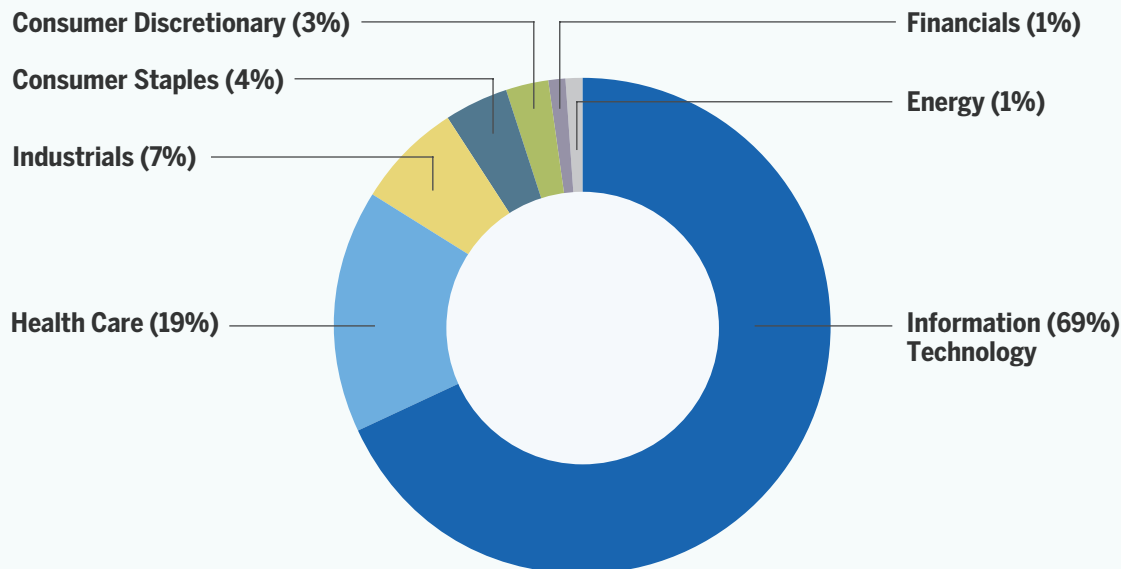


Why Tax Repatriation Matters

Washington lawmakers are considering changes to the tax code that could result in a large amount of cash returning to the U.S. According to Goldman Sachs, nearly \$1 trillion could be eligible for repatriation, allowing U.S.-based companies to deploy more money in even more productive ways at home. Why does this matter and where should investors look for investment opportunities?

Sector Breakdown of S&P 500 Untaxed Overseas Cash



Source: Goldman Sachs Global Investment Research using 2016 10-Ks.

- Investors should consider that 85% of untaxed foreign money is held by Information Technology and Health Care companies.
- U.S. companies may be able to repatriate their post-tax funds at any time at no additional cost if a tax affects all untaxed overseas cash, regardless of when companies choose to repatriate funds.
- In the absence of a time restriction, companies may strategically spend repatriated funds. During the last 12 months, S&P 500 companies with taxable overseas cash spent 58% of their cash outlays investing for growth (capex, research and development, mergers and acquisitions) and 42% returning cash to shareholders (share repurchases, dividends).¹
- Any manner in which repatriating companies spend their cash is likely to fuel earnings growth, which may lead to equity gains for Information Technology and Health Care businesses.

¹ Goldman Sachs (2017) "Overseas Cash Repatriation Would Boost Shareholder Returns and Growth Investments." US Equity Views.

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