Goldman Sachs Global Millennials Equity Share Portfolio Fund

August 2024

Global Market Review

August saw moderate gains of 2.6% in global markets, although the month was marked by heightened volatility. The initial turbulence stemmed from disappointing US economic data, a rate hike by the Bank of Japan, and a pullback in big tech. However, by the end of the month, markets rebounded as investors anticipated a more aggressive policy easing from the Federal Reserve (Fed).

The month began with a sharp decline due to concerns over slowing US economic growth, as July's payroll numbers fell short, and unemployment edged up to 4.3%. Fears of a recession were alleviated later in the month when the Fed signaled a potential rate cut in September, with inflation slowing to a three-month annualized pace of 1.6%, the lowest since February 2021. In Europe, moderating inflation led to expectations of rate cuts through 2024, with the Eurozone Consumer Price Index at 2.2%, a three-year low, and core inflation easing to 2.8%.

Although August was marked by volatility and uncertainty, stocks posted gains, with earnings growth broadening outside of the technology sector. Global value stocks continued to outperform growth. Sectors like Healthcare and Consumer Staples outperformed the broader market. Other interest-rate sensitive asset classes, such as real estate, were also well supported. Meanwhile, the Energy and Consumer Discretionary sectors struggled during the month.

As for Japan, the volatility of the Japanese stock market increased amid a sharp sell-off in the early part of the month. However, investor sentiment sharply improved towards the end of the month. The market turbulence was associated with a sharp movement in the yen, which appreciated over the course of the month.

The geopolitical backdrop continues to remain tense, with conflict in the Middle East escalating further. Uncertainty around U.S. elections have also contributed to the increased overall uncertainty.

Performance Overview

The Goldman Sachs Global Millennials Equity Portfolio has delivered 3.0% in absolute returns during the month, outperforming MSCI ACWI Growth index by 65 bps and MSCI World index by 39 bps. This brings since inception returns to 12.3% underperforming MSCI ACWI Growth by 174 bps and MSCI World by 9 bps.

- At the sector level, our positions in Information Technology and Consumer Discretionary supported portfolio performance while allocation to Health Care and our holdings in Communication Services and detracted the most from portfolio returns..

- At the stock level, MercadoLibre (*an Argentina based e-Commerce marketplace)* and Shopify (*a Canadian multinational e-commerce company*) contributed to portfolio performance while Amazon (*a US-based multinational technology company*) and Tencent Music (*a leading online music entertainment platform in China*) were the biggest detractors from performance.

- During the month, we didn't initiate nor eliminate any positions.

Performance Commentary

Top Contributors	Ending Weight (%)	Relative Contribution (bps)	Top Detractors	Ending Weight (%)	Relative Contribution (bps)
MercadoLibre	3.0	+47	Amazon	8.0	-27
Shopify	1.7	+23	Tencent Music	0.4	-16
Marvell Technology	1.6	+15	Samsung Electronics	1.4	-13
T-Mobile	2.0	+12	NetEase	0.8	-12
SEA	0.9	+11	Walt Disney	1.8	-11

***Top contributors** to portfolio performance:*

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- **MercadoLibre** *(Contributor)* **–** The major e-commerce and fintech player in Latin-America (LATAM) was the top contributor to relative returns during the month. The stock outperformed on the back of strong 2Q earnings, with revenue growth driven by accelerating e-commerce and fintech revenues. Additionally, advertising revenues showed notable growth. The company also reported its largest increase in unique buyers in three years, at 19%. MercadoLibre continues to expand its presence with growing U.S. logistics centers and the introduction of premium brands, helping it cater to a broader audience. We continue to like the stock, given its leading position in the LATAM e-commerce space. We believe that the company is well-positioned to drive sustained growth over the long term.

- **Shopify** *(Contributor)* – The Canadian multinational e-commerce company was a top contributor from relative returns during the period. The stock surged after 2Q revenue and profit growth outpaced estimates, driven by an increase in merchants joining the platform. Revenue from both subscriptions to its platform and merchant fees for other services, including payments, grew significantly and surpassed expectations. Investors were further impressed by Shopify's guidance, forecasting revenue growth in the low-to-mid-20's percentage rate. We continue to like Shopify as they are the leading software provider for commerce, powering more than 10% of US commerce with a large merchant base of loyal subscribers allowing them the opportunity to offer additional services and extract more value.

Top detractors from relative returns:

- **Amazon** *(Detractor)* **–** The US-based multinational technology company was the key detractor from performance during the period. The stock suffered declined during the month on the back of mixed 2Q earnings. While operating income beat expectations supported by cost control initiatives, the top-line was pressured by consumer downtrading, spending weakness, lower apparel seller fees and weak advertising revenues. Additionally, management guidance for 3Q also came in below expectations driven by Prime day and digital content costs, further weighing on performance. Despite these challenges, we remain positive on Amazon's long-term outlook. Its diversified business model, including growth in advertising, health care and its marketplace, positions the company well to capitalize on future opportunities.

- **Tencent Music** (*Detractor*) **–** The Chinese online music entertainment platform was another detractor from performance during the period. The stock suffered after the Chinese music streaming giant posted lower quarterly sales and guided for weaker-than-expected subscriber growth. Revenue fell due to lower earnings from social-entertainment services driven by changes in its live-streaming functions and increased competition from other platforms. The company also expects a sequential decline in new subscriber growth in the second half of the year, and for music subscription revenue growth to soften. Despite the weak results, we remain positive on the stock given its leadership in China's online music industry and its strong position in this emerging space.

Outlook

2022 and 2023 have been the years of rapid interest rate hikes, inflationary pressures and recessionary fears. Despite the hard environmental, many developed economies have continued to grow and only seen signs of strain in the last few months. However, investors have grown hopeful around the interest rates having peaked in the past few months and moving into 2024, expect to start seeing rate cuts as the year moves forward. Research from Paysafe reveals a consumer landscape characterized by a mix of optimism, caution and a willingness to adapt spending habits. We expect the following themes to unfold as we move into the new year.

- **Optimism around Interest Rates leading to bouncing back of Consumer Discretionary Performance:** Historically, the interest rates and consume discretionary names have performed largely in sync. The consumption stocks have gone up when there have been cuts or pauses in the hikes. Expecting the rates to remain flat entering the year with some eventual cuts, Consumer Discretionary names are most likely to fare well.

- **Different Spending patterns:** Millennials and Gen Z continue to spend differently relative to the previous generations. With services still at pre-covid levels, there remains a lot of potential with younger consumers prioritizing experiences and travel over goods. Spending on online games, travelling to explore the world, live shows, etc are all likely to remain resilient.

- While the consumption outlook is optimistic, it is worth noting that past experiences have made the younger consumers more **value oriented, seeking to spend on needs and wants rather than giving into impulses**. The better awareness and habits with wallets have been factored in the way we have calibrated our portfolio, including names that cater to the value aspect of the spending.

- **Technology to continue to remain in the spotlight:** Tech stocks had a stellar time in 2023 with a bump in the enthusiasm around Artificial Intelligence. AI became a household discussion and with how deeply tech has been ingrained in our daily lives, the industry is likely to be on the rise with continued R&D in the sphere resulting in innovations across the globe. With close to 20% of the portfolio invested in AI related names, we are well placed to benefit from the rally.

- **Potential of Emerging Markets:** With Emerging Markets expected to outpace the developed counterparts in the coming year, the undeniable potential is an area that we are hoping to explore further as we move ahead in the year

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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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