
Private Markets Post Trump, Brexit and Covid-19

GOLDMAN SACHS ALTERNATIVES

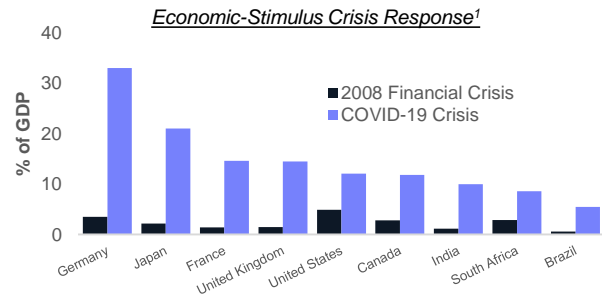
July 2021

Economic and Societal Impact of COVID-19

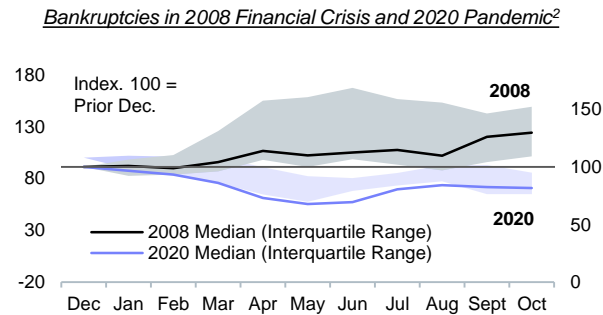
The Impact of Unprecedented Fiscal and Monetary Policy

1

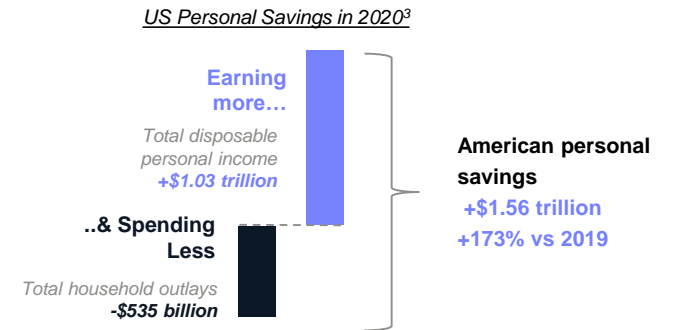
FISCAL POLICY



COMPANIES HEAVILY SUPPORTED

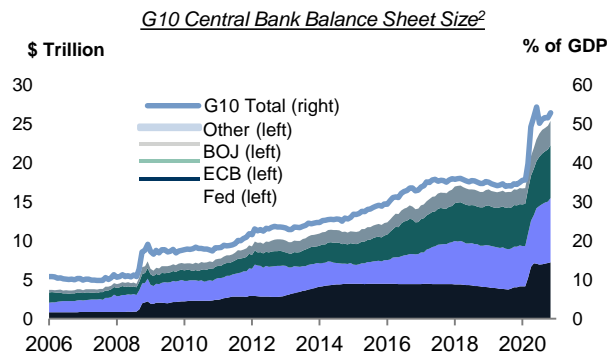


SAVINGS DRAMATICALLY INCREASED

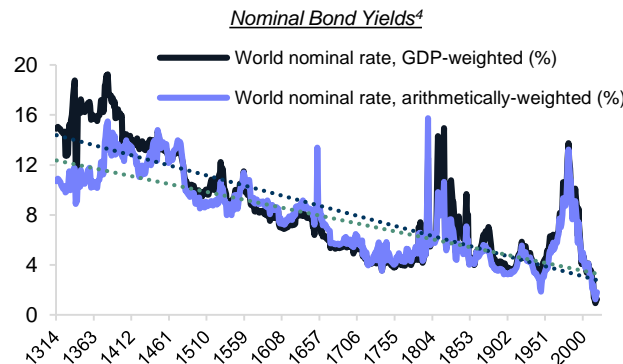


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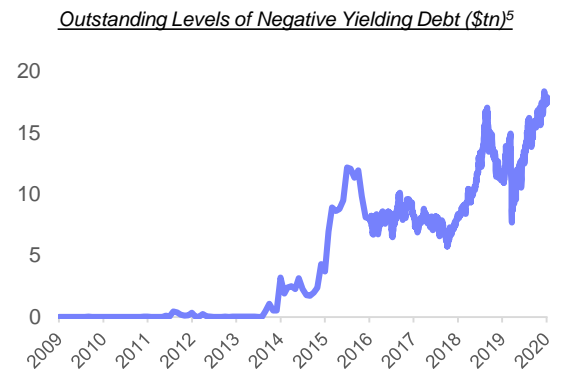
MONETARY POLICY



YIELDS EVEN LOWER THAN BEFORE



AND NEGATIVE YIELDS ABOUND



¹Source: McKinsey & Company, The \$10 trillion rescue: How governments can deliver impact, June 5, 2020. 2019 GDP taken into account for values related to COVID-19 crisis. Data for 2008 financial crisis published by International Monetary Fund in March 2009; includes discretionary measures announced for 2008-10. ²Source: Goldman Sachs Global Investment Research, "Global Economics Analyst: Top Charts of 2020", 31 December 2020. Three month moving average used. Countries include the UK, Belgium, South Africa, Spain, Germany, France, US, Japan, and Brazil. Bankruptcies assumed stable in Spain for Q4 and in Germany for October. ³Why Markets Boomed in a Year of Human Misery, New York Times, Jan 1 2021 ⁴ Goldman Sachs Global Investment Research "Strategy Matters: Time for Value", 15 October 2020. ⁵Source: Bloomberg, accessed 8th January 2021.

2020: An Unprecedented Year of Change

Themes and Opportunities

Unprecedented change led to the significant acceleration of pre-existing trends and significant bifurcation between sectors and industries across all private asset classes, in turn creating interesting opportunities for private capital.

1 CHANGING CONSUMER BEHAVIOUR



2 TESTING LIMITS OF DIGITALISATION



3 RENEWABLES / ENERGY TRANSITION



4 SHORT-TERM SHOCKS



5 FOCUS ON HEALTHCARE



6 SUPPLY CHAIN DISRUPTIONS



Client Perspective

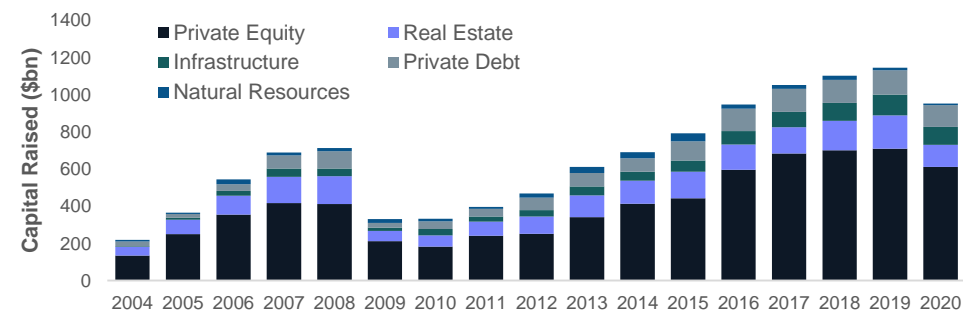
Acceleration of Reallocation to Alternatives

- Superior Returns Expectation
- Search for Yield (Liability-Driven Investing)
- Search for Growth
- Reduced Reported Asset Volatility
- Diversification (Reduced Portfolio Volatility)
- Ability to Monetize Sticky Capital
- Belief Active Governance is Superior
- Supportive Regulation



1

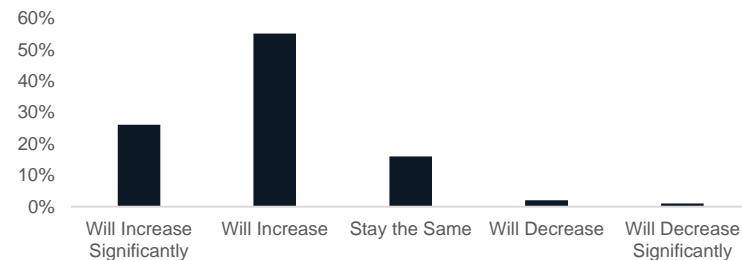
CAPITAL RAISED IN PRIVATE FUNDS HAS INCREASED...



2

...AND WILL CONTINUE TO DO SO

Investors' Plans for Their Allocation to Alternatives by 2025²



¹Source: Preqin, accessed 15th January 2021. ²Source: Preqin "Future of Alternatives 2025: Investors' Inexorable Push to Alternatives", 10 November 2020

LGPS Access Options

How Can LGPS Access Private Markets Investment

1

ALLOCATION VIA YOUR POOL

2

ALLOCATION VIA LOCAL AUTHORITY PENSION FUND

3

ALLOCATION VIA YOUR CONSULTANT

CONSIDERATIONS

ALIGNMENT

COST

ESG

RESOURCES

ACCESS TO CO-INVESTMENTS

Private Debt

Pivot from Dislocation to Recovery

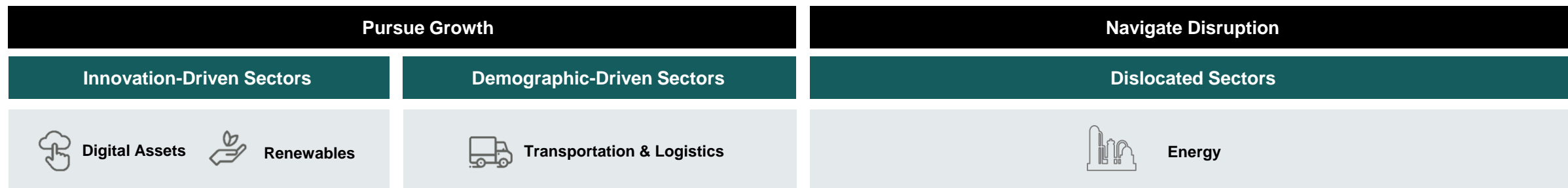
We expect continued investment opportunities in Private Credit strategies in 2021, driven by high quality underwriting, heightened deal flow and market trends.

- 1 Sourcing and origination capabilities continue to remain a cornerstone of success in the private credit markets. Direct originations, diligence, knowing your customer, and structuring are critical to protecting credit quality.**
 - Direct origination allows the ability to earn excess yield by providing certainty, customization and other benefits to the borrower.
 - The larger the “funnel” of opportunities, the more selective managers can be in selecting the right credits.
- 2 We’ve observed a surge in financing activity driven by new LBOs, sponsor to sponsor secondary sales and increased acquisition activity by portfolio companies.**
 - As deal flow resumed following last year’s market dislocations, we observed a transition in direct lending terms from being borrower-friendly to more lender-friendly, as sponsors need reliable credit.
 - Spreads have correspondingly compressed as markets have continued to strengthen.
- 3 The ability to provide certainty and size, as well as the understanding of complexity, continues to be a competitive advantage.**
 - The trend towards private capital solutions and away from the syndicated markets continues in the credit market
 - Private credit continues to take share and we believe the trend will continue, just as we have seen in the equity markets.

Infrastructure

Themes and Opportunities

Opportunities are emerging in Infrastructure across Energy Transition, Digital Infrastructure, Transportation, and Essential Services.



- »» **Growing e-commerce** driving significant investment in global supply chain and transport infrastructure that delivers speed and efficiency
- »» Importance of fiber networks to **connect individuals and companies**, and fiber route diversity to ensure redundancy
- »» Rapid growth in **renewable generation displacing conventional baseload power capacity** and driving increased intermittency of supply, necessitating investments in utility-scale energy storage
- »» **Rise of electric vehicles** and evolution of road infrastructure

- »» **Oil price volatility** and the rise of renewables has continued to put pressure on traditional oil and gas assets. Select value opportunities may exist for structured investments in the highest quality assets



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Real Estate

Themes and Opportunities

We expect to see opportunities across innovation-driven sectors, demographic-driven sectors, & sectors which have experienced dislocation.

Pursue Growth

Innovation-Driven Sectors



Industrial



Data Centers



Life Science

Demographic-Driven Sectors



Multifamily



Student Housing

Navigate Disruption

Dislocated Sectors



Office



Seniors Housing



Hospitality



Retail

- ▶▶▶ **Acceleration of online shopping and food delivery trends** set to continue, driving outperformance for industrial / logistics properties
- ▶▶▶ Technological advancement and **scientific discovery driving cutting-edge healthcare solutions**, expanding life science activity
- ▶▶▶ Growth and increasing importance of data centers to support **connectivity, content, storage and compute power**
- ▶▶▶ Increased demand for rental housing due to **population growth and homeownership challenges** for select cohorts, including millennials

- ▶▶▶ Uncertainty on the future of work, with a potential focus on employees working from home and de-densification of existing space (more space per employee), leading to **disruption in the office sector**
- ▶▶▶ Pandemic-related challenges have placed **operating pressure on seniors housing sector** although demographics support longer term demand
- ▶▶▶ Travel restrictions driving declines for hospitality occupancy in excess of 2001 and 2008 levels; **potentially prolonged protraction in hospitality demand**, particularly to the extent business travel remains muted
- ▶▶▶ **Structural headwinds within retail** due to e-commerce and changing consumer behavior



Dalfen Industrial Portfolio



Kuwana Logistics Center



St. Regis Chicago Mezz – Chicago, IL



Edyn Extended Stay Hotels – Dublin, Ireland

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Private Equity

Themes and Opportunities

We expect to see opportunities across digital and tech-enabled businesses, beneficiaries of post-COVID paradigms, and recapitalizations of strong businesses in highly-impacted industries



- » COVID **accelerated the “shift to digital,”** creating an even more favorable market backdrop for technology / software businesses, or businesses in other industries with strong tech capabilities.
- » **Clean and renewable energy solutions** are becoming increasingly popular, benefitting from growing consumer demand for sustainable alternatives.
- » Expect to see meaningful **growth in healthcare** over the next decade, as an aging population drives demand for medical products and services. High costs will create opportunities for companies that reduce margin pressure.

- » **The hospitality industry** has been negatively impacted by COVID-related travel restrictions. Companies with strong and agile management teams may be able to navigate this period and emerge as winners in the post-COVID environment.
- » **Many retailers have struggled** during the pandemic due to government-mandated closures and reduced foot traffic. Select opportunities exist for specialty retailers, and those with ecommerce capabilities.



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