The Goldman Sachs Group, Inc (NYSE: GS)

Position: (L) Price Target $1,070.20
(19% Upside)

Morgan Stanley & Co. LLC (NYSE: MS)

Position: (S) Price Target $130.15
(-29% Downside)

Trang Pham - Caimanes Student-Managed Hedge Fund
04/14/2026 - Finanancials Institution

Industry Overview

Definition

Global capital markets firms advise corporations, governments, and institutions on M&A, capital raising, and strategic transactions

Global Investment Banks

Investment Banking Fees
- **M&A Advisory**
- **Debt Underwriting**
- **Equity Underwriting**

Global Markets
- **FICC Trading**: Market-making and client facilitation in rates, credit, and commodities
- **Equities Trading:** Cash equities, derivatives, and prime brokerage

→ Volatile

Asset & Wealth Management
- **Management fees -** tied to Asset Under Management (AUM)

→ Stable

Competitive landscape*

Tailwind / Headwind

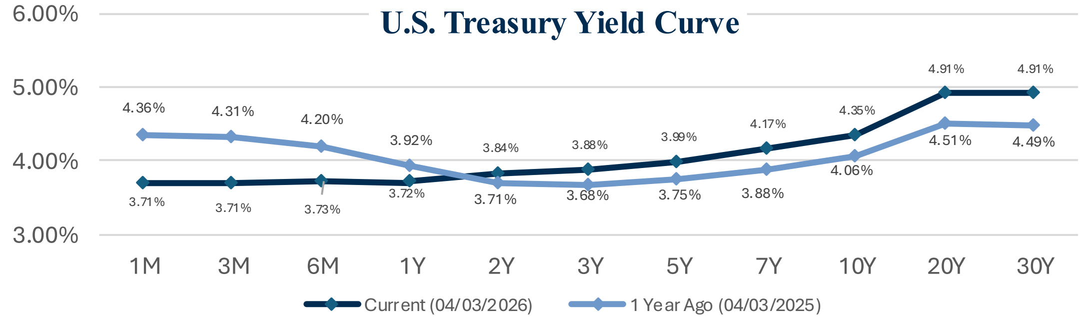
Tailwinds
- Volatility in the markets [S&T is expanding]
- Growth in global wealth
- Digitalization of financial services

Headwinds
- Private Markets
- Competitive pricing compression in asset and wealth management

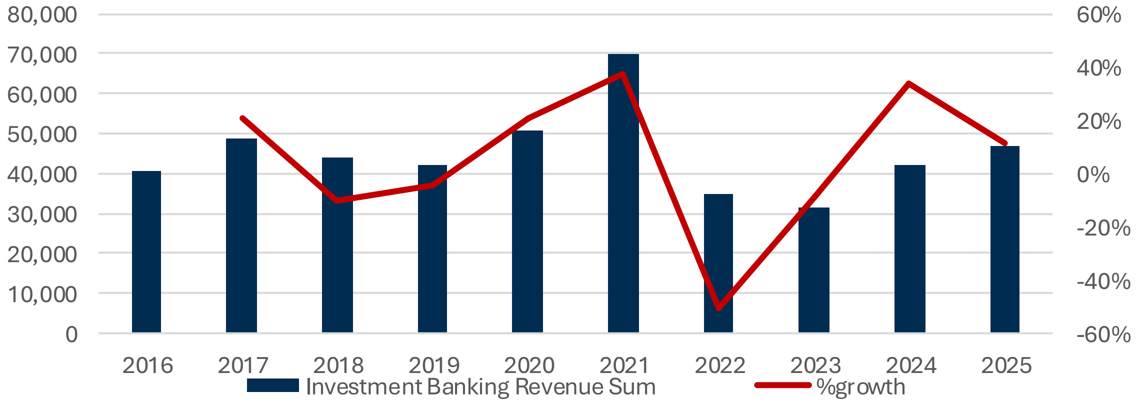
Key Industry Drivers

Regulations
- New Fed, SEC, Treasury leadership signaling lighter regulatory burden
- Deregulation means more capital freedom: support M&A, LBOs, transactions, buybacks

Rate Environment
- FED cuts and steeper yield curve compress funding costs and reopen issuance windows
- Credit spread tightening reopens leveraged finance and high-yield markets shut since 2022



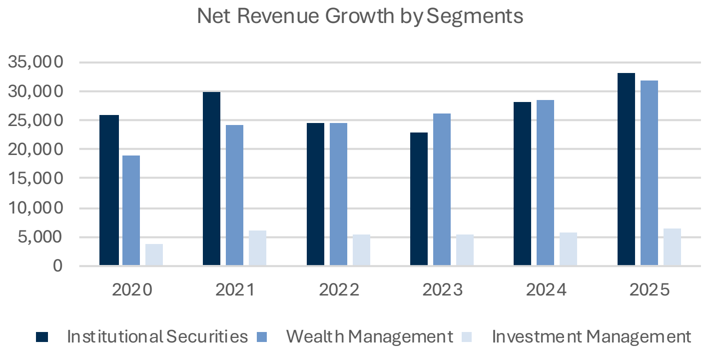
Global IB Fees - Recovery

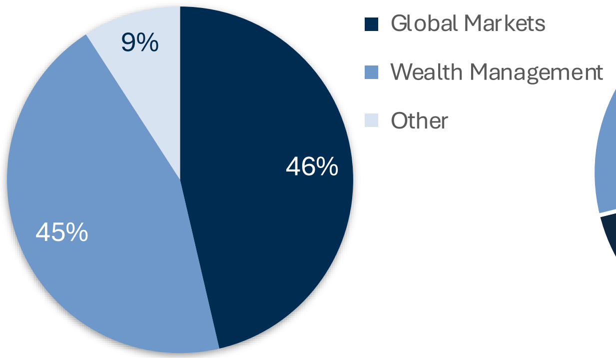


*Estimation

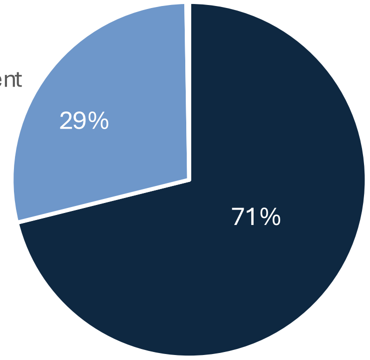
Business Overview

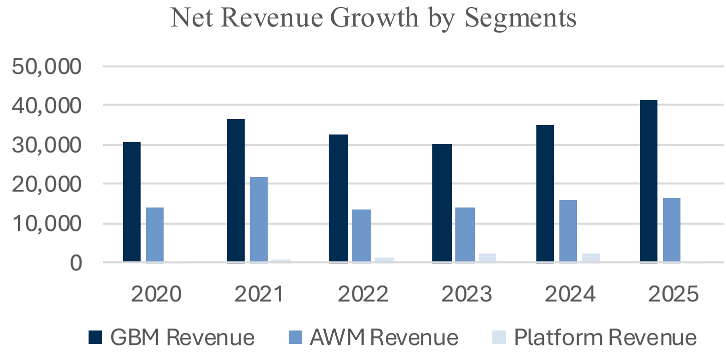
Morgan Stanley

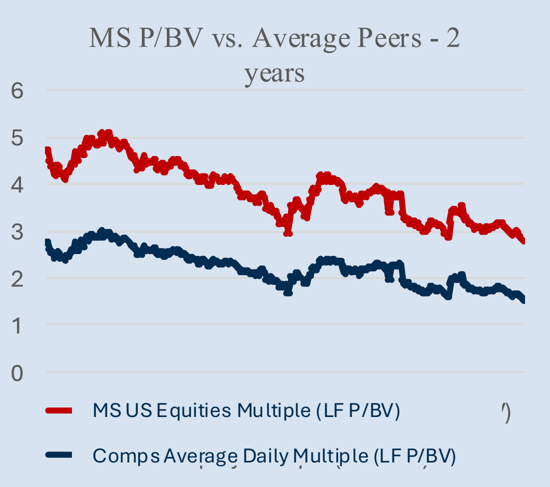




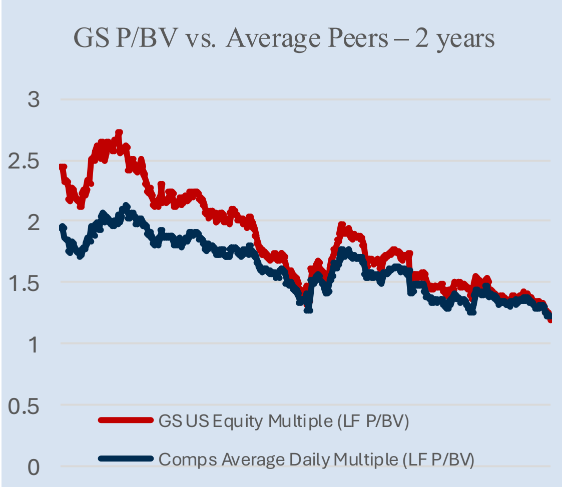
Goldman Sachs







Morgan Stanley		Goldman Sachs
Linked to AUM growth & markets levels	**Earnings Sensitivity**	Linked to deal volume, volatility, financing
Wealth Management	**Dominant Segment**	Global Banking & Markets
Structural, Stable Asset-level driven, Recurring Fees	**Revenue Stability**	**Cyclical, Volatile** Transaction-driven, Trading-exposed
❖ Fee-based asset growth ❖ Margin expansion completed	**Key revenue engine**	❖ M&A Recovery ❖ FICC and Equities ❖ AWM scaling
Premium Stability	**Valuation Implication**	**Discount** Cyclicality



MS consistently trades at a **premium** to peers, reflecting its stable, wealth-driven earnings

GS trades **closer to or below** peers, reflecting its more cyclical, capital-driven business mix

Thesis Overview

Thesis 1:
Primary Beneficiary of
IB Fee Recovery Cycle

Thesis 2:
From Trading Discount
To Financing Premium

Thesis 3:
AWM Transformation Unlocks
Structural Share Gains

BUY

Price Target: $1,070.20
(19% Upside)

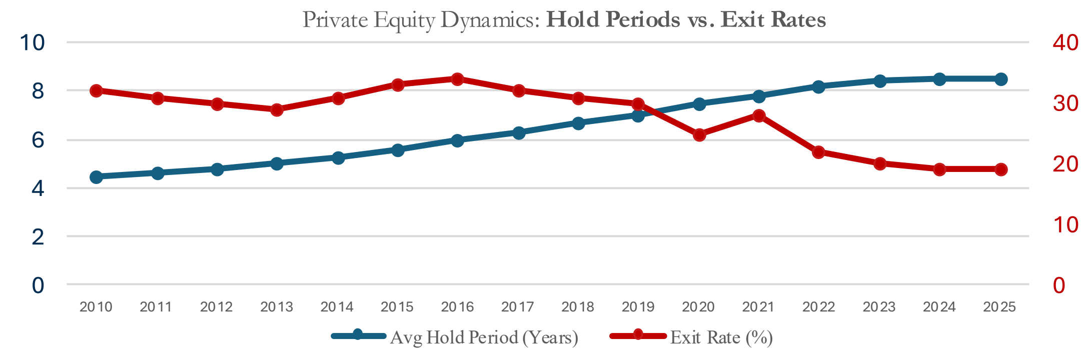
SELL

Price Target: $130.15
(-29% Downside)

Rebound in IB Fees is Underway

IB Fees are expected to grow

U.S. Private Equity Exit Backlog



Backlog Building

- ❖ PE backlog: $3.8T and 32,000 unsold companies that need to exit
- ❖ **Hold periods ↑ + Exit rates ↓ = A growing backlog**
- ❖ **These exits happen through 3 channels that all generate IB fees : IPO (ECM fees), M&A sale (advisory fees), Secondary sale to sponsors (advisory fees)**

Why Hold Periods Are So High

- ❖ Rate shock (2022–2023): Higher rates killed valuations = buyers couldn't pay previous prices
- ❖ Bid-ask spread: Sellers want 2021 prices, buyers price in higher cost of capital

Why They Can't Keep Going Higher

- ❖ Fund life pressure: IRR erosion: Longer hold => lower returns => hurts fundraising
- ❖ Record high holding period: PE funds typically around 10 years, they are running out of time

Why Now Is A Good Time To Exit

- ❖ Rates are more stabilized
- ❖ Deregulation makes it easier

Deregulation

The Basel III Endgame re-proposal and its subsequent shelving in 2025 freed approximately $175B in excess capital that the eight largest U.S. banks had been holding in reserve since 2023 - capital that can now flow directly into M&A financing, LBO underwriting, and sponsor transactions.

Basel III Re-proposal Capital Released	**$175B**

Executives consider using excess cash for deals

MS Co-President Daniel Simkowitz	" The firm excess capital would allow it to take advantage of acquisition opportunities, and fund potential dividend increase and stock buybacks.
GS CEO David Solomon	" The firm would continue to consider acquisition opportunities with its excess capital"

Bear Case for IB Fees: Backlog

GS future fee visibility

Enter 2026 with **Highest IB fees backlog in 4 years**

Q4 2025 + Q1 2026 Earnings call

- ❖ **Higher revenue visibility:** Large pipeline of advanced mandates supports future advisory, underwriting, and financing fees
- ❖ **Sustained IB momentum:** Strong backlog underpins continued revenue growth despite potential market volatility
- ❖ **M&A leverage:** Backlog is primarily advisory-driven, positioning GS to capture a disproportionate share of the recovery

MS avoidance to disclose backlog

Q1 2025 + Q3 2025 Earnings call	**Analysts** asked: "sustainability of these trends" and specifically referenced the "backlog in investment banking"	**Ted Pick** responded in broad terms about promising growth, but again **not with an explicit backlog figure**

GS is Well-positioned to benefit from IB Recovery

Goldman Sachs | Morgan Stanley

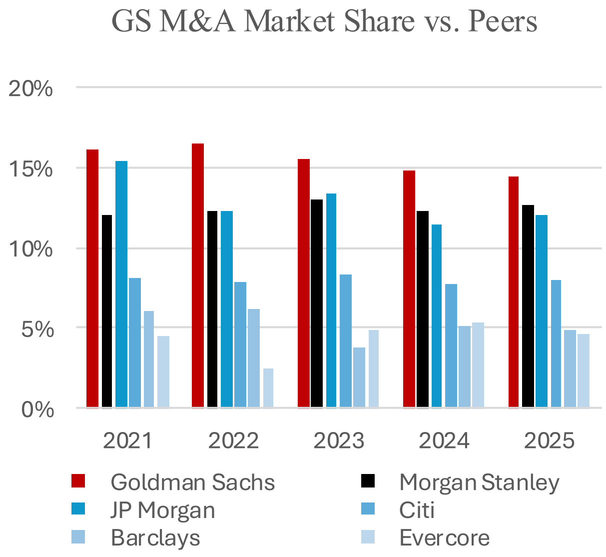
GS M&A Current M&A Dominance

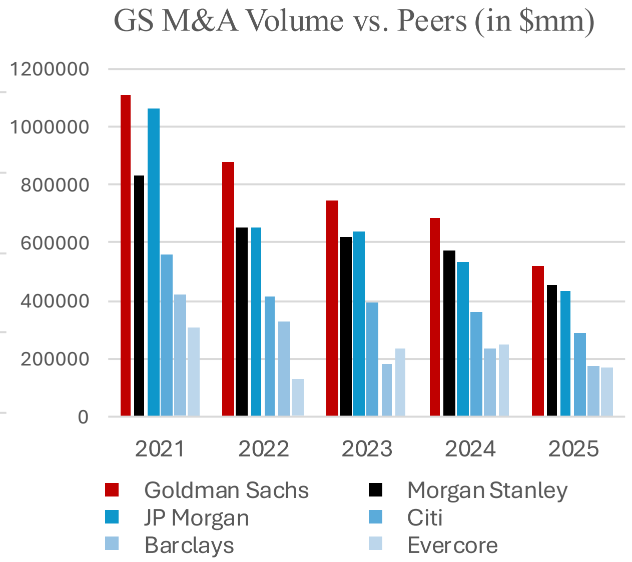
2025		
#1 M&A for 23 years	$1.66T volume 36.4% market share	38 out of 68 megadeals (+$10B)

- **Deep C-suite relationships** make GS the trusted first call for strategic transactions
- Proven execution on large, complex deals creates **high switching costs** for clients
- **Compounding market leadership**: GS's consistent #1 ranking reinforces client trust and drives recurring deal flow

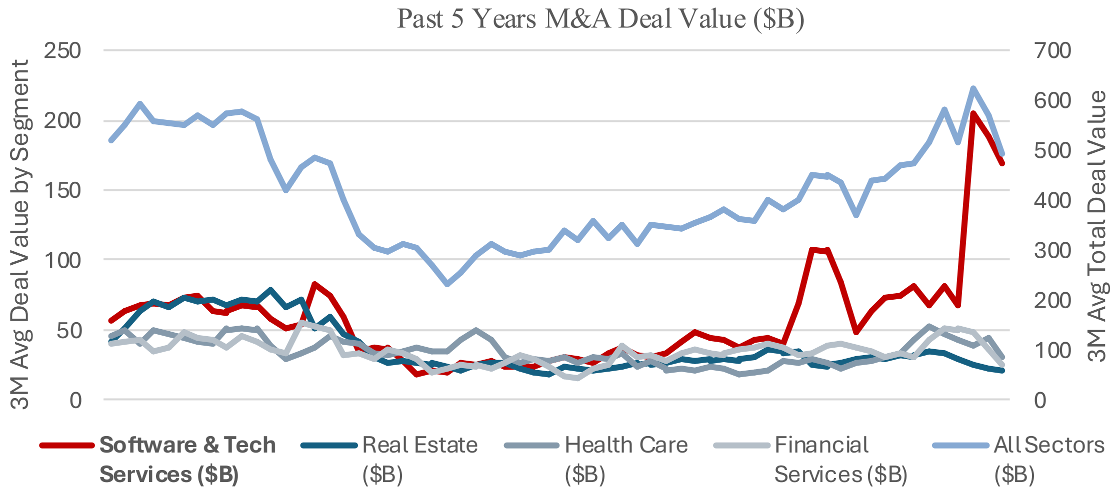
GS relationships + execution + high switching costs = **repeat and consistent mandates**

GS maintain #1, MS is losing Market Share





Tech M&A Leading



GS Strengthening Tech M&A

2025		
#1 Global Tech M&A	$337.8B volume	42.5% market share

2026

Qatalyst PARTNERS

Brian Cayne (co-founder of **Qatalyst**)
new Partner and Co-Head of Global Software Investment Banking

- **Brian Cayne:** co-founder of **Qatalyst,** 1 of the leading tech M&A boutiques
- **$500B+ total deal value advised,** across large-cap technology transactions
- **1,000+ technology transactions** firm-wide at Qatalyst (high concentration in software & internet deals)
- Top-tier client relationships: Tech CEOs, PE sponsors, Software companies

Enhances GS's ability to win and execute large-cap software M&A mandates

Thesis 2: Growth in Financing Durability

Financing Durability in FICC and Equities net revenue

- ❖ Financing revenues within GS FICC and Equities have grown significantly.
- ❖ GS has deliberately shifted the mix away from purely transaction-driven intermediation toward financing, which compounds as their client balances grow.

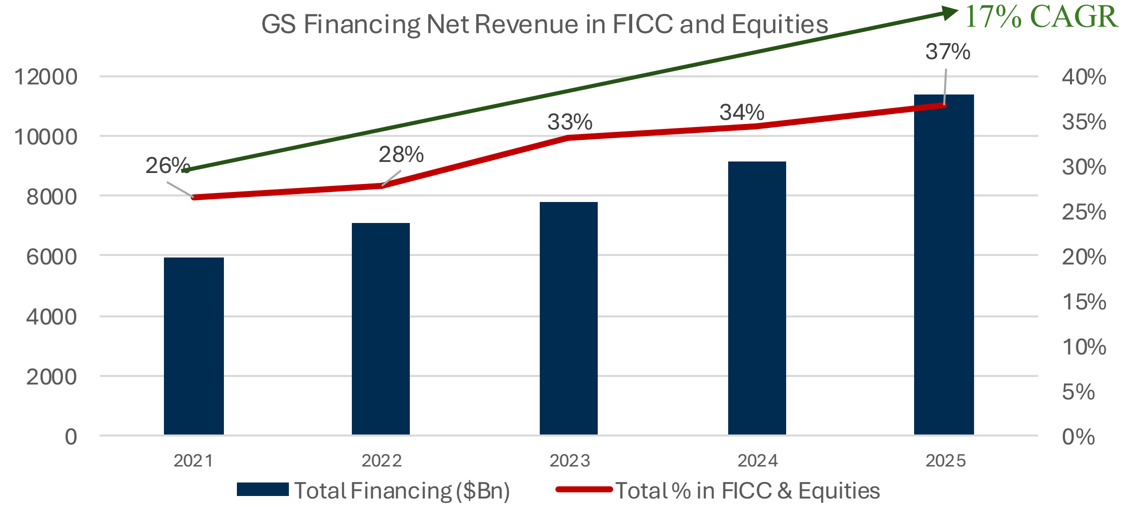
Why Financing is more Durable

- ❖ These come from lending to hedge funds (prime brokerage), secured lending, and structured financing - revenues that **recur more predictably than pure market-making**
- ❖ **Structural demand and Lower volatility**

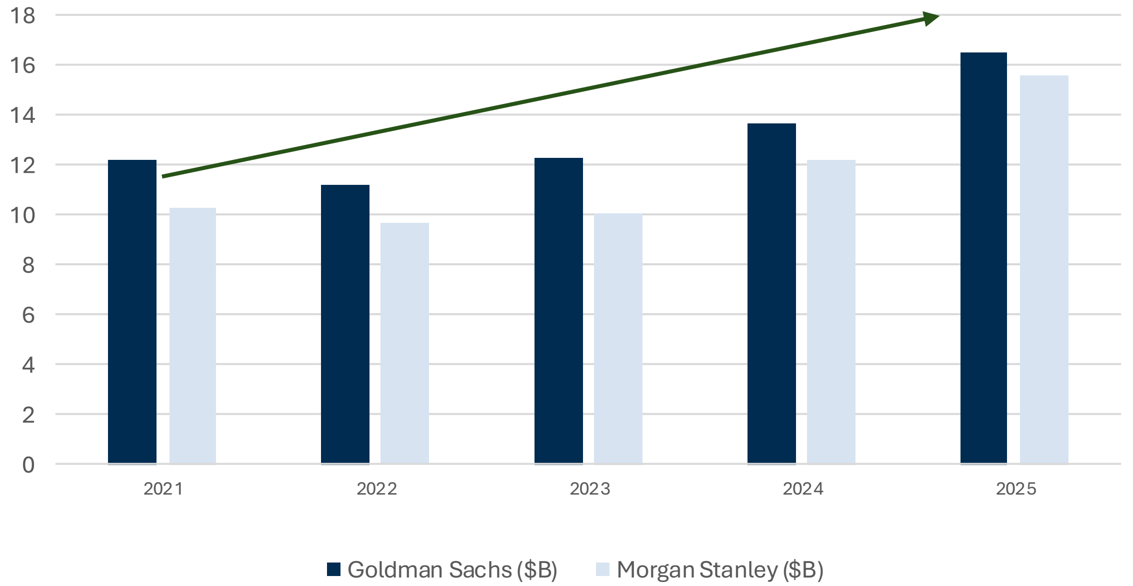
David Solomon - GS

"The strength of our financing businesses give us confidence in the durability of our earnings - irrespective of short-term market conditions." – GS Annual Report 2025

The Financing Mix Shift GS



GS vs MS Equities Revenue comparison



❖ GS overtook MS in equities revenue in 2025 despite trading at 90bps P/TBV discount
=> **GS is already outperforming MS in the business where it supposedly has a discount**

Why the Market Hasn't Repriced Yet:

- ❖ GS Equities has historically been viewed as **volatility-sensitive** because trading and market-making revenues typically strengthen when client activity and hedging demand rise
- ❖ As financing revenues become larger share of reported results each quarter, low VIX correlation becomes undeniable

Thesis 2: Volatility Decorrelation

Goldman Sachs | Morgan Stanley

Why VIX

It reflects expected **market volatility**

Low VIX

- ❖ Quiet Market
- ❖ Less trading

If the correlation to market volatility decrease, that shows the business is less dependent on **volatility spikes.**

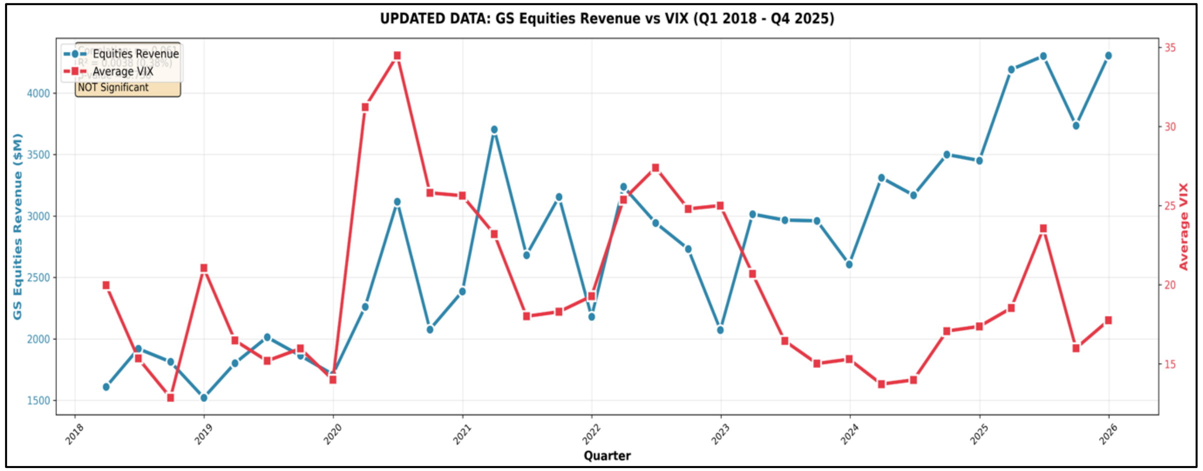
High VIX

- ❖ More trading activity
- ❖ More hedging

=> More FICC and Equities revenue

VIX and Equities Prior Correlation

- ❖ Pre-2020 GS equities revenue was dominated by cash trading and market-making - spread-based businesses requiring volatility to generate volume and widen bid-ask spreads
- ❖ This created a structural discount: investors applied a cyclical trading multiple to GS regardless of actual revenue



Equities Independence of VIX

Equities Revenue Statistically De-correlation from Volatility

- ❖ **R^2 vs VIX : 0.38%** to - **Volatility now statistically explains minimal variation in revenues**
- ❖ While volatility still impacts trading, it is no longer the primary driver of revenues, reducing earnings cyclicality

What drives the independence

Financing Shield

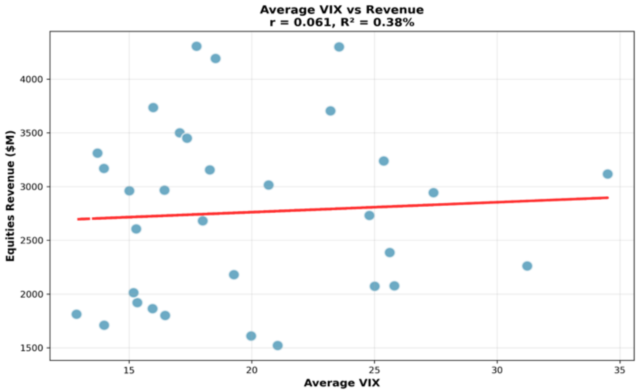
More revenue from:

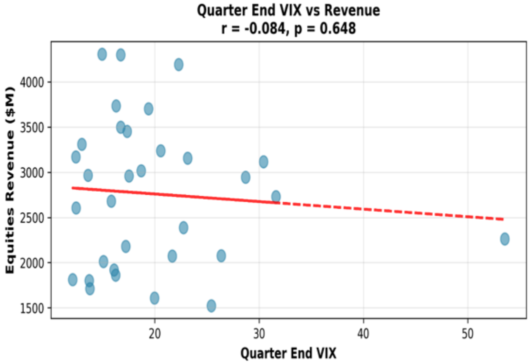
- ❖ Prime brokerage balances
- ❖ Margin financing
- ❖ Securities lending

Less dependent on Volatility

Driven by:

- ❖ Client assets
- ❖ Hedge fund activity
- ❖ Financing spreads





The business is earning consistently regardless of whether markets are calm or volatile

Thesis 3: AWM Growth

Goldman Sachs | Morgan Stanley

MS AUS Premium Relies on Outsized Market Returns

❖ MS Record high Net New Asset (NNA) is structurally leveraged to equity market performance
=> Iranian conflict / geopolitical uncertainty creates exactly the equity market normalization scenario that hits MS Wealth flows

Year	NNA ($B)	**YoY NNA Change**	**S&P 500 Return %** (LT Avr = 10 %)	**Notes**
2021	438	**173.8%**	**28.7%**	E*TRADE Opens
2022	311	**-29.0%**	**-18.1%**	Bear market
2023	282	**-9.3%**	**26.3%**	Recovery year
2024	251	**-11.0%**	**25.0%**	Below target
2025	356	**41.8%**	**23.0%**	Record NNA

MS CEO Ted Pick

When asked about targets: " It didn't feel prudent to revamp targets just because we've had a couple of good years."

=> flagging exceptional years

Why NNA and S&P 500

- **Wealth effect**
- **Pro-cyclical investor behavior**
- **Cash deployment**

Market mean reversion Pressures MS NNA growth & Fee-based revenue

GS Structural Growth Through Acquisitions

Deal	Innovator	Industry Ventures	NNIP
Date	Closed 2026	Closed early 2026	Acquired 2022
Price	$2.0B	$665M +$300M earnout	€1.7B closed
AUS Added	$31 billion	Solomon: "enormous synergies in the wealth business"	$335 billion
Market added to GS	ETFs, retail/wealth distribution, packaged outcome strategies	Alternatives, venture secondaries, private markets	European distribution, institutional asset management, scale
What is added to GS	❖ **Expands ETF platform** ❖ Strengthens retail + wealth distribution ❖ Adds scalable, rules-based products	❖ **Expands venture capital platform** ❖ Adds VC and secondary exposure ❖ Deepens relationships founders and sponsors	❖ **Immediate AUM growth** ❖ Expands European presence ❖ Adds distribution + client base
Main Upside	Drives AUM scale and distribution expansion in high-growth ETF market	Increases exposure to high-margin alternatives and long-term fee growth	Provides scale and international distribution to support stable fee revenues
Main Risk	Fee compression / ETF competition	VC cycle / liquidity risk	Active fee pressure / integration
Debt Taken	No separate debt disclosed	No separate debt disclosed	No separate debt disclosed

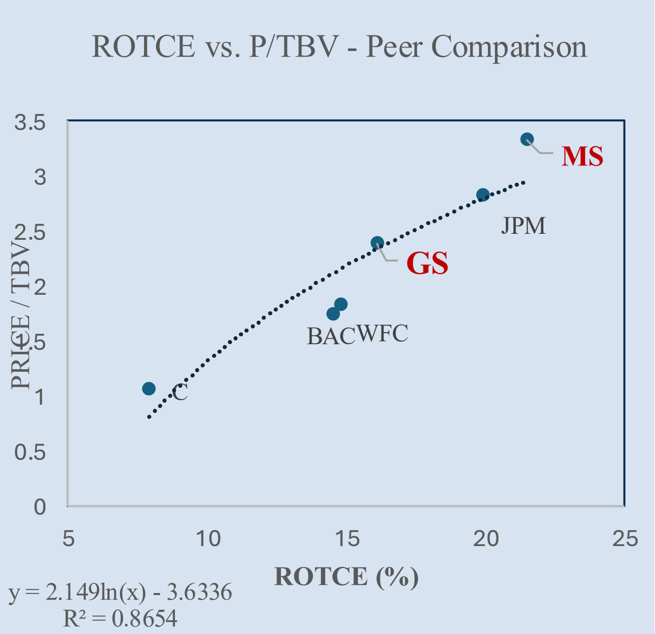
These acquisitions are complementary, enhancing GS's asset mix across **scalable ETFs, high-margin alternatives, and global distribution** supporting both growth and revenue quality

GS deployed relatively small capital (~$5B), while adding scalable fee revenue and positioning the firm for long-term AWM growth

Comps & Valuation

Goldman Sachs | Morgan Stanley

Ticker	Name	Mkt Cap ($B)	P/TBV	ROTCE	P/E	P/B	ROE (%)	Net Interest Margin (%)
Median	Median	278.05	2.28	15.44	15.87	2.04	14.17	2.24
GS	GOLDMAN SACHS	272.87	2.64	16.06	16.07	2.46	15.87	0.82
MS	MORGAN STANLEY	283.23	3.58	21.52	17.57	2.78	16.50	1.01
C	CITIGROUP	214.94	1.29	8.17	17.63	1.14	6.94	2.47
BAC	BANK OF AMERICA	378.12	1.85	14.48	13.74	1.38	10.72	2.01
JPM	JPMORGAN CHASE	834.57	2.92	20.14	15.67	2.45	16.56	2.50
WFC	WELLS FARGO & CO	264.72	1.92	14.81	13.74	1.62	12.48	2.64



Goldman Sachs

FREE CASH FLOW TO EQUITY (In millions of USD except per share)					
KEY VALUES:	2026	2027	2028	2029	2030
Equity Value					
FCFE	14,359	16,727	17,864	17,261	518,159
Cost of Equity	13.6%	13.60%			
		Bloomberg			
EQUITY VALUE	322,531				
			Stock Price		
Diluted Shares Outstanding	314		864.82		
Intrinsic Price	$ 1,026.81	19%			
Continuing Value					
ROE	20.0%				
Payout ratio	50.0%				
Growth Rate (g)	10.01%				
Cost of Equity	13.6%				
Book Value of Equity	183,620				
Continuing Value	518,159				

Beta = 1.25 | ke = 13.6% | g =10%

Price Target $1,070.20 (19% Upside)

Morgan Stanley

FREE CASH FLOW TO EQUITY (In millions of USD except per share)					
KEY VALUES:	2025	2026	2027	2028	2029
Equity Value					
FCFE	6,700	8,040	9,648	11,578	354,993
Cost of Equity	14.3%				
EQUITY VALUE	207,196				
			Stock Price		
Diluted Shares Outstanding	1,592		183.34		
Intrinsic Price	$ 130.15	-29%			
Continuing Value					
ROE	16.5%				
Growth Rate (g)	10.00%				
Cost of Equity	14.3%				
Book Value of Equity	233,595				
Continuing Value	354,993				

Beta = 1.35 | ke = 14.3% | g =10%

Price Target $130.15 (-29% Downside)

Risks and Mitigants

Risks	GS Mitigants	MS Mitigants
Risk 1: **IB recovery underdelivers**	❖ Equities "financing shield": large portion of equities revenue tied to client balances (not just volatility) => more stable revenues ❖ AWM upside still remaining: currently 25% margin vs 30% target => clear path to expansion => Even if recovery slows, GS still benefits from backlog + mix shift toward fee-based + financing revenues	❖ Equity underwriting and advisory franchises provide some offset; ❖ Wealth Management (~$7T AUM) adds a significant fee-based revenue buffer against trading weakness.
Risk 2: **Deal/Advisory Pipeline Dependency on M&A Cycle Recovery**	❖ Best-in-class league table positioning and sponsor relationships mean GS disproportionately captures deal flow when M&A volumes recover; ❖ Deeper alternatives/private credit pipeline through GS Asset Management	❖ Strong equity capital markets franchise (IPO, follow-ons) allows some substitution when M&A lags ❖ Wealth Management provides insulation from fee compression in slower deal years.

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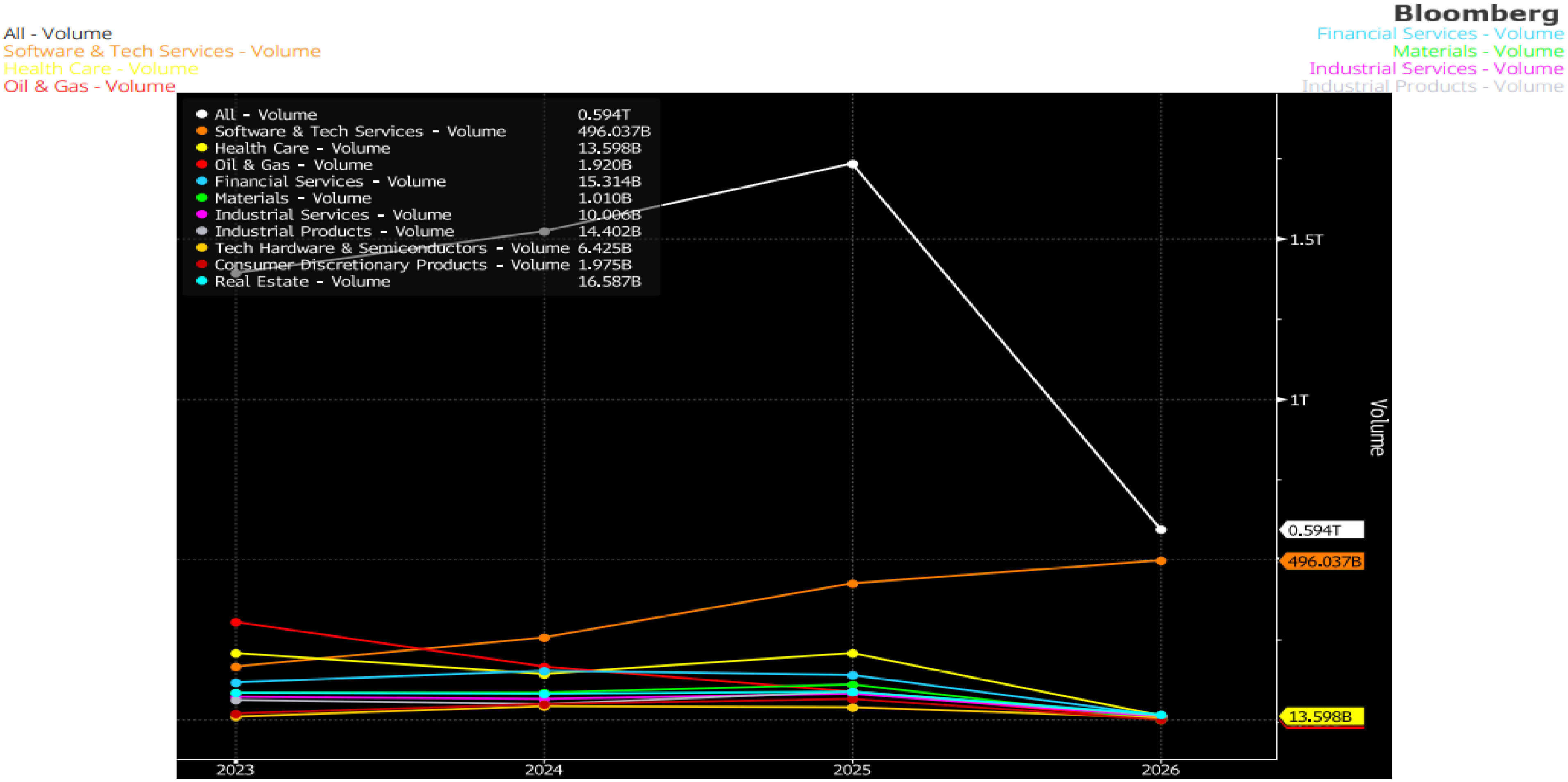

Bloomberg
All - Volume
Software & Tech Services - Volume
Health Care - Volume
Oil & Gas - Volume
Financial Services - Volume
Materials - Volume
Industrial Services - Volume
Industrial Products - Volume
All - Volume 0.594T
Software & Tech Services - Volume 496.037B
Health Care - Volume 13.598B
Oil & Gas - Volume 1.920B
Financial Services - Volume 15.314B
Materials - Volume 1.010B
Industrial Services - Volume 10.006B
Industrial Products - Volume 14.402B
Tech Hardware & Semiconductors - Volume 6.425B
Consumer Discretionary Products - Volume 1.975B
Real Estate - Volume 16.587B
1.5T
1T
Volume
0.594T
496.037B
13.598B
2023
2024
2025
2026

Appendix – S&P 500 Returns

Goldman Sachs | Morgan Stanley

ngs

S&P 500 Total Return Index

Range	12/31/2001 - 12/31/2025	Period	Yearly	High	15,220.45 on 12/31/25
Fields	Total Return Ir / Bid Price	Currency	USD	Low	1,261.18 on 12/31/02
View	Price with % Chg			Average	4,762.8444 / 0.00
				Net Chg	13,601.47 / 840.13%

	Date	Total Return I...	Net Change	% Change	Bid Price	Net Change	% Change
We	12/31/25	15,220.45	+2,308.63	+17.88%			
Tu	12/31/24	12,911.82	+2,583.99	+25.02%			
Fr	12/29/23	10,327.83	+2,149.81	+26.29%	0.00	+0.00	NaN
Fr	12/30/22	8,178.02	-1,808.68	-18.11%			
Fr	12/31/21	9,986.70	+2,227.35	+28.71%			
Th	12/31/20	7,759.35	+1,205.78	+18.40%			
Tu	12/31/19	6,553.57	+1,569.35	+31.49%			
Mo	12/31/18	4,984.22	-228.54	-4.38%			
Fr	12/29/17	5,212.76	+934.10	+21.83%			
Fr	12/30/16	4,278.66	+457.06	+11.96%			
Th	12/31/15	3,821.60	+52.16	+1.38%			
We	12/31/14	3,769.44	+453.85	+13.69%			
Tu	12/31/13	3,315.59	+811.15	+32.39%			
Mo	12/31/12	2,504.44	+345.50	+16.00%			
Fr	12/30/11	2,158.94	+44.65	+2.11%			
Fr	12/31/10	2,114.29	+276.79	+15.06%			
Th	12/31/09	1,837.50	+384.52	+26.46%	0.00		
We	12/31/08	1,452.98	-853.25	-37.00%			
Mo	12/31/07	2,306.23	+120.10	+5.49%			
Fr	12/29/06	2,186.13	+298.19	+15.79%			
Fr	12/30/05	1,887.94	+88.39	+4.91%			
Fr	12/31/04	1,799.55	+176.61	+10.88%			
We	12/31/03	1,622.94	+361.76	+28.68%			
Tu	12/31/02	1,261.18	-357.80	-22.10%			
Mo	12/31/01	1,618.98	-218.39	-11.89%			

Appendix – IB Fees Market Share

Goldman Sachs | Morgan Stanley

Investment Banking Dashboard (BI IBNKG) Global

Change your default startup in Terminal Settings.

Research
- Dashboard Home
- Industry
- Equity
- Credit
- Government
- Litigation

Data Library
- Market Share
- Macro
- Industry
- Company
- MODL
- Valuation
- Credit
- Weekly Watch
- Sov. Watch
- Legal Costs
- Contributors

Monitor
- News/Research
- Events
- Comp Sheets
- Markets

Market Share | Global IBNKs - Adjusted Rev Analysis

Actual Value | % Chg | Mkt Shr

View 48 Quarters | Growth None | Select Companies | Currency USD

Name	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2
* Excludes Valuation Adjustments and Writ...												
Note: Peer group based on revenue size												
Global Banking and Markets Revenue		51,061.6	51,090.2	49,266.7	52,961.2	46,284.8	42,136.6	43,422.0	46,367.6	35,337.3	42,416.7	41,828.0
and level of disclosure detail												
Global Markets Revenue		37,088.76	35,847.04	36,645.81	40,569.35	33,395.37	30,439.17	30,906.35	34,205.81	25,331.89	32,678.10	32,289.62
FICC Sales & Trading Revenue		20,528.92	20,416.29	20,796.43	23,248.96	19,279.75	17,399.64	17,711.05	21,388.08	14,840.04	20,260.32	19,490.78
Equity Sales & Trading Revenue		16,437.24	15,303.09	15,659.85	16,666.27	13,781.88	12,737.73	12,907.44	12,547.51	10,482.17	12,103.78	12,546.98
Investment Banking Revenue		11,877.20	13,128.71	10,710.33	10,428.55	11,025.44	9,979.83	10,716.91	10,326.20	8,304.52	7,677.37	7,328.75
Goldman Sachs Group Inc		2,577.00	2,657.00	2,191.00	1,914.00	2,054.00	1,865.00	1,733.00	2,080.00	1,652.00	1,554.00	1,431.00
JPMorgan Chase & Co		2,347.00	2,627.00	2,513.00	2,248.00	2,479.00	2,267.00	2,356.00	2,001.00	1,654.00	1,717.00	1,557.00
Bank of America		1,697.00	2,054.00	1,498.00	1,598.00	1,685.00	1,437.00	1,611.00	1,621.00	1,177.00	1,250.00	1,262.00
Morgan Stanley		2,412.00	2,108.00	1,540.00	1,559.00	1,641.00	1,463.00	1,619.00	1,447.00	1,318.00	938.00	1,075.00
Citigroup Inc		1,287.00	1,169.00	1,058.00	1,104.00	951.00	999.00	935.00	977.00	706.00	694.00	612.00
Barclays PLC		806.20	871.10	758.54	811.37	786.69	772.31	856.98	782.26	633.27	474.88	591.03
Deutsche Bank AG			586.61	471.78	484.18	556.74	440.52	630.93	545.94	328.25	351.49	315.71
UBS AG		751.00	1,056.00	680.00	710.00	872.00	736.00	975.00	872.00	836.00	698.00	485.00
Credit Suisse Group AG^^^												
Fixed Income Underwriting		4,402.00	5,887.67	4,531.44	5,159.77	4,223.44	4,529.00	5,150.59	5,021.31	3,303.41	3,132.20	3,145.80
Equity Underwriting		2,393.00	2,971.60	2,482.57	1,955.73	2,705.99	2,042.25	2,590.83	2,419.76	1,785.06	1,706.03	1,653.66
Advisory		5,027.00	4,454.34	3,617.77	3,211.67	4,181.31	3,372.26	3,093.50	2,974.88	3,418.79	3,062.26	2,423.26

Appendix – VIX and GS Equities Correlation