# Jackson Square International Growth Fund Commentary

As of March 31, 2022

## QUARTERLY MARKET REVIEW

A broad swath of publicly-traded asset classes struggled in 1Q22, with a noteworthy outlier in commodities, which surged. Growth equities, particularly at the lower end of the cap spectrum, were especially challenged, often without much regard for underlying company fundamentals. The headwind of inflation and interest rate fears persisted in the quarter, with investors increasingly questioning just how long a transitory trend might last. Markets appeared to be pricing in not only the biggest one-year increase in rates since 1994, but also a substantial reduction in the size of the Fed's balance sheet. Further, Russia's invasion of Ukraine added a new set of concerns for markets to grapple with. In addition to the usual apprehension war creates, the prospect of the international community effectively removing Russia from the global financial markets left investors on edge. The fourth quarter's selloff in high duration growth equities continued and was joined by most other developed asset classes, as noted above. Emerging market equities were mixed, with Russia being pummeled but Latam rising on the lift in commodities prices. China also declined, as local gross domestic product growth forecasts came into question over not only ongoing regulatory pressure on domestic technology companies, but also the latest COVID wave, which had much of the country seemingly headed to lockdown again at quarter-end.

## CONTRIBUTORS & DETRACTORS

**Top Contributors relative to the benchmark**

**Canadian Pacific Railway Limited** - Industrials

**MonotaRO Co., Ltd.** - Industrials

**Aon Plc Class A** - Financials

**EPAM Systems, Inc.** - Information Technology

**Universal Music Group N.V.** - Communications Services

**Top Detractors relative to the benchmark**

**Shopify, Inc. Class A** - Information Technology

**Farfetch Limited Class A** - Consumer Discretionary

**Delivery Hero SE** - Consumer Discretionary

**freee K.K.** - Information Technology

**Sartorius Stedim Biotech SA** - Health Care

## FUND REVIEW

For the first quarter of 2022 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.

**Contributors**

**Canadian Pacific Kansas City Ltd.**, a Class 1 railway spanning from Canada to Mexico, was a contributor to performance during the quarter as cyclicals, and especially railroad, outperformed.

**MonotaRO, Co, Ltd.**, a competitively advantaged supplier of maintenance, repair, and operations products to a broad base of business clients in Japan, was a contributor to performance during the quarter. The stock may have benefited from confidence in the underlying strength of their manufacturing customers rising. We believe the company is structurally well-positioned to pursue growing its market share via its strong, automated, all-online offering. We believe the company will continue with its goal for sales growth at attractive margins and returns for many years.

**Aon Plc Class A**, a global professional services firm, was a contributor to performance during the quarter. Aon benefited from factor and technical tailwinds favoring stocks underpinned by cash flows and valuation support. We believe Aon has strong management that focuses on the structural growth of the risk management and insurance services markets by seeking to deliver free cash flow growth to shareholders.

**Detractors**

**Shopify, Inc.**, a cloud-based commerce platform designed to help small and medium-sized merchants operate online, was a detractor from performance during the quarter. The company reported resilient topline results – especially relative to broader 4Q'21 ecommerce slowdowns and earnings misses from peers – including 41% revenue growth and over 30% gross merchandise value (GMV) growth, driving 2-6% beats vs. consensus on revenue, GMV, and gross payment value (GPV). However, guidance for 2022 – while directionally consistent with our expectations – was vague and back-end loaded, and the company guided to a step-up in both opex and capex geared towards merchant acquisition, expansion of the merchant solutions suite, and Shopify Fulfillment Network (SFN). While the market dislikes the medium-term investment cycle, we believe SFN moving from "market fit" to "build" phase indicates the company believes fulfillment is scalable, and we'd note the immense value creation potential over the long-term if Shopify can continue expanding its merchant services ecosystem (e.g., Pay, Shipping, Capital, Fulfillment). This also creates stickiness and crystallizes the competitive moat. While we are mindful of the potential for volatility over the next several quarters as the market wrestles with difficult year-over-year comparisons to the COVID-fueled demand boost, we believe this is a transitory dynamic that will likely have no impact on our longer-term thesis around structural e-commerce adoption and the monetization potential of Shopify's platform which remains under-appreciated.

**Farfetch Limited**, a UK-based online retail business selling multi-brand digital luxury goods in over 100 countries, was a detractor from performance during the quarter. Farfetch's 2022 underperformance has been tied to recessionary concerns and exposure to the European consumer. We remain constructive on the risk/reward profile at these price levels and would note the balance

## FUND REVIEW CONTINUED

sheet is currently well capitalized to absorb temporary disruptions.

**Delivery Hero SE**, a service provider for online food ordering, was a detractor from performance during the quarter. Delivery Hero provided disappointing full year guidance with losses from non-core operations and recently acquired Glovo exceeded expectations. We shared the market's concern that the company is taking on too many unrelated investment projects globally before achieving healthy profitability in its key markets, and exited the position.

## MARKET OUTLOOK

Time horizons have compressed substantially in recent months and markets have moved in a correlated fashion in response to headlines and shorter-term trends. We believe the deviation between stock performance and company fundamentals is not sustainable over the long-term, but are prepared for a continuation of the broader risk-off and tactical rotations in the near-term. The markets face headwinds from inflation, tightening monetary policy, and slowing growth and we expect elevated uncertainty and volatility to continue, particularly until there is a resolution of the conflict in Ukraine. In our view, the broader re-rating, particularly of higher duration growth stocks, has removed much of the valuation risk from the market, and as countries around the world find a steady state with COVID and economies reopen, normalized consumer behavior and supply-chain relief should prove supportive of growth.

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. 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.

| **PERFORMANCE** as of 03/31/22 | Current quarter | YTD | 1 year | 3 year | 5 year | 10 year | Since inception | Inception date | Gross expense | Net expense* |
|---|---|---|---|---|---|---|---|---|---|---|
| JS International Growth Fund Inst. Class | -17.24% | -17.24% | -18.37% | - | - | - | -14.46% | 12/28/20 | 2.23% | 1.09% |
| JS International Growth Fund Inv. Class** | -17.31% | -17.31% | -18.48% | - | - | - | -14.60% | 08/31/21 | 2.48% | 1.34% |
| JS International Growth Fund IS Class | -17.18% | -17.18% | -18.23% | 10.51% | 12.19% | - | 11.65% | 09/19/16 | 2.13% | 0.99% |
| Russell 3000® Growth Index | -9.25% | -9.25% | 12.86% | 22.68% | 20.16% | - | 20.39% | 09/19/16 | | |
| MSCI ACWI ex US | -5.44% | -5.44% | -1.48% | 7.51% | 6.76% | - | 7.56% | 09/19/16 | | |

**The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, call 844.577.3863. Performance reflects fee waivers in affect. In the absence of such waiver, returns would be reduced. Returns greater than 1 year are Average Annualized. Prior to 12/28/20, the Fund was named Jackson Square All-Cap Growth Fund and had different principal investment strategies.**

* The adviser has contractually agreed to reduce management fees and reimburse operating expenses until 02/28/23. Net expense is what the investor pays.

** Performance shown for the periods prior to the inception of the Investor Class is based on the performance of the Inst. Class shares, adjusted for the higher expenses applicable to the Investor class.

| **TOP 10 HOLDINGS** | | of Total Net Assets |
|---|---|---|
| Lonza Group | Health Care | 5.34% |
| Canadian Pacific Railway | Industrials | 4.72% |
| Airbus | Industrials | 4.27% |
| DSV | Industrials | 4.22% |
| Sartorius Stedim Biotech | Health Care | 4.21% |
| ASML Holding | Information Technology | 4.13% |
| Adyen | Information Technology | 4.06% |
| Taiwan Semiconductor Mfg. | Information Technology | 4.03% |
| LVMH Moet Hennessy LV | Consumer Discretionary | 3.91% |
| Recruit Holdings | Industrials | 3.86% |
| **Total Top Ten Holdings** | | **42.75%** |

**List excludes cash and cash equivalents.**

## IMPORTANT INFORMATION

*Unless otherwise noted, the source of statistical information used in this document was FactSet.*

*The views expressed represent the Manager's assessment of the account and market environment as of 03/31/22 and should not be considered a recommendation to buy, hold, or sell any security, and should not be relied on as research or investment advice. Holdings are as of 03/31/22 and subject to change. Investments in small and/or medium-sized companies typically exhibit greater risk and higher volatility than larger, more established companies. 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.*

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company and may be obtained by calling 844.577.3863, or by visiting www.jspfunds.com/funds. Read the prospectus carefully before investing.*

**Mutual Fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Small- and Mid-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater in emerging and frontier markets. Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments.**

**Earnings growth is not representative of the Fund's future performance.**

The Russell 3000® Growth Index measures the growth segment of the U.S. equity universe. It includes those Russell 3000® Index companies with higher growth earning potential, as defined by Russell's leading style methodology. The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 25 Emerging Markets (EM) countries. With 2,338 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.Index returns do not reflect management fees, transaction costs, or expenses. Indices are unmanaged, and one cannot invest directly in an index. Benchmark information contained herein has been obtained from third party sources believed to be reliable, but we cannot guarantee its accuracy or completeness. All third-party marks are the property of their respective owners. Captial Expenditure (capex) forecast is a company's projected expenditures on capital such as property, plants, and equipment. EBITDA: Earnings before interest, tax, depreciation and amortization, is a measure of a company's operating performance. Duration: Higher duration equities are those that are expected to deliver a larger proportion of future cashflows in the distant future. Upside capture is the ratio of a fund's overall return to market returns during periods when equities have risen. Downside capture is the same ratio when equities have fallen. Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate. GDP can be calculated in three ways, using expenditures, production, or incomes.

Information regarding JSP's policies and procedures for calculating and reporting performance results is available upon request. A complete list and description of composites managed by Jackson Square Partners is available upon request. The above information is not intended and should not be construed as a presentation of information regarding any mutual fund.

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