

## 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.

As the December calendar page turns and the last holiday cookie disappears, investors often consider changes to their allocations and lifestyle driven by the seasonal cycle. 2023 exemplified the challenges inherent in reacting to historical economic data and returns, reaffirming the adage that “past performance is not indicative of future results.” ZCI resisted the Ghosts of Christmas past and remained resolutely forward-looking; focusing on the actions and goals of company management teams as they navigated an uncertain economic landscape. Much of 2023's relative outperformance was attributable to portfolio holdings escaping the previous year's penalty box through diligent expense management and accelerating product momentum. Investors continued to grapple with various factors during the quarter including consumer resilience, business profit trends, and the implications of macroeconomic and corporate data on future investment returns. Additionally, the Federal Reserve's December minutes introduced the possibility of interest rate cuts in 2024. The Zevenbergen Growth Equity Strategy's quarterly performance surpassed benchmark returns, largely due to an overweight of the consumer discretionary industry (consumer services misc., diversified retailers, cosmetics) and stock selection within the technology industry (software, consumer digital services, semiconductors).

Top 5 Contributors 4Q23			
Ticker	Company	Average Weight	Contribution (Absolute)
SHOP	Shopify Inc.	5.72 %	228 bps
MELI	MercadoLibre, Inc.	7.30 %	177 bps
UBER	Uber Technologies, Inc.	4.95 %	160 bps
AMD	Advanced Micro Devices, Inc.	3.16 %	129 bps
AMZN	Amazon.com, Inc.	6.01 %	121 bps
<b>Top 5 Total</b>		<b>27.14 %</b>	<b>815 bps</b>
Bottom 5 Detractors 4Q23			
Ticker	Company	Average Weight	Contribution (Absolute)
BILL	Bill Holdings, Inc.	2.34 %	-94 bps
ENPH	Enphase Energy, Inc.	0.65 %	-67 bps
TTD	The Trade Desk, Inc.	6.00 %	-60 bps
PCTY	Paylocity Holding Corporation	1.35 %	-18 bps
VEEV	Veeva Systems Inc.	1.93 %	-16 bps
<b>Bottom 5 Total</b>		<b>12.27 %</b>	<b>-255 bps</b>

**Past performance does not guarantee future results.** The statistics identified in this table measure the absolute return of each position, often referred to as contribution. The metric approximates an individual position's contribution to the overall portfolio return and is based on performance gross of fees. 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.

## Contributors:

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

Reversing course from 3Q23's decline, shares of commerce enabler Shopify Inc. rallied as the company reported 25% year-over-year revenue growth and reiterated its commitment to operational discipline. Tangible proof points included the company posting its fourth consecutive quarter of positive free cash flow, and an Investor Day that outlined an addressable opportunity 16 times the size it was at its 2015 Initial Public Offering. Long-term, Shopify expects to continue to grow its share of large merchants, further expand in international markets, and drive adoption of emerging products (Shopify Balance, Shop Pay Installments, Shop Cash) that help merchants grow and scale.

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

Latin America's largest eCommerce company MercadoLibre, Inc. continued to execute as customer adoption of its broadening suite of payments, credit and logistics services keep driving customer value. Top-line growth accelerated to 40% year-over-year and the company increased margins significantly ahead of expectations as the pace of capacity expansions moderates and is complemented by highly profitable advertising revenues. Management also revamped its loyalty program (Meli Más) in the quarter; it remains early in realizing the benefits of this Amazon.com-inspired "Prime" flywheel.

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

Accelerating growth in gross bookings and new margin highs for both Mobility and Delivery segments led to another strong quarter for digital transportation leader Uber Technologies, Inc. Emerging loyalty (Uber One) and advertising initiatives are seeing strong uptake with the added benefit of being highly accretive to margins. Longer-term, a healthier environment for new driver acquisition has allowed Uber to further expand into new verticals like grocery, convenience, and alcohol where sales were up a combined 45% year-over-year. Inclusion in the S&P 500 Index mid-December was the cherry on top of a notable year and well-deserved recognition of the work management has done to build a durable business at an expanding scale.

## Detractors:

### **Bill Holdings, Inc. (BILL):**

Shares of payment solutions platform Bill Holdings, Inc. fell sharply after management cut its full-year outlook to reflect the challenging environment faced by small and medium-sized businesses (SMBs; the company's core customer base). Attempting to navigate lingering inflation, higher expenses and tight credit conditions, SMBs (particularly on the larger end) began tempering discretionary spending toward the end of the quarter, negatively impacting Bill's transaction-based revenues. In addition, client suppliers (those receiving payments through Bill's platform) began exhibiting greater sensitivity to the pricing of virtual payment methods and foreign-exchange conversion, prompting downward revisions on revenue share agreements assumptions. Given the macro headwinds, the company announced restructuring plans toward the end of the quarter that should support cost discipline on the path to profitability.

### **Enphase Energy, Inc. (ENPH):**

Residential solar equipment provider Enphase Energy, Inc. continued to see headwinds from rising rates, extended payback periods, and lack of clarity in government incentives. After slashing 3Q23 guidance to slow inventory builds, normalization in demand trends failed to materialize and led to a further 40% sales guidance cut for 4Q23. Management is hopeful that long-term secular drivers will return in mid-2024, but visibility remains low in an uncertain interest rate and political environment.

## The Trade Desk, Inc. (TTD):

Founder-led advertising technology platform The Trade Desk, Inc. reported a strong 3Q23, but shares pulled back on slightly weaker guidance driven by macro pressures. Large automotive and entertainment customers reduced discretionary spending considering recent labor strikes while other budgets were paused after escalating conflicts in Israel. TV ad budgets moving to digital channels remains the largest avenue of growth for The Trade Desk. This is complemented by a rapidly growing retail media business with deepening partnerships from the likes of Walmart Inc., The Kroger Co., and Target Corporation. While short-term macro trends may continue to be unpredictable, a seasoned executive team and looming 2024 election spend cycle should help navigate the uncertainty.

## Perspective:

Reminiscent of a Rorschach test, interpretations of the market environment continue to fluctuate, with some seeing uncertainty where others see opportunity. While macroeconomic and geopolitical headlines have long played a role in how investors view the future, the rapidity of the modern news cycle has undoubtedly intensified reactions to market news. It can be easy to get caught up in the noise, with a seemingly endless supply of commentary tempting many to make short-term decisions at the expense of long-term outcomes. We look forward to the year ahead, welcoming fellow investors to direct attention “back to the basics” of company fundamentals as portfolio holding companies leverage efficiency improvements and AI integration efforts to drive product advancements and revenue growth. Our team is grateful for the conviction and long-term outlook demonstrated by those investing alongside us at ZCI – Where the Future Starts Today.

**Investing involves risk, including the possible loss of principal and fluctuation of value. It is important to note that absolute contribution data is not indicative of the investment performance investors should receive.**

The commentary and data presented 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.

The Russell Indices are trademark of the London Stock Exchange Group.