Goldman Sachs Global Equity Income Share Portfolio Fund

August 2024

Global Market Review

August saw moderate gains of 2.6% in global markets, although the month was marked by heightened volatility. The initial turbulence stemmed from disappointing US economic data, a rate hike by the Bank of Japan, and a pullback in big tech. However, by the end of the month, markets rebounded as investors anticipated a more aggressive policy easing from the Federal Reserve (Fed).

The month began with a sharp decline due to concerns over slowing US economic growth, as July's payroll numbers fell short, and unemployment edged up to 4.3%. Fears of a recession were alleviated later in the month when the Fed signaled a potential rate cut in September, with inflation slowing to a three-month annualized pace of 1.6%, the lowest since February 2021. In Europe, moderating inflation led to expectations of rate cuts through 2024, with the Eurozone Consumer Price Index at 2.2%, a three-year low, and core inflation easing to 2.8%.

Although August was marked by volatility and uncertainty, stocks posted gains, with earnings growth broadening outside of the technology sector. Global value stocks continued to outperform growth. Sectors like Healthcare and Consumer Staples outperformed the broader market. Other interest-rate sensitive asset classes, such as real estate, were also well supported. Meanwhile, the Energy and Consumer Discretionary sectors struggled during the month.

As for Japan, the volatility of the Japanese stock market increased amid a sharp sell-off in the early part of the month. However, investor sentiment sharply improved towards the end of the month. The market turbulence was associated with a sharp movement in the yen, which appreciated over the course of the month.

The geopolitical backdrop continues to remain tense, with conflict

Performance Overview

The Global Equity Income Portfolio outperformed the MSCI World by 68 bps over the month. When looking at region level attribution, stock selection in North America and our overweight to Europe were the greatest contributors to relative performance, while stock selection in Europe and Japan were the largest detractors. At the sector level, stock selection in Consumer Staples and Consumer Discretionary were the greatest contributors to relative returns, whereas stock selection in Health Care and our overweight to Energy were the largest detractors from performance.

Contributors

AstraZeneca, a British-Swedish multinational pharmaceutical and biotechnology company, was the greatest contributor to returns. At the end of July, the company posted a strong earnings beat and raised its guidance. The company posted revenues of $12.94 billion vs consensus expectations of $12.54 billion. We remain confident in AstraZeneca and their extensive pipeline of cancer, metabolic and rare disease drugs. The stock has been driven by multiple positive pipeline readouts, including strong data on Enhertu for breast cancer (e.g. DB-04) and Lynparza for prostate cancer (PROpel) indicating that future growth should be driven by substantial pipeline investment.

Walmart Inc., a multinational retail corporation, was another top contributor to relative returns during the month of August. The strong performance followed the company's second quarter earnings results in which it delivered a beat and raise. These solid results were driven by increasing engagement across income cohorts, dispelling fears of a weakening consumer. Market share increased as consumers demonstrated excitement towards Walmart's roll-out of new, proprietary clothing and food brands. As the company continues its price-lowing initiatives as well as improved delivery speed and accuracy, we believe that consumer resilience will remain along a breadth of income classes. These positive trends are underpinned by an increase in consumer traffic as well as unit growth in both the retail and e-commerce spaces. Overall, we remain positive on Walmart and believe that the company is poised to continue to capture market share amongst large retailers through improving trends.

Detractors

Shell, a British multinational oil and gas company, was the largest detractor from returns. Although the company beat analyst expectations in its second quarter earnings, profits were down 19% from the previous quarter due to weaker refining margins and oil and gas trading. As energy prices normalize to pre-2022 levels, before the conflict between Russia and Ukraine, oil and gas majors are contending with reduced margins and profits. However, Shell's cost reduction program, having cut $700million of costs in H1 2024, has allowed the company to post resilient earnings. Looking forward, we remain confident in Shell's robust refining margins, strong trading, and encouraging position within the renewable energy space.

Tokyo Electron, a Japanese electronics and semiconductor company was another significant detractor from relative returns. Japanese markets saw one of the largest single-day corrections at the start of August (5th) amid fears of a US recession, the risk of a panic rate cut by the US Federal Reserve, expectations of a hawkish stance by the BOJ and a massive wave of forced selling among traders, further exacerbating the sell-off. The cyclical part of the portfolio, including semiconductor stocks like Tokyo Electron, experienced the sharpest declines. Nonetheless, the company posted strong earnings over the month beating analyst EPS estimates by 27%. As industries such as the automotive, wireless connectivity, and consumer electronic devices experience growing demand, presenting opportunities for market expansion, the semiconductor industry is increasingly poised to experience robust growth. We believe Tokyo Electron is well placed to perform in this market.

Purchases

There were no purchases during the month.

Sales

There were no sales during the month.

Top 5 Contributors

Security Name	Ending Weight (%)	Relative Contribution (bps)
AstraZeneca	3.05	+19
Walmart	2.11	+15
Coca-Cola	2.85	+13
Singapore Exchange	1.32	+12
Swiss Re	1.56	+11

Top 5 Detractors

Security Name	Ending Weight (%)	Relative Contribution (bps)
Shell	3.55	-17
Tokyo Electron	0.83	-14
BP	2.46	-14
HSBC Holdings	2.69	-12
CVS Health Corp	1.16	-9

The returns and attribution are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.

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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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