Goldman Sachs Global Millennials Equity Share Portfolio Fund

June 2024

Global Market Review

Global Markets posted another quarter of solid gains, returning 3% in the second quarter of 2024. The economic momentum of the first quarter of 2024 continued into the second, despite the outlook dimming for Federal Reserve interest rate cuts amid persistent inflation.

Global disinflation trends continued but were uneven across different geographies. In Eurozone, where growth momentum and demand pressures have come down, central banks have begun to cut rates as inflation momentum has eased. Conversely in the U.S., price pressure is taking longer to unwind, keeping central banks on hold. While inflation remains closely monitored, it looks less concerning compared to a few months ago as the disinflation process continues, slowing moving towards the target of 2%.

The quarter had a challenging start, with April seeing a significant pullback due to hotter-than-expected inflation readings. However, momentum started changing following a strong jobs report, and stocks were back in the green by the middle of May. Market performance was driven by concentrated gains in stocks tied to Artificial Intelligence (AI). This narrow rally saw rise in primarily large growth and large-blend stocks. Technology and communications stocks continued to lead the market, with defensive stocks also performing well. On the other hand, Materials and Real Estate stocks struggled during the quarter.

As for Japan, stocks saw strong gains in 1Q, but their performance has been lackluster in 2Q. Forex volatility, caution about a hawkish Bank of Japan, rising domestic interest rates, and a weak domestic economy weighed on Japanese equities. Non-macroeconomic risks remain elevated. Geopolitical shocks such as the Israel-Hamas war and key elections in the US, keep the political uncertainty high.

Performance Overview

- The **Goldman Sachs Global Millennials Equity Portfolio** has delivered 3.6% in absolute returns during the month, underperforming MSCI ACWI Growth index by 119 bps and outperforming MSCI World index by 157 bps. This brings since inception returns to 12.5% underperforming MSCI ACWI Growth by 163 bps and outperforming MSCI World by 43 bps.
- At the sector level, our allocation to Industrials and Health Care supported portfolio performance while our holdings in Consumer Discretionary and Utilities detracted the most from portfolio returns.

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- At the stock level, **TSMC** (the semiconductor giant) and **Amazon** (an American multinational technology company) contributed to portfolio performance while **Nike** (a sports apparel and footwear company) and NextEra Energy (an American energy company) were the biggest detractors from performance.
- During the month, we initiated a position in **Marvell Technology** during the month. **Marvell** is a developer and producer of semiconductors and related technology. We like the stock as believe that the outlook for companies volume increase owing to AI boom seems positive along with an attractive financial profile. We exited out of **Advances Micro Devices** to book profit for the portfolio. We also exited out of **Ball Corporation** to allocate the capital in other potentially lucrative opportunities.

Performance Commentary

Top Contributors	Ending Weight (%)	Relative Contribution (bps)	Top Detractors	Ending Weight (%)	Relative Contribution (bps)
TSMC	5.6	+46	Nike	1.8	-58
Amazon	8.6	+18	NextEra Energy	2.4	-43
Meta Platforms	6.0	+10	Ball Corporation	0.0	-31
Shopify	1.5	+8	Kweichow Moutai	1.8	-29
E.L.F. Beauty	0.6	+4	Moncler	1.9	-26

<u>Top contributors</u> to portfolio performance:

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- **TSMC** *(Contributor)* **–** The leading semiconductor manufacturing company was the top contributor during the month. The stock price rose driven by positive news flow on customer demand, capacity utilization and increase in pricing. Customer demand growth continues to remain very strong driven by resilient demand in & recovery in Consumer end-markets. There are measures being implemented to increase prices to better capture the value the company provides to its customers expected to give further push to margins. We continue to hold the stock as TSMC stands to benefit from the growth in the semiconductor industry owing to its majority share in manufacturing leading edge semiconductor.

- **Amazon** *(Contributor)* – The US-based multinational technology company was the top performer during the month. The stock price rose on the back of certain announcements by the company that were taken well by the investors. Amazon is working on integration of Grub hub on their platform for food delivery services along with developing plans to launch a discounted shopping section to compete with Temu and Shein. We continue to like the company as we believe that the diversified business model lends strength to the top and bottom lines. The company has multiple opportunities of growth – advertising revenues, new project in Health Care, acquisition to expand position in video

Top detractors from relative returns:

- **Nike** (Detractor) – The American athletic footwear and apparel corporation was the key detractor from performance during the period. The stock suffered after the company released earnings that disappointed the investors along with lowering its 2025 guidance. Nike's earnings has suffered on the back of weak footwear sales particularly in North America. Performance has also come under pressure as Nike is currently embarking on a transformation of its product portfolio and distribution model. New product innovation cycle has had a bearing on profits. We continue to hold the stock as we believe that Nike's long-term story remains attractive albeit with short term roadblocks. The stock enjoys strong brand equity and pricing power that is likely to benefit in rolling out and scaling new products.

- **NextEra Energy** (Detractor) – The American energy company was another detractor from performance during the period. The stock declined after the highs of April and May as the 'datacenter-stocks' took a breather. At the same time, the odds of a Trump win in November rose, which creates some concern among investors for renewables. NextEra is very well positioned and we expect the company to do well even under a Trump administration, as key renewables support does not appear to be at risk.

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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