Goldman Sachs Global Millennials Equity Share Portfolio Fund

May 2024

Global Market Review

Global equities rose from the lows of last month, returning 4.1% during the period. Market environment was governed by increasing anticipation around rate cuts by the FED and some strong corporate earnings releases.

While the market expects the rate cuts to come in later this year, inflation remains an area of concern with the US CPI number coming in reasonably above the target of 2%. The decline in UK inflation was also lower-than-expected further pushing the timing for rate cuts in the region. Weakening oil prices had a bearing on the performance of the Energy sector.

Having said that, the ascending market performance came on the back of solid 1Q 2024 earnings by the companies. Some of the “Mag-7” stocks benefitted from the strong earnings and increasing demand for AI-related tech. Investors favoured growth stocks over value stocks amid an environment of expected rate cuts towards the end of the year. Economies remained resilient with PMI numbers coming in above 50 across key regions. While services component continues to be the major force, there were signs of recovery in the manufacturing activity as well.

Japanese region was relatively weaker compared to global peers. Although the performance improved relative to last month on the back of strong full-year earnings and corporate governance momentum, the region was under pressure owing to extremely weak currency.

Inflation continues to remain a worry, but the consumer confidence index rose in May after deteriorating for three consecutive months, raising optimism amongst the investors for the coming months.

Performance Overview

The Goldman Sachs Global Millennials Equity Portfolio has delivered 3.4% in absolute returns (net of fees, USD) during the month, underperforming MSCI ACWI Growth index by 170 bps and MSCI World index by 106 bps. This brings since inception returns to 12.1% (net of fees, USD) underperforming MSCI ACWI Growth by 149 bps and outperforming MSCI World by 23 bps.

At the sector level, our holdings in **Utilities** and **Industrials** supported portfolio performance while our holdings in **Communication Services** and **Financials** detracted the most from portfolio returns.

At the country level, our holdings in **US** and allocation to **Argentina** supported to portfolio performance. On the other hand, our allocation to **China** and holdings in **Hong Kong** detracted the most from portfolio returns.

At the stock level, **NextEra Energy** (*an American energy company*) and **MercadoLibre** *(an Argentine e-Commerce company)* supported portfolio performance while **Walt Disney** *(an American multinational mass media and entertainment conglomerate)* and **Shopify** (*a Canadian multinational e-commerce company*) were the biggest detractors from performance.

Performance Commentary

Top Contributors	Ending Weight (%)	Relative Contribution (bps)	Top Detractors	Ending Weight (%)	Relative Contribution (bps)
NextEra Energy	2.8	+35	Walt Disney	2.4	-31
MercadoLibre	2.5	+27	Shopify	1.4	-31
Experian	2.9	+20	Apple	4.0	-29
Foot Locker	0.7	+15	Jio Financial Services	1.4	-22
EDP Renovaveis	1.2	+14	Samsonite	1.0	-22

***Top contributors* to portfolio performance[1]:**

- **NextEra Energy (Contributor**) – The American Energy Company was the top contributor during the period. The share price rose on the back of strong quarter, with a beat on EPS. Additionally, the company also reiterated their long-term guidance expectations, which was well received. We believe in the company as they continue to develop renewable projects at attractive returns and also, see evidence of demand remaining strong, power price agreements moving higher to reflect the higher cost environment.

- **MercadoLibre (Contributor)** – The Argentina based e-Commerce marketplace was another key contributor during the period. The rise in stock price was on the back of small beat on earnings. Moreover, both e-Commerce and Fintech spaces registered upside movement, with Credit being the biggest fintech driver. This eased some fears about the underlying growth and margin trends. We continue to like the company's exposure to the trend of increasing e-commerce penetration in LATAM. Also, the company is benefitting from their past investments as the region continues to register strong growth in e-Commerce and Fintech space, which still seems to be under-penetrated.

Top detractors from relative returns:

- **Walt Disney (Detractor**) – The American multinational mass media and entertainment conglomerate was the main detractor during the period. The company reported strong earnings ahead of expectations. However, management guidance on DTC was negative in the upcoming quarter, driven by Hotstar divestment and lack of subscriber growth. Also, guidance on experiences to be flat due to the Easter holidays among others. These factors weighted on market sentiments leading to a fall in share price. We believe these to be short-lived and continue to hold the stock as the company works to alleviate these, as well as, while finding new opportunities across the business.

- **Shopify (Detractor)** – The Canadian multinational e-commerce company was the key detractor from relative returns during the period. The company reported strong 1Q earnings with beat across sales, GMV and margins. They continued to grow their merchant base and overall ecosystem. However, sentiments were negatively impacted by a downward revision of 2Q earnings on back of weakness in the European consumer and FX impact from USD strengthening. 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.

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.

Market background source: Goldman Sachs Asset Management, February 2024

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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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