JACKSON SQUARE PARTNERS SAN FRANCISCO

Jackson Square Partners International Growth

COMMENTARY | 12/31/21

PHILOSOPHY

We believe that attractive returns can be realized by maintaining a concentrated portfolio of companies that we believe have enhanced business models, strong cash flows, and the opportunity to generate consistent, long-term growth of intrinsic business value.

AVERAGE ANNUAL TOTAL RETURNS (AS OF 12/31/21)

	4Q21	Since inception (12/31/20)
Jackson Square International Growth Composite (*Gross*)	-5.98	-0.94
Jackson Square International Growth Composite (*Net)*	-6.17	-1.72
MSCI ACWI ex USA (benchmark)	1.82	7.82

Source: Jackson Square, MSCI ACWI ex USA Index

Past performance is not indicative of future returns. Investing involves risk, including possible loss of principal.

MARKET REVIEW

Equities continued to rally through the 4th quarter of 2021, generating strong performance across developed markets. In the US, the signing of a long awaited $1.2 trillion infrastructure bill provided an economic boost after early partisan deadlock on everything from the debt ceiling to avoiding a government shutdown seemed poised to be a source of additional headwinds for the market. The third-quarter earnings season was better than expected, with fundamental improvement as companies moved through COVID-induced challenges. But strong headline numbers came with continued volatility and divergent outcomes within indices amid growing uncertainty about future growth. Mounting inflation concerns in the face of the global supply chain backlog and pressure from rising wages were met with varying levels of hawkish signals from central banks throughout the quarter, with the markets struggling to digest the potential for more aggressive balance sheet cuts and interest rate hikes than expected while receiving some reassurance that the Fed would remain supportive of the economy. Nonetheless, December saw a broad risk-off trend, with hedge funds de-grossing and algorithmic traders exiting higher duration, high multiple names with little regard for fundamentals. Emerging market equities underperformed, with Brazil struggling to control inflation and a contracting economy while the People's Bank of China began to signal an easing bias as policymakers became attuned to downside risk in that economy. Countries across the globe continued to wrestle with the ebb and flow of COVID-19, and the specter of the new Omicron variant reinforced uncertainty as investors sought to understand the ultimate impact of a highly contagious but potentially less severe mutation of the virus.

CONTRIBUTORS & DETRACTORS (4Q 2021)

Top contributors relative to the benchmark	
Experian PLC	Industrials
Lonza Group AG	Health Care
LVMH SE	Consumer Discretionary
L'Oreal SA	Consumer Staples
Intertek Group PLC	Industrials

Top detractors relative to the benchmark	
Fiverr International Ltd.	Consumer Discretionary
Sea Ltd. Spnsrd ADR Class A	Communication Services
MercadoLibre, Inc.	Consumer Discretionary
Vestas Wind Systems A/S	Industrials
freee K.K.	Information Technology

Strategy Review

For the fourth quarter of 2021 the International Growth Portfolio underperformed its benchmark, the MSCI All Country World Index ex USA. While performance was largely driven by our stock exposure, on a sector level, information technology was the largest detractor .

TOP CONTRIBUTORS AND DETRACTORS

Contributors

Experian PLC, the largest global credit bureau provider and a major vendor of data to enable better credit issuance and monitoring, was a contributor to performance during the quarter. The company reported strong results in November and increased its full year organic growth expectation. The stock also performed well in a volatile quarter as interest rates remained relatively steady and non-mortgage credit issuance began to rebound in many geographies. Long term, we think the company is also well-positioned to benefit from secular credit growth in emerging economies and from the rapid growth of direct-to-consumer offerings in developed markets.

Lonza Group AG, a contract development and manufacturing organization serving the biopharmaceutical industry, was a contributor to performance during the quarter. In October, LONN hosted a Capital Markets Day where they provided 3-year financial targets that were above the market's expectations. Furthermore, LONN discussed their medium-term capex plans, which were significantly above the market's expectations and are indicative of a very strong demand environment for biopharmaceutical contract manufacturing. We believe this update is supportive of our investment thesis.

LVMH Moet Hennessy Louis Vuitton SE, a French multinational conglomerate specializing in luxury goods, was a contributor to performance during the quarter. LVMH continues to deliver impressive organic growth in its leather and fashion goods segment, along with solid execution across its entire portfolio of products. China common prosperity talks briefly impacted the stock negatively, but it bounced back with strong demand not appearing to be impacted by common prosperity talks. We continue to believe LVMH can deliver sustainable strong organic growth, particularly in its leather and fashion good division in the long term and believe the equity is attractively valued given its strong growth and execution.

Detractors

Fiverr International Ltd., a global marketplace that connects freelancers and businesses for digital services, reported a strong Q3 after lowering expectations post its Q2 report citing hyper seasonality as many geographies re opened over the summer. The company also raised its annual guidance for the year driven by continued strength in the business. Revenue came in $2m ahead of the top of their guidance growing 44% yoy. EBITDA also came in $3M ahead of the top end of their guidance reaching 9.8%, up from $4.2M a year ago and 8% of revenue. Guidance for Q4 came in ahead of prior guidance and consensus estimates as the company remains more confident they are past peak hyper seasonality and screen fatigue from their users. Post earnings management continued to flag tough comps ahead on new user growth as they lap early cohorts from 2021. The underperformance in the quarter was driven by continued rotation out of covid winners and high multiple stocks. We are reunderwriting the stock given further insight into trends in underlying cohorts and spending.

Sea Ltd., a leading gaming and ecommerce company focused on emerging markets, reported strong growth in its ecommerce business but moderating growth in its cash cow gaming business as COVID restrictions ended. The stock also suffered from declines in high duration emerging market equities that continued through December. We believe that the company has a long runway ahead as the dominant ecommerce marketplace in Southeast Asia, which has low but rapidly rising ecommerce penetration. We also believe the payments opportunity is underappreciated by investors as many of Sea's markets are poorly served by incumbent banks and payment networks today.

MercadoLibre, Inc., a top online retailer in Latin America, reported strong earnings for Q3 but the weakness was likely correlation with continued weakness across broader Latin America as the Brazilian central bank continues to raise interest rates. The bank has raised rates 6 times now in 2021 which stands at 7.75% up from 2% at the start of the year. Rising interest rates and a weakening economy in Brazil have investors concerned with the impact to MercadoLibre's growing credit portfolio as they expand their fintech business. The company also raised $1.5B in primary capital during the month. We believe MercadoLibre remains well positioned to benefit from the secular growth of e-commerce within the region.

Market Outlook

On balance, the economic backdrop remains generally accommodative to equity prices, though with a sustained higher level of volatility and increasing market concerns over the potential inflation impact of a return to normal business activity. Though the Omicron variant has disrupted and delayed a full snap back in economic activity in the near term, investors seem to be assuming an eventual return to a strong economic recovery. In addition, the Fed and other central banks around the world have either started or previewed a slowing of easy money policies and actions, creating more credible concerns that interest rates could be moving higher. Sector and systematic factor rotations will likely continue to significantly impact market dynamics as investors wrestle with how this economic recovery will impact equity prices. Complicating the fundamental factors of strong economic activity with higher interest rates is the reality of an equity market that has enjoyed several years of strong absolute returns, muddying the outlook for 2022.

At Jackson Square, we remain focused on the three-to-five year growth potential for our portfolio companies and optimizing upside/downside capture over the long term. We have evaluated our portfolios through an inflation risk lens and leaned into quality as we believe fundamentals will drive performance over the long-term.

Regardless of policy outcomes and oscillating investor sentiment, we remain consistent in our long-term investment philosophy: we want to own what we view as strong secular-growth companies with great competitive positions that can grow market share and have the potential to deliver shareholder value in a variety of market environments.

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Investing involves risk, including possible loss of principal. *Investments in the equities markets are subject to risk. An investor should ask questions and understand those risks. Because this strategy expects to hold a concentrated portfolio of a limited number of securities, the portfolio's risk is increased because each investment has a greater effect on the strategy's overall performance. For a complete discussion of the risks involved please consult JSP's Form ADV Part 2A Firm Brochure and refer to Item 8.*

Past performance is no guarantee of future results.

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