Discovery Global Millennial Share Portfolio

July 2023

As millennials have entered their prime earning / spending years, they have become the world's most important consumer force reshaping spending patterns across global industries. This disruption is creating powerful, long-term, secular growth opportunities for investors which we call the 'Millennial Effect'. The strategy offers a thoughtful way of gaining exposure to the 'Millennial Effect' through an actively managed portfolio investing across all regions, sectors and market caps in order to effectively capture the widespread impact of this generation. The strategy invests in fundamentally solid companies that are aligning business models to service the tech-enabled consumption habits of the millennial generation. By carefully evaluating the quality of each business and investing at a reasonable valuation, we believe we can give our clients thoughtful exposure to the 'Millennial Effect', creating a well-diversified portfolio capable of generating wealth over the long-term.

The strategy is managed by 3 Co-Portfolio Managers, aided by 80+ research analysts working in 6 locations across the world. We think our local insights and global connectivity enables us to identify less researched companies that can benefit from the impact of the millennial generation. The Co-PMs work with the local analysts to identify what we believe are the best opportunities for this differentiated portfolio. Our team of 80+ investment professionals based across 6 locations globally has identified a proprietary universe of 400+ securities where the revenues are aligned to the millennial thematic. We look at companies that offer products as well as services that are catering to the spending patterns of the millennial generation and aim to keep a balanced portfolio. While the entire team vigorously debates investment ideas and overall portfolio structure, all final buy/sell decisions for the portfolio are a product of the collective decision of the Co-Portfolio Managers.

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Market Review

Global Equities continued to gain during the month of July, returning 3.2% (total returns in USD). Markets continued the positive momentum on the back of pressures on economic growth dissipating along with subsided concerns around banking sector and US debt ceiling.

In the backdrop of resilient economic data and toning down of inflationary pressures, FED and European Central Bank raised the rates by 25 bps in July. There seems to be an optimism in the markets around rate-hiking cycle potentially coming to an end. While in Japan, even though the core inflation slowed down, it remained well above the central bank's 2% target keeping policy makers under pressure.

The 2Q earnings releases by the companies signaled at many corporates holding up well in the environment of growth concerns. The worries around recovery in China remained in focus with investors indicating a need for policy stimulus. Efforts have been underway to ease the geopolitical tension as several politically influential US individuals visited China. News on the US unemployment front was also positive with the rate coming in below consensus. However, while the global composite PMI number remained above 50, manufacturing activity continued to show signs of slowdown with manufacturing PMI coming in at 48 during the month.

In terms of sector performance, Energy stocks contributed the most to returns driven by expectations of tighter supply and the positive growth data, closely followed by Communication services. While Health Care and Utilities lagged behind, no sector registered negative returns during the period.

Performance Overview

- The Goldman Sachs Asset Management Global Millennials Equity Strategy returned 4.9% in the month of June underperforming MSCI ACWI Growth by 100 bps and MSCI World by 119 bps.

- At the country level, our stock selection in UK and China contributed to portfolio performance during the month. On the other hand, our holdings in the US and Germany detracted the most from portfolio returns.

- At the sector level, our stock selection in Information Technology and under-allocation to Health Care contributed to performance during the month. On the other hand, our allocation to Communication Services and positions in Consumer Discretionary detracted the most from portfolio returns.

Periods Ending 31-Jul-2023	GSAM Global Millennials Equity Strategy (%)	MSCI ACWI Growth (%)	Excess Return (bps)	MSCI World (%)	Excess Return (bps)
Trailing 1 year	8.3	13.5	-522	15.3	-705
Trailing 3 years	1.9	11.7	-976	8.1	-623
Trailing 5 years	9.4	9.1	27	10.6	-124
Since Inception	12.9	11.4	154	13.1	-19

Source: Goldman Sachs Asset Management. Strategy Inception Date: 1 February 2016. The returns are gross and do not reflect the deduction of investment advisory fees, which will reduce returns. Our investment advisory fees are described in Part 2 of our Form ADV. See additional disclosures. ***Past performance does not guarantee future results, which may vary****. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable.*

Performance Commentary

Some of the top contributors and detractors for the month include:

- **Meituan** (Contributor) – Chinese Shopping platform for locally found products and services
  The stock outperformed after posting strong YoY growth in both in-store and food delivery business, benefiting from China reopening. The stock price faced pressures during the start of the month owing to concerns around competition from ByteDance. We believe the markets overreacted to the ByteDance's entry to the scene without anticipating the huge direct competition it would face. The stock price soon recovered on the back of strong growth in its business. We like the stock for its strong fundamental performance that is likely to generate returns once the dividend selling pressures are dissipated.

- **Meta** (Contributor) – American multinational technology conglomerate
  The stock outperformed after delivering a solid quarterly earnings update. The company registered YoY growth in Advertising Revenue with consumption easing across the globe. Reels engagement and monetization seem to be moving along strongly helping drive the reacceleration in growth. We continue to remain invested in the company as it continues to be the dominant name in the social media industry. The management has been conscious of cost discipline and lowered its opex guidance for the year. The stock is also well placed to benefit from the investor interest in the AI space.

- **Davide Campari** (Detractor) – Italian branded beverage company
  - The share price suffered after posting earnings that slightly missed the market expectations. The guidance for flat profits in the year dampened the investor sentiment for the stock. Performance has suffered in line with the industry as the price hikes have not been able to fully offset the inflationary pressures faced by the company. We continue to like the company has it has clearly defined business segments and targeted marketing campaigns. As the consumption picks up and inflation dials down, Campari brands are well suited to the increasing interest in lower alcohol cocktails for pre-dinner occasions taking share from wine and beer, a growing trend to premiumisation.

- **TSMC** (Detractor) – Taiwanese semiconductor giant
  - Even though the earnings were broadly in line with consensus, the stock performance suffered due to continuing weakness in the semiconductor value chain. While the company is seeing stronger AI demand, it does not completely offset weaker demand from other end markets. Having said that, the gross margin came in better than expected driven by the implementation of cost controls to offset the higher electricity costs. We continue to hold the stock as it is likely to be primary manufacturing beneficiary of the strong AI driven demand. The company's fundamental strength can potentially help it to sail through the broader weakness in the semiconductor market.

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The following table provides a simplified example of the effect of management fees on portfolio returns. Assume a portfolio has a steady investment return, gross of fees, of 0.5% per month and total management fees of 0.05% per month of the market value of the portfolio on the last day of the month. Management fees are deducted from the market value of the portfolio on that day. There are no cash flows during the period. The table shows that, assuming all other factors remain constant, the difference increases due to the compounding effect over time. Of course, the magnitude of the difference between gross-of-fee and net-of-fee returns will depend on a variety of factors, and this example is purposely simplified.

Period	Gross Return	Net Return	Differential
1 year	6.17%	5.54%	0.63%
2 years	12.72	11.38	1.34
10 years	81.94	71.39	10.55

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