# Goldman Sachs Global Growth Share Portfolio Fund

July 2024

## Global Market Review

Global Markets posted modest gains of 1.8% in the month of July 2024, marking the sixth monthly gain this year. The performance was driven by weaker inflation, raising hopes that central banks might reduce interest rates in the coming months. July proved to be a volatile month as markets absorbed several notable economic developments. A weaker-than-expected US Consumer Price Index (CPI) reading early in the month, combined with softer US labor market data, reassured investors that Federal Reserve (Fed) might cut interest rates soon, with the first expected cut in September. Global disinflation continued, with June inflation slowing to 2.5% in the Eurozone, 2.7% in Canada, and holding at the 2.0% target in the UK.

The combination of these macroeconomic factors contributed to an optimistic investor sentiment. Stocks gained in July despite heightened volatility. Investors shifted away from large-cap technology-related stocks worldwide—particularly those focused on Artificial Intelligence (AI), and moved toward discounted small-cap stocks, given their sensitivity to interest rate cuts. This shift caused value style investments to significantly outperform growth stocks, which fell during the month. Real Estate led the market, with Financials and Utility also performing well. Meanwhile, Information Technology and Communication Services sectors struggled during the month. As for Japan, the market experienced high volatility during the month, reaching a historical high earlier in July but then correcting sharply. This decline partly reflected the weakness in global tech stocks and the strengthening yen, as the Bank of Japan (BoJ) hiked the interest rate to 0.25%. Chinese equities fell in July, attributed to continued challenges in the real estate sector and spillover effects of the broader economy. However, the Chinese authorities have implemented measures to provide liquidity support to the financial system, aiming to stimulate and support economic growth amid these challenges.

Non-macroeconomic risks remain elevated particularly due to U.S. political uncertainty ahead of elections and escalating tensions in the Middle East, both of which have contributed to the increased overall uncertainty.

## Performance Overview

In July 2024, the I Acc share class of the GS Global Equity Partners ESG Portfolio returned flat on a net basis, underperforming the benchmark MSCI World Index by 176 bps. Since inception, the portfolio has delivered 8.3%, underperforming the benchmark by 134 bps on an annualized net of fees basis. During the month, our stock selection within Materials and Real Estate supported portfolio returns, while our positions in Information Technology and Consumer Staples sectors detracted the most from relative returns. From a country perspective, our positions in Netherlands and Finland supported performance while our holdings in the US and Sweden detracted the most from relative returns.

# Performance Commentary

| Top Contributors | Ending Weight (%) | Relative Contribution (bps) | Top Detractors | Ending Weight (%) | Relative Contribution (bps) |
|---|---|---|---|---|---|
| DSM Firmenich | 4.2 | +41 | Hexagon | 3.0 | -38 |
| American Tower Corporation | 3.7 | +36 | Microsoft | 7.2 | -24 |
| Ferguson | 2.4 | +27 | Alphabet | 5.6 | -22 |
| Danaher | 3.6 | +27 | Waste Management | 3.0 | -21 |
| Accenture | 3.2 | +20 | Estee Lauder | 2.2 | -19 |

**Top contributors to portfolio performance**

**DSM Firmenich,** the Dutch company operating in the fields of health and personal care chemicals, was the biggest contributor to relative returns during the month. The stock outperformed on the back of strong 2Q earnings, as the company saw a significant improvement in financial results and a strong growth in their Perfumery & Beauty segment. The company achieved a 7% volume driven organic growth, and all segments experienced a substantial year-on-year EBITDA margin expansion. Management has upgraded their full-year outlook, citing positive momentum across their divisions and a recovering vitamin market, which benefits their Animal Nutrition & Health segment. We remain optimistic about DSM-Firmenich, as the company remains to be a preferred name in the ingredients space. Over the long term, we believe that DSM could continue to benefit from global transition towards sustainable consumption, environmentally friendly practices and overall growth in the end markets served.

**American Tower Corporation,** the US-based operator of telecommunications infrastructure, was another key contributor to relative returns during the period. The stock price rose in July, after posting good results, with revenue growth coming in above consensus. The company also raised guidance for the year. Moreover, the stock is positioned to do well with potential interest rate cuts expected in the US. We continue to like the company as they continue to work with the major cell phone carriers to get 5G capabilities more broadly available. The company is also expected to potentially benefit from their recent partnership with Qualcomm, which will see them install a new type of server to increase connectivity and resilience for its customers.

**Top detractors to portfolio performance**

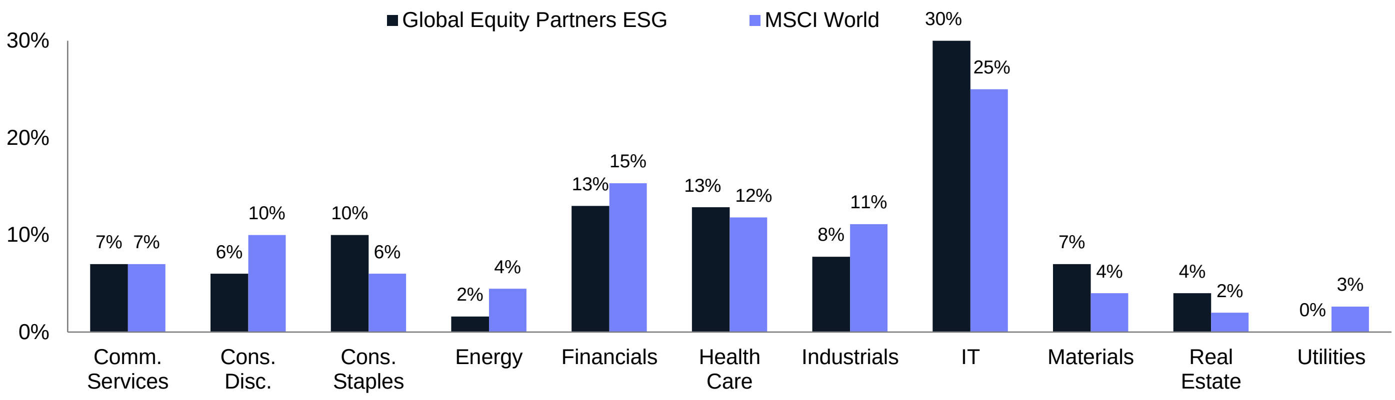
**Hexagon**, Swedish technology company specializing in hardware and software services, was the largest detractor from relative returns during the period. The share prices declined on the back of mixed earnings, with revenues coming behind consensus expectations. While Hexagon continued to execute well on its product portfolio & cost structure, end-markets have remained weak, particularly in Construction and Auto, adding to the detraction. However, despite revenue growth headwinds, the company delivered strong margins and FCF. We continue to like the company with its growing software mix, and steadily improving margins and cash flow generation. We expect strong R&D and complementary M&A to continue to drive change in the business sales mix, one where the software business with its recurring revenues accounts for a greater share of sales, ultimately driving margin expansion. A leader within its industry, with exposure to structural growth trends like automation across a broad range of industries, we believe the company is poised for long-term growth.

**Microsoft,** the American multinational technology company, was another key detractor from returns during the month. The company reported a slight beat, but key metrics (Azure, Office) came in-line with expectations. Moreover, July proved to be a volatile month with investors shifting away from large-cap technology related stocks worldwide, in favour of more discounted small-cap stocks given the sentiment around the potential interest rate cuts. Despite the recent rotation, we continue to like Microsoft given its strong fundamentals, attractive long-term structural growth characteristics of both, dominant software and cloud business models.

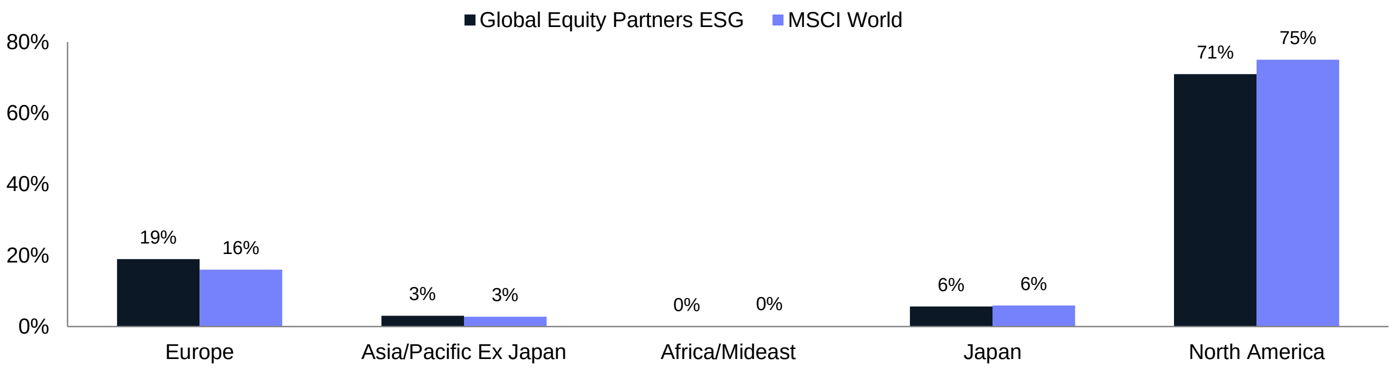
# Portfolio Activity – Key Buys and Sells

During the month, we had no new initiations nor any elimination.

## SECTORAL POSITIONING




## REGIONAL POSITIONING




## COUNTRY POSITIONING

| Country | Portfolio (%) | MSCI World (%) | Active (%) |
|---|---|---|---|
| United Kingdom | 6.9 | 3.8 | 3.0 |
| Taiwan | 4.2 | 1.3 | 2.9 |
| Netherlands | 2.8 | 0.0 | 2.8 |
| Sweden | 3.0 | 0.8 | 2.2 |
| Switzerland | 1.6 | 0.3 | 1.3 |
| Finland | 1.7 | 0.7 | 1.0 |
| Spain | 5.7 | 5.9 | -0.2 |
| Japan | 2.0 | 2.5 | -0.5 |
| United States | 70.8 | 71.6 | -0.8 |

Source: FactSet as of May 2024. Goldman Sachs Asset Management, July 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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