

# Discovery Global Millennial Share Portfolio

**November 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.



# Contents

Contents .....	1
Market Review .....	2
Performance Overview .....	<b>Error! Bookmark not defined.</b>
Performance Commentary .....	3

## Market Review

Global Equities rebounded by 6.7% (total returns in USD) in November after a consecutive 3-month decline. The economic resilience combined with a sustained pause in the rate hikes pushed the global equities to record their strongest month in last three years.

There was optimism in the air after the release of the CPI readings which came out to be cooler than expected. Headline inflation fell to 3.2% and 4.6% on a YoY basis for US and UK respectively. Following this fall in CPI numbers, Investors grew hopeful around the interest rates having peaked. Having said that, while the market doesn't anticipate more hikes, Fed, in the November meeting, has suggested to keep the rates at high levels for an extended period. Stronger-than-expected growth in US GDP for the third quarter provided the much-needed positive push to the global equities. While the GDP growth was disappointing in Japan, markets managed to perform well on the back of investment landscape in the region to benefit from bettering corporate governance and government's tax-refund incentives.

While there were signs of economic resilience, it is worth noting that most of the contribution to the GDP growth came from non-residential fixed investment with consumer spending remaining conservative. Activity in US remained modest with composite PMI being stagnant at ~50 while it showed a positive trend in UK, rising to ~50 from a 35-month low of 46.5 last month. In China, housing markets continue to put pressure on returns down while the retail sales and industrial activity did show an uptick. Additionally, the meeting between the Chinese and US Presidents leading to certain agreements on energy transition and climate change proved to be good news for the geopolitical landscape. Investor sentiment turned positive driven by hopes around lowering tensions between the two superpowers, eventually helping the growth of global markets.

In terms of sector performance, Information Technology and Communication Services sector were the best performing sectors while Real Estate and Utilities delivered negative returns



## Performance Overview

- The Goldman Sachs Asset Management Global Millennials Equity Strategy returned 9.2% in the month of November underperforming MSCI ACWI Growth by 183 bps and outperform MSCI World by 6 bps.
- At the sector level, our under allocation to Energy and stock selection in Industrials contributed the most to performance while our holdings in Consumer Discretionary and allocation to Communication Services detracted the most from portfolio returns.
- At the country level, our positions in UK and Taiwan contributed to portfolio performance during the month. On the other hand, our holdings in China and US detracted the most from portfolio returns.

Periods Ending 30-Nov-2023	GSAM Global Millennials Equity Strategy (%)	MSCI ACWI Growth (%)	Excess Return (bps)	MSCI World (%)	Excess Return (bps)
Trailing 1 year	12.8	20.7	-793	13.0	-23
Trailing 3 years	-5.8	3.9	-973	7.0	-1,283
Trailing 5 years	9.7	12.0	-227	10.0	-24
Since Inception	11.5	12.4	-98	10.7	73

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 quarter include:

- **MercadoLibre** (Contributor) – an Argentine e-commerce company
  - The stock price remained robust during the period on the back of delivering stronger than expected financial numbers. The company has been benefitting from formalization of the ads platform along with being able to pass-through the shipping costs. Additionally, the e-commerce sales have been operating with faster momentum while enjoying the pros of scaling. We continue to like the stock for we believe that the stock is well placed to enjoy the customer shift to more affordable option sin the face of sustained period of high rates.
  
- **Experian** (Contributor) – Ireland-based multinational data analytics and consumer credit reporting company
  - The share price rose on the back of good 1H earnings with all regions contributing positively and the company reiterating the outlook and growth for the year. Experian's services saw a boost in demand as consumers appetite for affordability assessments and investment portfolio analysis grew amidst a cost-of-living squeeze. We continue to like the company as it is one of the largest credit firms in the world having a diverse portfolio of services while introducing new products. They continue to expand the breadth of services in Brazil and other LATAM spaces which we believe will help position themselves to benefit in the long-term in the fast-growing LATAM space.
  
- **Meituan** (Detractor) – Chinese shopping platform for locally found consumer products and retail services
  - The share price fell as soft guidance outweighed solid 3Q'23 results with both top and bottom-line beating consensus forecast. Investor sentiment turned negative to company's guidance towards increasing subsidy to drive better volume growth during economic downturn. The company cited factors including macro environment, recovery among competitors and increased spending on promotions were likely play a role. We like the company given its leading position in food delivery and on-demand delivery market and continue to believe in the longer-term growth. We are monitoring our current position as we continue to review the near-term risk.
  
- **Davide Campari** (Detractor) – Italian beverages company
  - The stock suffered due to broader weakness in consumption. Consumers have been turning more cautious of their spending switching to more need-based consumption and looking for more affordable alternatives. Additionally, there was negative investor sentiment around the stock after the news about an insider selling their stake in the company came out. We continue to remain invested in the stock as we believe that luxury consumption is likely to pick up once the fears around high interest rates fully dissipate and the stock is well placed to benefit from that scenario.

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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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