Goldman Sachs Global Equity Income Share Portfolio Fund

June 2025

Global Market Review

Global markets further rallied in June, rising 3.3% (MSCI World, USD), to end up +7.83% for the quarter. Tariffs concerns continued to subside as trade negotiations proceeded.

US equities were higher this month as the S&P 500 reached a new record close, demonstrating resilience against volatility stemming from evolving trade positioning, mixed sentiment toward the progression of a sweeping legislative bill, and increased attention on the actions of the Federal Open Market Committee (FOMC). Despite these factors, US equities continued on a path higher as the de-escalation of geopolitical tensions, improved sentiment toward tariff policies, and renewed confidence in the artificial intelligence growth theme trajectory helped support market optimism. This outperformance occurred despite the release of incrementally weaker economic reports, with the Manufacturing Purchasing Managers' Index indicating potentially sticky inflation. Considering this release, the FOMC kept interest rates unchanged in its most recent meeting, maintaining a cautious stance as it continues to monitor the impact of newly implemented tariffs.

European equity indices also had a strong month, continuing to outpace their US counterparts on the year. The European Central Bank cut rates by 25 bps at its June meeting as Eurozone inflation trended below its 2% target. Cyclicals led in the region with Industrial posting the strongest gains. Dollar weakness continued to contribute to European market performance in USD terms.

UK equities were challenged by exposure to Energy and Healthcare which were the only negative equity sectors at a global level over the quarter. The Bank of England elected to leave rates unchanged at its June meeting after cutting them by 25 bps in May.

Japanese markets also posted strong gains, driven by outperformance of growth stocks and improved market sentiment as recession fears eased following positive developments in trade negotiations with China and other key players.

Investor caution persists amid ongoing geopolitical tensions and concerns over elevated valuations. Uncertainty surrounding economic policy embroils the markets as companies quantify the effects of tariffs and shifting supply chains into their businesses. It remains to be seen whether potential bilateral negotiations will bear fruit.

Performance Overview

When looking at region level attribution, Japan and Asia ex Japan were the only contributors to performance over the month while North America and Europe were the only detractors. At the sector level, Financials and Industrials are the greatest contributors to relative returns. Information Technology and Health Care were the most significant detractors.

Contributors

Ferguson, a HVAC and industrial supplies distributor based, was the largest contributor to performance. Ferguson reported strong quarterly financials due to strong volume growth, moderating deflation, and tailwinds from initiatives implemented to streamline the business. We forecast strong organic growth owing to supporting trends in the US construction markets including megaprojects and investments they have made.

JP Morgan Chase, a global financial services and retail banking firm, was a significant contributor to overall performance in June. The stock experienced a tailwind from second-quarter financial results, increased guidance, and strong financial sector performance. Investor sentiment strengthened as the institution's financials remained relatively stable amid uncertainty in the U.S. economy. JPMorgan is operating with excess capital, which provides greater flexibility for dividends, share buybacks, and growth initiatives, especially as regulatory reforms have been postponed. With a diversified revenue base, we anticipate low-single-digit revenue growth and higher capital return, as volume growth is expected to offset pressure from anticipated Federal Reserve rate cuts on net interest margin.

Detractors

McDonald's Corporation was a top detractor from returns during the month. The company's stock price fell throughout June on the back of weaker than expected first quarter earnings results released in May, driven by macroeconomic uncertainty and consumer weakness. The restaurant industry broadly faced difficulties in June due to decreased consumer confidence, with further pressure on McDonald's as investors worried that weight loss drug use might adversely affect the fast-food sector. We continued to see positive impacts for McDonald's as traffic for the fast-food restaurant had been improving as the company prioritized its marketing efforts. We continued to believe the company's value perception had improved significantly over the last few months and new product launches continued to drive traffic back to its stores.

Waste Management, a provider of waste management services including collection, transfer, recycling, disposal services, etc., was the largest detractor to returns during the month. Its lackluster performance was attributed to increased valuation concerns due to higher than industry average valuation premium alongside a relatively modest dividend yield. In June, WM acknowledged some near-term challenges, such as relatively high debt levels and flattened core collection/disposal volumes. Looking forward, we remain confident in the strong business fundamentals as Waste Management remains a top operator in a highly attractive stable industry. Furthermore, WM continues to invest in sustainable areas such as recycling and renewable natural gas. With a strong management and execution track record, we believe that WM can generate significant value for shareholders in the long term through its core business and accelerated investments that are forecasted to boost earnings growth and free cash flow.

Purchases

- **Capgemini** is a French IT services and engineering company. The company derated after cutting guidance amidst a persistent slowdown in construction and demand for its services particularly in the Auto industry. We saw an opportunity to initiate in the name as we believe the stock is bottoming out and the industry is prone for recovery in the second half of the year.

- **Orange** is a telecommunications operator and digital services provider. Orange offers defensive qualities including, 6%+ dividend yield, 1.8x leverage, and no direct tariff risk. Orange also offers improving fundamentals with EBITDA growth accelerating and CAPEX intensity set to decline.

- **Infineon Technologies**, designs, manufactures, and markets semiconductors. As a market leader in Auto and Industrials power semis, Infineon is well positioned to benefit from electrification of Auto (EV), Power (Renewables) & Manufacturing (Automation). Infineon has secured design-wins with both ASIC providers & NVIDA and has quickly emerged as the market leader in AI power semis. With 70% of sales derived from Auto/Industrials, Infineon can grow revenue at 10% CAGR and with expanding EBIT margins.
- **Meta Platforms, a** social technology company. The developments in AI are Total Addressable Market expansive for Meta. We expect continued strong growth from the core, as Machine Learning/AI drive better engagement and ad targeting, and the company continues to articulate their opportunity to monetize Llama.

Sales

LVMH, a luxury goods conglomerate, missed across all segments in 1Q25. LVMH saw small sequential deceleration in EU and mainland China but significant deceleration in both US and Japan. We sold out of the name over the quarter as holdings in luxury such as LVMH have been a drag on performance given a global slowdown in consumer trends.

Fidelity National Information Services, Inc., is a payment services provider. We lost conviction in the name given our softer outlook in the payment space.

Top 5 Contributors

Security Name	Ending Weight (%)	Relative Contribution (bps)
Ferguson	1.97	+26
JPMorgan Chase & Co	3.92	+15
Tokyo Electron	1.14	+14
TSMC	1.49	+12
Texas Instruments	1.64	+12

Top 5 Detractors

Security Name	Ending Weight (%)	Relative Contribution (bps)
McDonald's	1.81	-18
Waste Management	1.91	-18
Procter & Gamble	1.89	-16
Meta Platforms	2.07	-13
AstraZeneca	1.69	-13

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