Discovery Global Millennial Share Portfolio

January 2022

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.

Market Review

Global Equities decreased in January, returning -8.58% (total returns, in USD). The price pressure was mostly from the continued reverberation surrounding the Federal Reserve's (Fed) hawkish policy pivot, the velocity and magnitude of the accompanying bond yield pickup, and the long standing valuation concerns around some of the riskier pockets of the market. Inflation, omicron and geopolitical tension in Europe were some of the other themes over the month. Growth oriented stocks in particular came under pressure with the fear of a rising interest rate environment which is now expected with the first Federal Funds Rate hike in March. Fiscal stimulus is also fading as the fate of the Build Back Better social spending bill is now more uncertain than before. Fourth quarter corporate earnings highlighted the challenges in the supply chain and the labor market, where companies struggled with expenses. European equities were plagued by all the issues mentioned above and saw a large divergence between value and growth areas of the market. The areas of the market that had performed well in 2021 like IT gave back their returns. The annual inflation rose to 5% in December but that did not accelerate plans of raising interest rate by European Central Bank. Japan Equities fell in line with other developed markets during the month of January on the back of investor concern around sooner than expected interest rate hike, rotation from growth to value and spread of Omicron. The economic environment of rallying oil and gas prices and higher US treasury yields favored the Energy and Financials sectors which were the best performing sectors of the month while the worst performing sectors were Information Technology, Consumer Discretionary, and Health Care.

Performance Overview

- The GSAM Global Millennials Equity Strategy returned -12.50% in the month of January underperforming MSCI ACWI Growth by 392 bps and MSCI World by 721 bps.

- Majority of the underperformance is in line with global equities: equity markets have sold-off on concerns around rising inflation pressures and interest rates. There are also areas of the portfolio where we need to be mindful of their specific risk dynamics. This includes, among others, unprofitable companies, which are likely to suffer more in a rising rate environment. The portfolio is heavily invested in small and mid-cap companies that represent new technologies and innovative solutions to Millennial consumption patterns. Such companies are often in a high growth stage of their life-cycle, using the cash they generate to invest and grow their business. This mean that they are often loss-making at the earnings level as they invest for growth. As a result, such companies appear to be on high valuations on short-term earnings forecasts. And rising rates have particular implications for highly valued, non-profitable growth companies whose expected cash flows are a long way out: discounting those cash-flows at a higher rate reduces the net present value of those cash flows today, and challenges short-term valuations. Having said that, we are monitoring and managing those risk buckets very carefully and are focused on keeping our absolute exposure at tolerable levels.

- Another cause of underperformance is the rotation from growth in favor of ‘value’ areas of the market which are likely to perform better in the current market environment. The portfolio does not have an ex-ante style bias, but just by the nature of the thematic we are focused on in the portfolio, it has been more growth oriented and has no exposure to ‘value’ areas like financials or traditional energy (only renewable energy names to reflect sustainability consciousness of the Millennial generation).

- We believe that the share price moves owing to the above mentioned reasons do not reflect a deterioration in company fundamentals. We remain focused on identifying secular winners and strictly avoid leaning into short-term, cyclical market movements. We believe this approach to be a superior way of long-term value creation for our clients. At the same time, us remaining focused on secular market drivers tied to the Millennial generation does not mean we are complacent at the holdings level. As bottom-up stock pickers, any period of underperformance is followed by a long-hard look at each and every holding within the portfolio, to understand the impact of the ongoing market disruption on the long-term earnings growth profile of our companies.

- The portfolio has also been impacted by weak earnings results and outlook of Meta Platforms (due to competition from TikTok and impact from Apple's IDFA policy) and PayPal (impacted by supply chain issues and weaker demand due to inflation). We feel that the market might have overreacted over short term performance, especially with Meta which has a history of having a conservative outlook, thus affecting the share prices which are already under pressure from macro factors. We continue to hold the names, however, as active investors, we are revisiting our investment thesis to decide further portfolio actions.

- At the country level, our stock selection in France and underallocation to Japan supported portfolio performance during the month. On the other hand, our positions in the US and UK detracted the most from portfolio returns.

- At the sector level, our positions in Information Technology (led by MasterCard and Tencent) and underallocation to Health Care (the sector was impacted by rotations and interest rate expectation, in addition to spill over impact of the following factors from 4Q: negative news flow from a few clinical trial readouts, low M&A etc) supported portfolio performance during the month. On the other hand, our positions in Consumer Discretionary (led by Farfetch, online luxury retailing platform, in line with the US Sell off) and Communication Services (led by Snap, parent of Snapchat, which suffered as due to investor concern over Meta but stock bounced back after earnings release) detracted from portfolio returns.

Source: Goldman Sachs Asset Management, as of January 2022. **Past performance does not guarantee future results, which may vary.**

Periods Ending 31-January-2022	GSAM Global Millennials Equity Strategy (%)	MSCI ACWI Growth (%)	Excess Return (bps)	MSCI World (%)	Excess Return (bps)
January 2022	-12.50	-8.58	-392	-5.29	-721
Trailing 1 year	-7.35	7.20	-1,455	16.53	-2,388
Trailing 3 years	23.60	20.48	+313	16.55	+705
Trailing 5 years	19.63	16.89	+274	13.24	+639
Since Inception	18.88	16.58	+230	13.87	+502

Source: GSAM. Inception Date: February 01, 2016. MSCI ACWI Growth is the official benchmark for the portfolio, and MSCI World returns have been presented only for comparison purposes. 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:

- **MasterCard** (Contributor) – Leading financial services company
  - The stock price of the leading financial services company contributed to portfolio performance on the back of strong 4Q results. The company exceeded revenue and earnings expectations in its latest released earnings owing to strong spending patterns. The strength of online transactions continued while the giant also reported increase in ‘card-present’ transactions. We like MasterCard as it has capitalized on the growth in digital finance and Millennials preference for price transparency by pioneering “Assemble”, a platform that targets MasterCard’s younger customers and gives them the ability to check balances, budget, and set savings goals without the need to physically visit a bank. MasterCard has an established position in digital payments and continues to benefit from strategic partnerships such as Venmo (real-time digital payments app) to grow.

- **Ball Corporation** (Contributor) – US based Sustainable Packaging Company
  - The US based aluminium packaging company was the another contributor to portfolio returns for the month of January on the back of solid results. Strength in the quarter was led by the North & Central America segment, where robust end-customer demand and fewer operational headwinds improved profitability. We believe there are long term structural tailwinds to the company’s growth as the world moves to sustainable packaging. This combined with BLL’s capacity additions and customer commitments puts Ball corp. in a very good position in the industry. We are also positive on the management changes with long-time CEO John Hayes is also officially moving on to Chairman.

- **Farfetch** (Detractor) – British-Portuguese online luxury fashion retail platform
  - Shares detracted from performance on the back of investor concern over PayPal’s weak results. As customer of PayPal, shares of Farfetch came under pressure. We think this is a transitory headwind and continue to like Farfetch as it is at the forefront of the luxury fashion digitization trend. During the month, Farfetch announced acquisition of Violet Grey, an upscale luxury beauty e-tailer that will help shore up its expansion into beauty category via its expertise and strong network of brands. Farfetch had also announced a big partnership with Chinese e-commerce juggernaut Alibaba last year, that will launch Farfetch luxury shopping channels on T-mall Luxury Pavilion and Luxury Soho. This is likely to be a good opportunity for Farfetch to gain traction with Chinese consumers that account for more than 40% of global luxury spend. In a social-media-dominated world, millennials and particularly Gen Z are looking to boost image through luxury items and will account for more than 50% of luxury spend by 2025. This favourable demographic change is a tailwind for the entire luxury market and the impact will be especially large for the e-retail vertical, because these young consumers also like to shop online.

- **Snap** (Detractor) – Social Media and Video Streaming Company
  - The stock of the social media and video streaming company, behind the popular Snapchat app suffered as investors were concerned about social media apps’ outlook after Meta announced its results. However, the stock bounced back after it reported a strong set of results and a positive

outlook demonstrated by continued engagement growth for example. The stock has also been impacted by IDFA rules. Social Media companies derive revenue from advertising and an update to the iOS system that limited the ability of companies like Snap to target the affected the measurement of ad campaign effectiveness weighed on investor sentiment. We believe that share performance was impacted by the industry headwind in the short term while the company specific long term fundamental thesis has not changed. We continue to see Snap as a secular winner with strong user growth and engagement metrics. Additionally, Snap has made a big bet on Augmented Reality as a tool to facilitate ecommerce on mobile devices and we view them as a leader in the space.

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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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