM (Days)
France	0.0	4.8	4.8	7	0.2

GS Variable Insurance Trust Money Market Fund	Direct (%)	Indirect (%)	Total (%)	Longest Maturity (Days)	Exposure WAM (Days)
France	2.1	7.0	9.1	7	0.3

GS Financial Square Tax-Free Money Market Fund	Direct (%)	Indirect (%)	Total (%)	Longest Maturity (Days)	Exposure WAM (Days)
France	0.0	0.2	0.2	7	0.1

GS Financial Square Tax-Exempt California Money Market Fund	Direct (%)	Indirect (%)	Total (%)	Longest Maturity (Days)	Exposure WAM (Days)
France	0.0	0.0	0.0	N/A	N/A

GS Financial Square Tax-Exempt New York Money Market Fund	Direct (%)	Indirect (%)	Total (%)	Longest Maturity (Days)	Exposure WAM (Days)
France	0.0	0.0	0.0	N/A	N/A

All data is as of January 13, 2012

Direct exposure represents investments in securities of a country (sovereign), bank, or company. Indirect exposure represents investments where a European bank (or sovereign) provides liquidity to a security.

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### Additional Notes

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.

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