Goldman Sachs Global Millennials Equity Share Portfolio Fund

September 2024

Global Market Review

Global equities gained 4.1% in third quarter, despite heightened volatility on several occasions. Stocks faced pressure in July and August due to weaker US economic data and an interest rate hike from the Bank of Japan (BoJ). However, the long-anticipated start of Federal Reserve's (Fed) rate cutting cycle in September, a less hawkish stance from Japanese policymakers and new stimulus measures in China helped boost investor sentiment, leading to a rally by quarter-end.

Inflation continued to slow down in Q3, and labor markets showed signs of cooling, following the trends set in previous quarters. This environment gave central banks room to begin cutting interest rates. The US delivered a 50bps rate cut, while the UK and Euro Area cut rates by 25 bps. Additionally, China announced a broad range of stimulus measures to support its economy, which further restored market confidence.

In Japan, the market experienced significant volatility in Q3, particularly in July. Conditions steadied in August and September, supported by Fed's rate cut and hopes for a more expansionist political leader. However, unexpected political developments led to a 4.9% decline in the TOPIX by the end of the quarter.

Equities rose during the quarter, as returns broadened to include value-oriented stocks and previously lagging sectors. Globally, value stocks and small caps outperformed growth and large caps, with Financials and Industrials leading the way. Other interest-rate sensitive asset classes, such as real estate, were also well supported. However, the Energy sector struggled, and Information Technology stocks came under pressure as investors reassessed the high spending on artificial intelligence (AI) applications.

The geopolitical backdrop continues to remain tense, with heightened tensions in the Middle East. The upcoming U.S. elections in November have also contributed to the increased overall uncertainty.

Performance Overview

The Goldman Sachs Global Millennials Equity Portfolio has delivered 4.8% in absolute returns during the month, outperforming MSCI ACWI Growth index by 226 bps and MSCI World index by 297 bps. This brings since inception returns to 12.8% underperforming MSCI ACWI Growth by 145 bps and outperforming MSCI World by 28 bps.

- At the sector level, our allocation to Communication Services and Healthcare supported portfolio performance while our holdings in Information Technology and Materials detracted the most from portfolio returns.

- At the stock level, Meituan (largest on-demand delivery-service provider in China) and Kweichow Moutai (a Chinese spirit company) contributed to portfolio performance while Samsung Electronics (a South Korean multinational technology conglomerate) and Electronic Arts (an American video game giant) were the biggest detractors from performance.

- During the month, we didn't initiate or eliminate any positions.

Performance Commentary

Top Contributors	Ending Weight (%)	Relative Contribution (bps)	Top Detractors	Ending Weight (%)	Relative Contribution (bps)
Meituan	2.4	+67	Samsung Electronics	1.1	-19
Kweichow Moutai	2.1	+35	Electronic Arts	1.9	-17
Tencent Holdings	2.9	+25	Davide Campari	1.3	-16
Live Nation Entertainment	2.6	+22	E.L.F. Beauty	0.3	-15
Experian	3.1	+18	Marvell Technology	1.5	-11

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

- **Meituan** *(Contributor)* **–** Meituan, China's biggest delivery platform, was the top contributor during the month. The stock outperformed during the month, continuing the momentum from strong 2Q earnings reported in August. Additionally, the announcement of China's new stimulus package provided an additional boost to the stock, as outlook for the country's recovery has improved. We like the company given its leading position in food delivery and on-demand delivery market, strong earnings visibility and long-term growth potential.

- **Kweichow Moutai** *(Contributor)* – The high-end liquor producer was another key contributor to portfolio performance during the period. The company has continued to display resilience in earnings growth supported by strong 2Q results, following a recent channel restructuring. The stock also gained from the announcement of China's stimulus package, which improved the outlook for economic recovery of the country. We remain constructive on the name as it stands to benefit from the country's long-term economic growth and increased demand for premium liquor.

***Top detractors* from relative returns:**

- **Samsung Electronics** *(Detractor)* **–** The South Korean multinational manufacturing conglomerate was the largest detractor from relative performance during the period. The stock suffered due to concerns about declining demand for Dynamic Random-Access memory (DRAM). Company-specific issues, including high employment bonuses in Q3 and weakening demand for its Smartphone and foundry business also contributed to the stock's drop. Despite these headwinds, we remain constructive on Samsung as it is a leader in the consumer electronics space. We expect pricing trends to improve by 2025, which should support the company's long-term outlook.

- **Electronic Arts** (*Detractor*) **–** The US-based video game giant was another key detractor from performance during the period. The stock struggled due to broader consumer weakness in the industry, which negatively affected entertainment stocks. However, investor confidence improved later in the month following the company's investor day, where it reiterated its long-term targets. Additionally, the launch of its new game, EA Sports FC 25 further boosted investor sentiment. We remain constructive on the name, given its position as one of the largest gaming companies globally. The company's long-term outlook remains attractive as it anticipates to gain market share in mobile gaming and across various regions.

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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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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