

# *Discovery Global Growth Share Portfolio*

December 2021

The strategy follows a fundamental, bottom-up approach to investing in high quality companies where there is a gap between what we believe is the intrinsic value of a company and its share price. The strategy is concentrated, highly active, has a low turnover and a long term investment horizon. The strategy aims to outperform its benchmark, MSCI World (Net Total Return), over a complete economic cycle.

Proprietary, bottom-up research is the key driver of our investment process and we seek to generate the vast majority of our alpha from our rigorous stock selection. We believe that a focus on quality is of utmost importance while managing a strategy with a long term investment horizon. We seek to invest in high quality companies with industry leading market shares, strong free cash flows, robust balance sheets, excellent managements and sustainable competitive advantages. As active managers, we seek companies where there is a gap between what we believe is the intrinsic value of a company and its share price. We also look beyond the next twelve months, conduct analysis using appropriate valuation metrics for each sector and look for underappreciated assets within a company. Due to our emphasis on quality, we expect the strategy to be resilient in down markets.

The strategy is managed by GSAM's Global Equity team, comprising nine Global Sector Leads, and led by the Head of International Developed Markets. We employ a team-based approach to investing and every stock that is selected for the portfolio is thoroughly discussed and debated among all the team members before being included. Our Global Sector Leads host regular sector calls with their Fundamental Equity counterparts based in local markets, allowing them to take a global view across their sector. We believe that this team based structure is efficient for stock selection and also ensures that the Lead Portfolio Manager, who has the final buy/sell authority, stays informed at all times.

## Market Review

Global equities delivered strong returns overall in the fourth quarter of 2021 with MSCI World returning 7.77% despite a weaker November. The first half of October was volatile owing to political uncertainty and fear of poor corporate earnings due to the resurgence of the delta variant. However, the resilience of the corporate sector evidenced by a strong 3Q earnings season and the easing of fears around Chinese equities, partly owing to the real estate sector, propelled the equity market rally in October. Despite an overall positive earnings season, supply chain disruptions, input cost pressures, and tight labor markets were highlighted in many companies' earnings report. Global Equities gave back most of its returns in November over fear of the new 'Omicron' variant of COVID-19 weighing on sentiment led by Europe which has seen rising COVID hospitalizations and varied restrictions. Persistently high inflation weighed on market sentiment as well. And the announcement by Federal Reserve Chair Jerome Powell of the potential of interest rates climbing sooner than the previously shared led to a sell-off. The markets bounced back in December as some of these fears subsided. Despite record COVID case across the globe, studies have shown the new variant is accompanied by milder symptoms and the vaccinations may provide better protection as compared to previous dominant variants. In the December Federal Open Market Committee meeting, the Fed announced that it would accelerate its pace of tapering and indicated that it might increase interest rates to 3 times in 2022. Some other inflation indicators are showing signs of improvement such as the consumer confidence and the ISM manufacturing composite. This information and some reassuring commentary from Fed allayed the anxiety of the investors. Japan equities remained down during the quarter due to similar themes of omicron virus and inflation. All sectors except Communication Services completed the quarter in green with Information Technology in the lead.

## Performance Overview

- The GSAM Global Equity Partners Strategy returned 5.71% in 4Q 2021, outperforming the MSCI World Index by -206bps (gross of fees, USD). Longer term performance continues to be compelling with +458bps of alpha over the trailing 3-year period.
- At the sector level, stock selection within the Financials and Communication Services sectors contributed to portfolio performance while our positions within the Health Care and Information Technology sectors detracted from portfolio returns.
- The strategy has \$6.6bn in assets under management.

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

Periods Ending 31-December-2021	GSAM Global Equity Partners Strategy (%)	MSCI World (%)	Excess Return (bps)
4Q 2021	5.71	7.77	-206
Trailing 1 year	23.05	21.82	123
Trailing 2 years	23.20	18.80	441
Trailing 3 years	26.26	21.68	458

Source: GSAM. Inception Date: July 01, 2003. 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 quarter include:

- **Accenture** (Contributor) – Provider of management consulting, technology, and outsourcing services
  - The stock gained ~30% during the quarter after the company revised its revenue and growth forecasts for FY 22 to exceed expectations. ACN also announced its acquisition of Zestgroup, a services firm focused on environmentally sustainable projects, that will complement its expertise and capabilities and help clients achieve their carbon emission objectives. We like Accenture for its resilient business model and best in class digital practice. It is the best system integration company that can deliver the most complex services to clients globally. It is extremely well managed, top management team. The company has the ability to moderate revenue sensitivity in a downturn and can flex the cost base in a downturn to maintain profits.
- **Ferguson** (Contributor) – World's biggest supplier of plumbing and heating products
  - The stock performed well on the back of strong results for three months ending October 2021 and improved outlook for the full year. Along with strong top line momentum, they have displayed excellent management of supply chain in a difficult year. We like the company as it has strong financials with organic revenue growth of 24.5% and strong gross margins. One of the biggest advantages of the company is that as a provider of plumbing and heating products, its likely to have a steady demand even in a tough economic environment. As the company's end markets remain robust, as does the strength of its market position, we would expect the company to do well in the future.
- **FIS** (Detractor) – US-based financial services technology company
  - Stock price continued to suffer in line with the other merchant acquirers in the market due to investor concerns over the competitive landscape in the segment post the merger of Square with AfterPay. Market has concerns that the traditional merchant acquirers might lose market share to new players and BNPL (Buy Now Pay Later) companies. We believe that merchant acquirers will continue to play an important role in the payment value chain. Specifically, for FIS, it has 2/3rds of the business exposed to banking and capital markets software which is highly recurring in nature and continues to grow in high single digit with strong pipeline and demand. The remaining 1/3rd of the business is merchant acquisition (Worldpay) which is benefiting from economic recovery after the pandemic. As per the latest results, e-commerce is driving growth for merchant acquisition business and we believe it will continue to drive FIS' top-line in coming quarters. We believe FIS is one of the best positioned companies within our coverage to take advantage of the acceleration of payments innovation globally and the trend of financial institutions outsourcing their technology infrastructure.

■ **Elanco Animal Health** (Detractor) – Global animal health and food safety company

- The stock underperformed as the company lowered its Q4 guidance, indicating several headwinds they were facing towards the year-end, such as lapping large customer orders, contract manufacturing exits and cost push inflation which could weigh on company's near-term cost cutting efforts among others. Investors were concerned that some of these pressures could continue into 2022, weighing on near-term revenue growth. However, we remain positive on the new cost savings plan announced to offset the cost pressures and believe that Elanco remains on track to hit their 2024 margin targets. We continue to like the longer-term growth outlook and the pipeline of new product launches in 2022/2023 reaccelerating revenue growth profile of the company. Elanco is a leader in an attractive, growing global animal health market, which takes advantage of strong industry growth drivers, a global demand for protein and increasing pet ownership. The company has completed the acquisition of the Bayer animal health business in late 2020, which has given Elanco access to a strong direct-to-consumer distribution channel, and allows them to reaccelerate growth and expand margins.

## DISCLAIMER:

The Discovery Share Portfolios are managed and provided to you by Discovery Life Limited and utilize share allocations provided by Goldman Sachs Asset Management. The commentary provided above is based on the underlying Goldman Sachs Portfolio strategy. Actual holdings, as implemented by Discovery Life Limited, may differ. Goldman Sachs Asset Management does not provide any service or product to you, and has not considered the suitability of its asset allocations against individual needs, objectives and risk tolerances for investors. As such, Goldman Sachs Asset Management's asset allocations do not constitute investment advice or an offer to sell or a solicitation of an offer to buy any securities. Goldman Sachs Asset Management (GSAM) are registered trademarks of Goldman Sachs International and its affiliates ('Goldman Sachs') and are used under license. GSAM has licensed certain trademarks and trade names of GSAM to Discovery Life Limited. The Licensee Product/Service is not sponsored, endorsed, sold, or promoted by GSAM. GSAM makes no representations or warranties to the owners of the Licensee Product/Service or any member of the public regarding the Licensee Product/Service. GSAM has no obligation or liability in connection with the operation, marketing, trading or sale of any product or service offered by Discovery Life Limited.

Discovery Life Investment Services Pty (Ltd): Registration number 2007/005969/07, branded as Discovery Invest, is an authorised financial services provider. Product rules and terms and conditions apply.

The views and opinions expressed in this article are for information purposes only and should not be seen as advice as defined in the Financial Advisory and Intermediary Services Act. Discovery shall not be liable for any actions taken by any person based on the correctness of this information. For full details on the products, benefits and any conditions, please refer to the relevant fact file. For tailored financial advice, please contact your financial adviser.

For the full CIS disclosure and risk statement, go to:

CIS disclosure:

<http://www.discovery.co.za/assets/discoverycoza/corporate/cis-disclosure.pdf>

Risk disclosure:

<http://www.discovery.co.za/assets/discoverycoza/corporate/risk-disclosure.pdf>

Emerging markets securities may be less liquid and more volatile and are subject to a number of additional risks, including but not limited to currency fluctuations and

## DISCLOSURES:

This material is provided at your request solely for your use.

THIS MATERIAL DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO.

Prospective investors should inform themselves as to any applicable legal requirements and taxation and exchange control regulations in the countries of their citizenship, residence or domicile which might be relevant.

This material is provided for informational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by GSAM to buy, sell, or hold any security. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice.

This document has been issued by Goldman Sachs International, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### Offering Documents

This material is provided at your request for informational purposes only and does not constitute a solicitation in any jurisdiction in which such a solicitation is unlawful or to any person to whom it is unlawful. It only contains selected information with regards to the fund and does not constitute an offer to buy shares in the fund. Prior to an investment, prospective investors should carefully read the latest Key Investor Information Document (KIID) as well as the offering documentation, including but not limited to the fund's prospectus which contains inter alia a comprehensive disclosure of applicable risks. The relevant articles of association, prospectus, supplement, KIID and latest annual/semi-annual report are available free of charge from the fund's paying and information agent and/or from your financial adviser.

### Distribution of Shares

Shares of the fund may not be registered for public distribution in a number of jurisdictions (including but not limited to any Latin American, African or Asian countries). Therefore, the shares of the fund must not be marketed or offered in or to residents of any such jurisdictions unless such marketing or offering is made in compliance with applicable exemptions for the private placement of collective investment schemes and other applicable jurisdictional rules and regulations.

### Investment Advice and Potential Loss

Financial advisers generally suggest a diversified portfolio of investments. The fund described herein does not represent a diversified investment by itself. This material must not be construed as investment or tax advice. Prospective investors should consult their financial and tax adviser before investing in order to determine whether an investment would be suitable for them.

### Swing Pricing

Please note that the fund operates a swing pricing policy. Investors should be aware that from time to time this may result in the fund performing differently compared to the reference benchmark based solely on the effect of swing pricing rather than price developments of underlying instruments.

The Global Industry Classification Standard (GICS) was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. (MSCI) and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P) and is licensed for use by Goldman Sachs. Neither MSCI, S&P nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have

political instability. Diversification does not protect an investor from market risk and does not ensure a profit.

**Past performance does not guarantee future results, which may vary. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.**

#### Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of "failed" or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

An investor should only invest if he/she has the necessary financial resources to bear a complete loss of this investment.

Capital is at risk.

This material contains information that discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions. It also pertains to past performance or is the basis for previously-made discretionary investment decisions.

This information should not be construed as a current recommendation, research or investment advice. It should not be assumed that any investment decisions shown will prove to be profitable, or that any investment decisions made in the future will be profitable or will equal the performance of investments discussed herein. Any mention of an investment decision is intended only to illustrate our investment approach and/or strategy, and is not indicative of the performance of our strategy as a whole. Any such illustration is not necessarily representative of other investment decisions.

This material has been prepared by GSAM and is not financial research nor a product of Goldman Sachs Global Investment Research. It was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from the views and opinions expressed by Goldman Sachs Global Investment Research or other departments or divisions of Goldman Sachs and its affiliates. Investors are urged to consult with their financial advisors before buying or selling any securities. This information should not be relied upon in making an investment decision.

any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Portfolio Holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance.

Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Goldman Sachs has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

This material is provided for informational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives.

Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of the securities discussed in this document.

#### Effect of Fees:

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

#### Confidentiality

No part of this material may, without GSAM's prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient.

In the United Kingdom, this material is a financial promotion and has been approved by Goldman Sachs Asset Management International, which is authorized and regulated in the United Kingdom by the Financial Conduct Authority.

© 2021 Goldman Sachs. All rights reserved. Compliance Code: 233901-TMPL-03/2021-1372481