Goldman Sachs Global Millennials Equity Share Portfolio Fund

December 2024

Global Market Review

Global equities fell slightly during the quarter, declining by -0.1%. The period was defined by shifting narratives- U.S. election, surging dollar, persistent inflation, and slower-than-expected rate cuts, all of which contributed to heightened volatility. Nevertheless, equities ended 2024 on a strong note, posting an impressive 18.7% gain for the year.

While inflation had eased significantly since 2022, progress stalled during the quarter as U.S. inflation rose to 2.7% in November. The Federal Reserve (Fed) cut rates twice in Q4 but signaled they would adopt a slower approach to further rate cuts in 2025 due to persistent inflationary pressures. Meanwhile, the U.S. economy remained resilient, with GDP growing by 3.1% in Q3, reflecting strong underlying activity. In the Eurozone, inflation followed a similar pattern, rising to 2.2% in November. However, European Central Bank (ECB) indicated that further rate cuts are likely in 2025, emphasizing a clear path forward as region grapples with sluggish growth.

US equities outperformed other regions, driven largely by the earnings of “Magnificent 7” stocks. Emerging markets underperformed developed markets, weighed down by investor concerns over the impact of Trump’s proposed tariffs, particularly on China.

Growth stocks outperformed value stocks during the quarter, with large-cap stocks leading gains. Information Technology and Consumer Discretionary were the top performing sectors, fueled by strong growth in the “Magnificent 7” companies. Conversely, Materials and Healthcare were the weakest sectors during the quarter.

Risks during the quarter included geopolitical tensions and uncertainty surrounding the implication of Trump’s proposed trade tariffs.

Performance Overview

- The portfolio has delivered 0.4% in absolute returns during the month, underperforming MSCI ACWI Growth index by 1 bps and outperforming MSCI World index by 300 bps. This brings since inception returns to 12.7% underperforming MSCI ACWI Growth by 143 bps and outperforming MSCI World by 60 bps.

- At the sector level, our under allocation to **Health care** and **Industrials** supported portfolio performance while our holdings in **Communication Services** and **Consumer Discretionary** detracted the most from portfolio returns.

- At the stock level, **Marvell Technology** (*the American semiconductor company*) and **Alphabet** (*a US based tech company*) contributed to portfolio performance while **T-Mobile** (*an American wireless network operator*) and **Experian** (*an Irish multinational data analytics and consumer credit* were the biggest detractors from performance.

- During the month, we bought Netflix, Planet Fitness and Bosideng International.
    - We initiated **Netflix**, the leading global streaming platform. We believe the company is poised for growth in the coming years, driven by subscriber expansion (with less than 50% total addressable market penetration), pricing power fueled by market consolidation, unmatched content leadership and first-mover advantage in scaling its advertising platform. With engagement growing and strong operating leverage, Netflix aligns well with younger generation’s demand for

streaming services, fueled by their preference for convenient access to high-quality and diverse content tailored to their interests.

  - We initiated **Planet Fitness**, the largest low-cost gym operator in United States. The company is well-positioned for long-term growth, thanks to its low-cost membership structure, "no judgement" experience and high-margin franchise-driven structure. With only 50% of its addressable market penetrated and alignment with the growing focus on health and wellness among younger generations, we believe that Planet Fitness has significant room to grow.
  - Lastly, we initiated **Bosideng International**, the largest down clothing company in China. The company stands out for its strong pricing power, brand differentiation and a competitive advantage in the down apparel segment. Its leadership in the market, along with its expansion into outdoor apparel make it an attractive investment as it continues to capture more market share and generate more profitability.

- During the month, we sold out of EDPR and Samsonite
  - We sold out of **EDP Renovaveis (EDPR),** a Spain-based renewable energy company. EDPR has been maintained as a small position over the years. With half of its installed base and growth in the U.S., the potential for reduced policy support for renewables under a Trump administration adds to the risks. Additionally, a higher-for-longer rate environment could weigh on both EDPR's fundamentals and growth. Hence, we exited the name.
  - We also exited **Samsonite**, the American premium luggage manufacturer and retailer. Despite strong global travel demand, Samsonite's performance has disappointed due to weaker-than-expected consumption of travel-related goods. Additionally, the market has become more promotional, but consumers have been slow to respond to it, resulting in slower share gains for Samsonite. With the expected recovery not materializing as anticipated and market dynamics becoming more challenging, the risk-reward doesn't look compelling and hence we sold out of the name.

Performance Commentary

Top Contributors	Ending Weight (%)	Relative Contribution (bps)	Top Detractors	Ending Weight (%)	Relative Contribution (bps)
Marvell Technology	2.7	**+44**	T-Mobile	2.3	**-28**
Alphabet	7.1	**+18**	Experian	1.5	**-26**
TSMC	4.6	**+16**	Electronic Arts	2.1	**-25**
Amazon	7.9	**+13**	American Tower Corporation	1.5	**-20**
LVMH	2.4	**+10**	NextEra Energy	2.0	**-20**

***Top contributors* from relative returns:**

- **Marvell Technology** *(Contributor)* **–** The leading American fabless semiconductor company was the key contributor during the period. The company reported strong earnings in December, showcasing robust momentum in its AI revenues, largely driven by Amazon as a key chip customer and growing demand for broader AI infrastructure. Marvell also issued better-than-expected revenue guidance, which further boosted investor confidence. We like the stock as it is rapidly positioning itself as a leading data centre provider, expecting its addressable market to triple by 2028. Additionally, management's confidence in demand tailwinds for its AI products, both from existing and new customers, supports our belief in its potential for strong earnings growth ahead.

- **Alphabet** *(Contributor)* – The American multinational technology company was another key contributor during the period. Shares rallied during the month after the company launched Willow, its second superconducting quantum computing chip. Willow achieved a major breakthrough in quantum calculations, with error rates below critical thresholds. Standard tests showed its ability to solve problems in just five minutes that would otherwise take supercomputers 10 septillion years. We continue to be invested in the company as we believe the company is on track to benefit from the increasing AI opportunities along with maintaining strength across business verticals

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

- **T-Mobile** *(Detractor)* – The American wireless network operator was the key detractor from performance during the period. Despite strong growth and a leading position in the US wireless communication, the stock faced pressure towards year-end due to profit-taking after a strong performance. However, we continue to remain optimistic about T-Mobile, given its leading position in the US wireless communication market. It remains well-positioned to benefit from wireless data growth and its leadership in the 5G market, supporting its long-term growth outlook.

- **Experian** *(Detractor)* **–** The Irish multinational data analytics and consumer credit reporting company was another key detractor from performance during the period. The stock's recent underperformance is largely driven by market expectations of prolonged higher Fed rates, which are delaying the recovery in US lending growth. Additionally, the company's Business-to-Business (B2B) operations in Brazil are facing challenges due to deteriorating local macro conditions and rising interest rates, leading to a cautious lending environment. Despite these challenges, management remains confident in the near-and medium-term outlook, supported by strong performance in other business segments. We believe this resilience would help offset the weakness in macro-driven areas.

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[1]. 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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