

## ZEVENBERGEN GROWTH EQUITY REVIEW & PERSPECTIVE

Information herein is representative of the Zevenbergen Growth Equity Model Portfolio. Investment returns referenced are specific to the Zevenbergen Growth Equity Composite; returns for the Zevenbergen Growth Equity Model Portfolio must be accessed directly through your company's model delivery platform.

Economic “mixed messages” provided fuel for both optimists and pessimists, amplifying market volatility in 3Q23. Investors contemplated the health of the consumer, magnitude and direction of business profits, as well as what macro and corporate data points suggest for future investment returns. Despite the ever-shifting economic news, many financial experts agreed on one thing: the Federal Reserve is determined to curb inflation growth through restrictive monetary and quantitative tightening policies. The hawkish central bank rhetoric led to interest rates reaching levels not seen since 2000, and a broad reset in risk appetite for duration-sensitive assets. ZCI's quarterly performance reflected this downshift in sentiment and trailed negative benchmark returns, primarily due to stock selection within the technology (software and computer services) and health care (biotechnology, medical services) industries.

Bottom 5 Detractors 3Q23			
Ticker	Company	Average Weight	Contribution (Absolute)
EXAS	Exact Sciences Corporation	4.13 %	-121 bps
SHOP	Shopify Inc.	5.38 %	-88 bps
DV	DoubleVerify Holdings, Inc.	2.45 %	-74 bps
ENPH	Enphase Energy, Inc.	1.97 %	-62 bps
SNOW	Snowflake Inc.	3.26 %	-46 bps
<b>Bottom 5 Total</b>		<b>17.19 %</b>	<b>-391 bps</b>

Top 5 Contributors 3Q23			
Ticker	Company	Average Weight	Contribution (Absolute)
MELI	MercadoLibre, Inc.	6.46 %	34 bps
UBER	Uber Technologies, Inc.	4.37 %	25 bps
NVDA	NVIDIA Corporation	6.83 %	25 bps
ABNB	Airbnb, Inc.	3.52 %	22 bps
SGEN	Seagen Inc.	2.02 %	20 bps
<b>Top 5 Total</b>		<b>23.20 %</b>	<b>126 bps</b>

**Past performance does not guarantee future results.** The holdings identified in this table and discussion are based on performance gross of fees. Absolute contribution reflects the impact of performance and the portfolio weight to the total portfolio gross return. The holdings identified do not represent all the securities purchased, sold, or recommended. The calculation's methodology along with details on all holdings' contribution to the overall account's performance during the measurement period, are available upon request.

## Detractors:

### **Exact Sciences Corporation (EXAS):**

Interest rate hike forecasts and sentiment had a disproportionately negative impact on shares of smaller capitalization companies, contributing to weakness in leading colon cancer diagnostic company Exact Sciences Corporation. Concerns around blood-based diagnostic competitors have decreased over the course of the year, but fresh headlines around potential new data releases further contributed to weakness in Exact Sciences' stock. Company sales (Screening revenues up 31% year-over-year in 2Q) and profitability metrics outpaced expectations, providing increased conviction to the overall model and ability to fund further growth initiatives. Exact Sciences' leadership in scientific innovation, ease of use, and brand awareness position the company strongly in a market where the importance of early detection is slowly becoming more mainstream.

### **Shopify Inc. (SHOP):**

After a strong start to the year attributable to strategic and operational changes, shares of founder-led commerce technology provider, Shopify Inc., were negatively impacted by the sentiment toward high growth stocks. Despite strong company fundamentals, investors bypassed purchasing shares of companies with above-market price multiples as the prospect of rising interest rates resulted in concern about consumer and business spending capacity. During the quarter, management announced a deepening relationship with Amazon.com, Inc., underscoring Shopify's desire to become the "operating system for retailers" through third-party infrastructure integrations.

### **DoubleVerify Holdings, Inc. (DV):**

Digital advertising technology company DoubleVerify Holdings, Inc. reported 22% year-over-year revenue growth and intention to acquire Scibids, a move that should strengthen DoubleVerify's presence in ad campaign optimizations. However, shares succumbed to selling pressure in 3Q23, as a large private equity investor reduced its position and investors digested downbeat industry commentary by a competitor. Long term, the company should continue to benefit from the ongoing global shift of advertising dollars to online channels and the desire of brands to improve the reach and effectiveness of advertisements.

## Contributors:

### **MercadoLibre, Inc. (MELI):**

Founder-led, Latin America eCommerce and financial technology company MercadoLibre, Inc. held up strongly in the quarter, supported by improving profitability in almost every segment and geography. Investments and disciplined management of rapidly scaling initiatives in its Credit, Logistics, and Advertising divisions led the way for growth despite ongoing currency and macro uncertainty. Enhanced disclosures and commentary eased concerns around the impact of hyperinflation in Argentina, adding to the company's history of successfully navigating through short-term turmoil. MercadoLibre's rare combination of scaled platforms in a still underdeveloped region puts the company in an enviable position for continued compounding potential.

### **Uber Technologies, Inc. (UBER):**

Digital mobility pioneer Uber Technologies, Inc. shares and bookings showed resilience while the company continued exceeding profitability expectations. The benefits of scale and synergies between the company's Rides and Eats segments have led to improved driver supply as demand patterns normalize after pandemic volatility. An increasing focus on profitable growth, aided by high margin advertising, has been rewarded by markets seeking efficiency. Investments in membership, selection, and driver onboarding further fuel the flywheel of increased engagement, retention, and customer satisfaction.

## **NVIDIA Corporation (NVDA):**

Sustained enthusiasm for artificial intelligence (AI) enablers supported shares of semiconductor company NVIDIA Corporation in the quarter. Management provided upbeat commentary on AI-related datacenter sales trends and mentioned they are working diligently to acquire additional chip supply to meet fervent demand. Advanced machine learning and generative AI application development requires significant monetary and technical resources and rewards speedy deployment. These conditions favor well-capitalized, established leaders such as NVIDIA and could result in an initial “winner take most” industry structure.

## **Perspective:**

Time is an investor’s ally, supplying the fuel that powers compounding returns and the perspective that allows interim anxieties to fade into distant memories. While current topics often feel momentous, they may ultimately have minimal impact over the long run, particularly for investment returns. We encourage investors to “stay above the economic fray” and remain focused on fundamental business and industry trends. ZCI continues to closely follow the development and adoption of artificial intelligence (AI), a technological tool offering significant promise in boosting labor productivity with the potential to spark a wave of innovation and disruption akin to the automobile or internet. While higher interest rates are likely to act as a headwind in some pockets of the economy, they could spur AI adoption (as organizations seek to produce more with less resources) and help the market separate durable from non-durable business models. We believe this separation can create excess return opportunities for observant, patient investors.

### **Investing involves risk, including the possible loss of principal and fluctuation of value.**

The data shown relating to portfolio holdings is from a representative account in the Zevenbergen Growth Equity Composite (“Composite”), which reflects the typical portfolio management style of the strategy. Other accounts in the strategy may vary due to assets, client guidelines, and other factors. The Composite contains tax-exempt, fee-paying accounts managed in the Zevenbergen Growth Equity investment style. The strategy is capital appreciation characterized by concentrated portfolios (generally 40-60 securities) and limited income generation and is generally fully-invested at all times. Portfolios in the strategy typically contain high-growth companies of any market capitalization, which at times can exhibit substantially greater volatility than the stock market as a whole. The Russell 3000® Growth Index has been chosen as the performance benchmark by virtue of its similar capitalization ranges and fundamental growth characteristics when compared to the strategy. The Composite was created December 31, 1986. Reader should not assume that investments in the securities identified were or will be profitable. Companies referenced herein do not represent security or market sector recommendations.

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