

# Discovery Global Millennials Share Portfolio

May 2021

As millennials have entered their prime earning / spending years, they have become the world's most important consumer force reshaping spending patterns across global industries. This disruption is creating powerful, long-term, secular growth opportunities for investors which we call the 'Millennial Effect'. The strategy offers a thoughtful way of gaining exposure to the 'Millennial Effect' through an actively managed portfolio investing across all regions, sectors and market caps in order to effectively capture the widespread impact of this generation. The strategy invests in fundamentally solid companies that are aligning business models to service the tech-enabled consumption habits of the millennial generation. By carefully evaluating the quality of each business and investing at a reasonable valuation, we believe we can give our clients thoughtful exposure to the 'Millennial Effect', creating a well-diversified portfolio capable of generating wealth over the long-term.

The strategy is managed by 3 Co-Portfolio Managers, aided by 80+ research analysts working in 6 locations across the world. We think our local insights and global connectivity enables us to identify less researched companies that can benefit from the impact of the millennial generation. The Co-PMs work with the local analysts to identify what we believe are the best opportunities for this differentiated portfolio. Our team of 80+ investment professionals based across 6 locations globally has identified a proprietary universe of 400+ securities where the revenues are aligned to the millennial thematic. We look at companies that offer products as well as services that are catering to the spending patterns of the millennial generation and aim to keep a balanced portfolio. While the entire team vigorously debates investment ideas and overall portfolio structure, all final buy/sell decisions for the portfolio are a product of the collective decision of the Co-Portfolio Managers.

## Market Review

After a strong upward momentum till April, MSCI ACWI returned a muted 1.57% during the month of May. Equity markets across the world were impacted by rising commodity prices which stoked fears of an earlier than expected rate hike from central banks, particularly the Fed. Inflation concerns remained in focus during the month, with pressures from disrupted supply chains, high raw-material costs, shipping challenges, and a tightening labor market remaining a major theme of the first quarter earnings calls. However, the markets headed for gains towards the end of the month after first-time jobless claims in the U.S. fell to a new pandemic low of 406,000, according to Labor Department data, delivering a positive indication of the health of the recovery in the world's largest economy. In addition, US PMIs hit new records in May as re-openings and activity surged. Services rose to a record 70.1 from 64.7 in April against expectations for a slight decline, and manufacturing reached 61.5 after notching 60.5 in April. China Industrial Production grew +9.8% YoY in April, in line with forecasts but slower than the March reading of +14.1%. Production growth is normalizing as China extends its recovery. European equities performed in-line with the global equity markets as the markets remained volatile amidst inflation concerns. UK GDP contracted by 1.5% in Q1 2021 (QoQ) as lockdowns continued to weigh on activity. With the economy reopening and a rapid vaccine rollout, the country is expected to see a rebound for the remainder of the year. In Japan, state of emergency measures following a third wave of COVID-19 cases (started in March) and slow vaccine roll outs continued to weigh on investors' sentiment. Cyclical and value style stocks continued their outperformance during the first two weeks of the month on the back of rising commodity prices which typically benefit value style companies over the short run. Within the MSCI ACWI, the best performing sectors were Energy and Financials, while the worst performing sectors were Consumer Discretionary and Information Technology.

## Performance Overview

- The GSAM Global Millennials Equity Strategy returned -2.1% for the month of May, underperforming the MSCI ACWI Growth Index by -209bps and the MSCI World Index by -356bps.
- Our holdings in Health Care and Materials detracted portfolio returns, while our positions in Communication Services and Consumer Discretionary supported the portfolio during the month.
- Longer term performance continues to be compelling with +879bps and +552bps of alpha (vs MSCI ACWI Growth) over the trailing 3 and 5 year periods respectively.
- The strategy has seen inflows of over \$790Mn for the year so far and now has close to \$2.5Bn in assets under management.

Source: GSAM, as of May 2021. **Past performance does not guarantee future results, which may vary.**

Periods Ending 31-May-2021	GSAM Global Millennials Equity Strategy (%)	MSCI ACWI Growth (%)	Excess Return (bps)	MSCI World (%)	Excess Return (bps)
May 2021	-2.12	-0.03	-209	1.44	-356
YTD 2021	6.61	6.07	+54	11.39	-478
Trailing 1 year	56.71	41.18	+1,553	40.63	+1,608
Trailing 3 years	27.47	18.69	+879	14.39	+1,308
Trailing 5 years	23.60	18.08	+552	14.22	+938
Since Inception	24.95	18.98	+597	14.93	+1,002

Source: GSAM. Inception Date: February 01, 2016. MSCI ACWI Growth is the official benchmark for the portfolio, and MSCI World returns have been presented only for comparison purposes. The returns are gross and do not reflect the deduction of investment advisory fees, which will reduce returns. Our investment advisory fees are described in Part 2 of our Form ADV. See additional disclosures. **Past performance does not guarantee future results, which may vary.** The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable.

## Performance Commentary

Some of the top contributors and detractors for the month include:

- **Moncler** (Contributor) – Italian luxury fashion brand
  - The stock was the top contributor for the month. The rally continued after the stronger than expected Q1 results across peers that were released towards the end of April. While the retail business was affected due to the COVID-19 disruptions in Europe, management highlighted strong reorders during the period from wholesale partners and a strong reception to spring/summer collections contributed to sales. We were also happy to see the management confidence in the recovery as well as the focus on minority investors, as the company paid 38% of its earnings in dividend to its shareholders towards the end of the month. We like the company for its fundamentals and believe that the underlying brand momentum remains strong. We see several catalysts like the Genius Capsule Collection and the Beijing Winter Olympics in February 2022 for the company's growth in the near future.
- **Live Nation Entertainment** (Contributor) – US based live entertainment company
  - The company performed strongly after it released its earnings earlier this month where it announced its strong concerts pipeline for 2022 (up double digits from 2019) and that Ticket master has signed new clients, adding over \$5mn net new fee-bearing tickets year-to-date. This was supported by opening up of the US economy as over 40% of the population has received at least one vaccine dose. Around the world, people are showing the need to get out and socialize once again which reinforces the expectation that a return to concerts will be the logical progression as vaccines are readily available to everyone who wants to get one. This is generally already the case in the U.S. where the company is confidently planning its reopening, particularly for outdoor shows, and expects many of the other major markets to follow this summer. The forward

commentary continues to be positive given significant pent up demand from fans as well as abundant supply of artists who are eagerly looking forward to travel around the world. We continue to like Live Nation as it is one of the leading live entertainment company of the world and with increasing scale and cross-selling opportunities, Live Nation is highly exposed to the growing wealth and expenditure preferences of the millennial generation.

■ **MediaTek** (Detractor) – Taiwan based semiconductor manufacturer

- The share price declined during the month due to profit taking after a strong April rally and some headwinds from the Asian market sell-off. April performance was attributed to strong demand growth from China smartphone market, increased 5G adoption and market share gain. The company also released very solid set of results and FY21 guidance, which beat consensus expectations. The management attributed the strong quarterly momentum to sustained 5G smartphone application processors builds, ongoing market share gains in 4G, and strength in Wi-Fi / IoT / ASIC (application-specific integrated circuit) segments. MediaTek dethroned Qualcomm as the world's leading smartphone chipset vendor for the first time in the third quarter of 2020 and has managed to capture about 27% of the global markets. The company has also been selected to be on the test bed for Wi-Fi 6E, a new certification from Wi-Fi Alliance® for Wi-Fi CERTIFIED 6™ devices with 6GHz support. We continue to like the long-term growth drivers for the company as we see the increasing demand for 5G, autonomous driving, IoT and other technologies that will require leading semiconductor manufacturers like MediaTek.

■ **Guardant Health** (Detractor) – US based precision oncology company

- The underperformance was restricted to the first half of the month as markets rotated away from growth stocks despite strong earnings results. We continue to like the company as fundamental continue to look strong and the company will continue to benefit from the growing prominence of precision medicine. In the last week of May, Guardant Health announced that the U.S. Food and Drug Administration (FDA) has approved the Guardant360® CDx test as the first and only liquid biopsy companion diagnostic for tumor mutation profiling, or comprehensive genomic profiling, to identify patients with locally advanced or metastatic non-small cell lung cancer (NSCLC).

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<b>Period</b>	<b>Gross Return</b>	<b>Net Return</b>	<b>Differential</b>
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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