



Asset Management

Freddie Mac/Fannie Mae – What has happened?

There has been concern in the market place recently regarding Freddie Mac and Fannie Mae and their possible need to raise additional capital. Freddie Mac and Fannie Mae are government sponsored enterprises (GSEs) that provide a large portion of funding for U.S. mortgages. The market concern is being attributed to a recent brokerage house report (released July 7, 2008) that speculated on how a pending accounting change (FAS 140) could require these two GSEs to bring off-balance sheet assets onto their balance sheets and force them to raise substantial amounts of capital. We believe this article contributed to the price decline in both Freddie Mac and Fannie Mae equity. Much speculation has occurred in the market but few expect this accounting change to impact the long-term viability of these GSEs as many believe the U.S. Government is concerned about keeping these two financial institutions healthy and stable.

How does this affect GSAM Money Market Funds?

This news has had no impact on the GSAM Money Market Funds. Some of the GSAM Money Market Funds⁽¹⁾ do own Freddie Mac and Fannie Mae securities and we continue to remain very comfortable with the positions and the quality of all assets in the funds. There is still a high level of volatility in the market and this is expected to continue. Based on this view, we continue to remain focused on principal protection, liquidity and our conservative approach in managing the GSAM Money Market Funds. The Goldman Sachs Credit Department continues to monitor all issuers, including GSEs, on our Approved List. The GSAM Money Market Portfolio Management team can only purchase the highest credit quality securities (minimum short-term rating A-1/P-1) that the GS & Co. Credit team approves. (The GS & Co. Credit team is a separate entity comprising over 255 professionals overseeing credit markets globally⁽²⁾.) This is the same conservative approach the GSAM Money Market team has utilized in successfully managing the GSAM Money Market Funds for more than 27 years.

For further questions, please contact your Goldman Sachs sales representative or our Client Service Analyst Team at 1-800-621-2550.

¹ GS Financial Square Prime Obligations Fund, GS Financial Square Money Market Fund, GS Financial Square Government Fund, ILA Prime Obligations Portfolio, ILA Money Market Portfolio, GS VIT Money Market Fund.

² As of March 2008

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July 2008

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