Goldman Sachs Global Millennials Equity Share Portfolio Fund

October 2024

Global Market Review

In October, global equities declined by 2.0%, following a strong rally in the first nine months of the year. Investor concerns centered on growth risks, though the US economy showed signs of resilience. Adding to the uncertainty were the implications of the US election, as potential policy shifts could affect inflation and interest rates.

The month started strong, with US inflation data for September fell to a three-year low of 2.4% despite strong retail sales. This aligned with expectations of a soft landing and potential interest rate cuts in coming quarters, helping lift share prices. Eurozone inflation also declined to 1.8%, which allowed European Central Bank (ECB) to reduce its interest rates. However, sentiment shifted later in the month as concerns grew around the inflationary impact of a potential trump victory.

Japanese stocks were the top performer, despite concerns that tighter policy and a stronger yen could impact export-reliant companies, along with political uncertainty from recent election results. Meanwhile, emerging markets fell by 4.5%, pressured by a strong US dollar, profit-taking in India, and volatility in Chinese stocks due to doubts about the effectiveness of support measures announced in September.

Growth stocks outperformed value stocks in October, while small cap lagged as economic momentum slowed. Only the Financials, Communication Services, and Energy sectors posted gains, whereas Healthcare and Information Technology underperformed due to disappointing quarterly updates from several large companies, weighing on overall market returns.

Geopolitical tensions in the Middle East added to market volatility, alongside concerns about the uncertain outlook for global trade.

Performance Overview

The Goldman Sachs Global Millennials Equity Portfolio has delivered -1.7% in absolute returns during the month, outperforming MSCI ACWI Growth index by 30 bps and MSCI World index by 27 bps. This brings since inception returns to 12.4% underperforming MSCI ACWI Growth by 139 bps and outperforming MSCI World by 31 bps.

- At the sector level, our positions in Information Technology and allocation to Communication Services supported portfolio performance while our positions in Consumer Stapes and Consumer Discretionary detracted the most from portfolio returns.

- At the stock level, Marvell Technology (the American semiconductor company) and Live Nation Entertainment (an American multinational entertainment company) contributed to portfolio performance while DSM Firmenich

(Dutch multinational corporation active in the fields of health, nutrition and materials) and EDP Renovaveis (a renewable energy company) were the biggest detractors from performance.

- During the month, we initiated Cooper Companies, a US based medical device company. The company has 2/3rds of business in manufacturing and distributing contact lenses with a focus on specialty lenses and the remaining 1/3rd in women's health and fertility products. While there are no synergies between the two divisions, both grow nicely and have demographic tailwinds behind them (increased myopia due to higher screen time and more fertility problems due to women delaying childbirth). Strong contact lens growth market and huge investments by the company are the key pillars of our investment thesis. Contact lens market is a strong growth market and is relatively recession proof. Cooper is an innovator and market share gainer in the industry. The company has made investments in capacity, distribution, ERP systems and R&D in addition to dilutive M&A in fertility. Recent results have shown margins uplift, unit economics and better cash flows.

- We also exited out of Ulta Beauty during the month. The Beauty sector has been under pressure throughout the year, which has weighed on the stock. Additionally, Ulta's competitive position appears less favorable, with challenges in retaining its competitive edge amid Sephora's growth in the prestige category and Amazon increasingly challenging mass retailers in the space. Together, these factors contributed to our change in conviction on the stock.

Performance Commentary

Top Contributors	Ending Weight (%)	Relative Contribution (bps)	Top Detractors	Ending Weight (%)	Relative Contribution (bps)
Marvell Technology	2.3	+20	DSM-Firmenich	2.0	-32
Live Nation Entertainment	2.9	+18	EDP Renovaveis	1.0	-29
T-Mobile	2.3	+17	Davide Campari Milano	0.7	-27
TSMC	4.2	+24	Kweichow Moutai	1.9	-29
Meituan	1.1	+15	LVMH	2.4	-33

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

- **Marvell Technology** *(Contributor)* **–** The American semiconductor company was the key contributor during the period. The stock outperformed during the month driven by improving demand expectations for its AI products. The strong performance was driven by positive commentary on AI demand from TSMC and Amazon (Marvell's AI chip customer). Additionally, Marvell is expected to see strong growth in its AI chip segment as Amazon scales up deployment of their co-designed chip, which has significantly exceeded performance expectations. We like the stock as it is rapidly positioning itself as a leading data centre provider with numerous opportunities to expand its addressable market. The company expects its data centre infrastructure addressable market to triple by 2028.

- **Live Nation Entertainment** *(Contributor)* – The American multinational entertainment company was the key contributor during the period. Its September rally extended into October, driven by moderating investor concerns over the Department of Justice (DoJ) lawsuit case and strong sales from recent events. Investor optimism ahead of its quarterly earnings announcement, driven by expectations of strong results, further boosted the stock. We remain positive on Live Nation as we believe it is well placed to take advantage of the increasing inclination of younger generation's spending on experiences. Its leadership in the industry supports its potential to continued growth in the longer term.

<u>Top detractors</u> from relative returns:

- **DSM Firmenich** *(Detractor)* **–** The Dutch health and personal care chemicals company was the key detractor from performance during the period. Shares pulled back in October after a good year-to-date performance, as investor concerns emerged regarding growth prospects for the coming year affecting the whole ingredients sector. Specifically, uncertainty around the strength of recovery in 2025 compared to 2024 weighed on investor sentiment, leading to a pullback in the stock. We continue to monitor short-term dynamics but remain largely confident in the company's long-term potential. We remain optimistic about DSM, as it is a preferred name in the ingredients space.

- **EDP Renovaveis** (*Detractor*) **–** The renewable energy company was another detractor during the period, with its share price declining in October amid uncertainty in the renewable energy sector. Factors included concerns around US elections, a resurgence in the returns on conventional energy, high interest rates posing a challenge for renewables, and ongoing structural supply chain issues. Investor sentiment was further dampened by the news that merger discussions with London-listed peer SSE had stalled. Despite these headwinds, we remain optimistic on the name as the current environment is likely to favour larger developers like EDP as they have better financing terms, better access to supply chains and offer lower counterparty risk. As one of the leading renewable players, it is well-positioned to potentially benefit in the longer-term as well.

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 habits1. 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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