JACKSON SQUARE PARTNERS
SAN FRANCISCO

# Large-Cap Growth

**FACT SHEET** I 06/30/21

## STRATEGY HIGHLIGHTS

| | |
|---|---|
| Benchmark | Russell 1000 Growth Index |
| Style | Growth |
| Market Cap | >$3B |
| Positions | 25-35 |
| Investment horizon | 3-5 years |
| Inception Date | 4/30/2005 |

## INVESTMENT PHILOSOPHY AND PROCESS

We seek superior returns through holding a concentrated portfolio of companies that we believe have advantaged business models and opportunities to generate consistent, long-term growth of intrinsic business value.

## IDEA GENERATION/DILIGENCE

Fundamental, qualitative approach

Generalist analyst structure

Low turnover leads to high threshold rates for new ideas

ESG risk and opportunity assessment

Preferred company characteristics:
- Fundamental change
- Superior business model
- Significant free cash flow generation
- High returns on invested capital

Collaborative group vetting informs PM decisions

## PORTFOLIO CONSTRUCTION

Benchmark agnostic

Conviction based weights balancing risk and reward

Majority of the portfolio consists of all-weather stocks

| TEAM YEARS: | IN INDUSTRY | WITH TEAM |
|---|---|---|
| **CHRIS ERICKSEN, CFA** | **27** | **17** |
| **BILLY MONTANA** | **12** | **7** |
| **DAN PRISLIN, CFA** | **27** | **23** |
| **JEFF VAN HARTE, CFA** | **41** | **41** |
| **+9 ANALYSTS** | ***Average:* 19** | **11** |

## ASSETS

| | |
|---|---|
| **Firm** | $20.4 Billion[1] |
| **Large-Cap Growth** | $9.3 Billion |

## RETURNS

| | Large-Cap Growth | | R1000G |
|---|---|---|---|
| | **Gross** | **Net** | **Index** |
| 2Q21 | 11.22 | 11.09 | 11.93 |
| YTD | 8.44 | 8.20 | 12.99 |
| 1 Year | 38.15 | 37.53 | 42.50 |
| 3 Year | 23.06 | 22.50 | 25.14 |
| 5 Year | 21.30 | 20.74 | 23.66 |
| 10 Year | 16.70 | 16.15 | 17.87 |
| SI | 12.71 | 12.16 | 13.21 |

## LARGE-CAP GROWTH STATISTICS

| **Risk and Return** | ***4/30/05 – 6/30/21*** |
|---|---|
| Alpha* | -0.11 |
| Beta | 0.98 |
| Return* | 12.16 |
| Benchmark return* | 13.21 |
| Standard deviation* | 15.95 |
| Tracking error | 5.21 |
| Information ratio | -0.10 |
| Upside capture | 96% |
| Downside capture | 98% |
| **Portfolio Characteristics** | |
| Turnover LTM | 31 |
| Active Share | 73 |
| Positions | 28 |

*Annualized
Source: FactSet, Jackson Square
All statistics are calculated since inception, except as noted
Returns are net of advisory fees. See disclosures at end of document.
**Past performance is no guarantee of future results. Investing involves risk, including possible loss of principal.**

*Total Assets for the firm are as of 6/30/2021 and includes approximately $2.62 billion of non-discretionary assets under advisement, which are excluded from the firm's regulatory assets under management. Jackson Square does not exercise investment discretion over these assets. Large-Cap Growth has $2.52 billion and SMID-Cap Growth $0.10 billion in non-discretionary assets under advisement.

## TOP 10 HOLDINGS[1]

| Company | Position Initiated | Portfolio (%) |
|---|---|---|
| Microsoft Corporation | Jul-2013 | 8.67 |
| Amazon.com, Inc. | Jan-2020 | 5.61 |
| Visa Inc. Class A | Mar-2008 | 5.42 |
| Uber Technologies, Inc. | Feb-2020 | 5.16 |
| Twilio, Inc. Class A | Mar-2020 | 5.08 |
| PayPal Holdings Inc | Jul-2015 | 4.85 |
| Charter Comms., Inc. Class A | Dec-2018 | 4.34 |
| Mastercard Inc. Class A | Dec-2007 | 4.03 |
| ServiceNow, Inc. | Oct-2019 | 3.78 |
| Edwards Lifesciences Corp. | Aug-2020 | 3.73 |
| **Top 10 total** | | **50.69** |

## SECTOR ALLOCATION

| | Large-Cap Growth[1] | Benchmark |
|---|---|---|
| Comm. Services | 10.66 | 12.63 |
| Consumer Disc. | 12.46 | 18.44 |
| Consumer Staples | 0.00 | 3.88 |
| Energy | 0.00 | 0.32 |
| Financials | 3.35 | 2.33 |
| Health Care | 15.26 | 8.98 |
| Industrials | 7.56 | 6.46 |
| Info Technology | 49.77 | 44.17 |
| Materials | 0.00 | 1.03 |
| Real Estate | 0.00 | 1.74 |
| Utilities | 0.00 | 0.03 |
| Cash | 0.94 | 0.00 |

## MARKET CAP ALLOCATION (% ex cash)

| | Large-Cap Growth[1] | Benchmark |
|---|---|---|
| $0-10B | 0.00 | 2.33 |
| $10-20B | 4.67 | 4.87 |
| $20-100B | 42.31 | 22.27 |
| $100-200B | 15.86 | 15.35 |
| $200B+ | 37.16 | 55.18 |
| | | |
| Weighted Avg. | $400 B | $795 B |
| Median | $93 B | $19 B |

1. The portfolio information shown above is based on a representative Large-Cap Growth portfolio. Holdings, weightings, and characteristics are current as of the day indicated, are subject to change, and may not reflect the current portfolio. A full list of holdings is available upon request. Sector weights are based on the Index.

## Strategy Review

For the second quarter of 2021, the Large-Cap Growth Portfolio underperformed its benchmark, the Russell 1000 Growth Index. We believe underperformance was largely driven by the abrupt rotation into value and cyclicals rather than any holdings-specific risk events. We are confident in the portfolio's underlying fundamentals and positioning for long-term performance. On a sector level, industrials were the largest detractor and health care was the largest contributor.

## TOP CONTRIBUTORS AND DETRACTORS

### Contributors

**Edwards Lifesciences**, a medical device company focused on structural heart repair devices and critical care monitoring equipment, was a contributor to performance during the quarter. The company reported revenue and earnings above expectations, driven by a continued recovery in the critical procedures that require Edwards' products, primarily TAVR and SAVR. The company confirmed that procedure growth continues to normalize, and key product launches in the nascent TMTT segment are tracking as expected in Europe. We believe the company's core and nascent products can drive profitable growth for many years.

**Datadog Inc**, an enterprise software company that allows companies to monitor and analyze their cloud-based infrastructure, was a contributor to performance during the quarter. The company reported a strong first quarter and guidance that implied growth will reaccelerate in the second quarter. Management also disclosed upsell metrics that we view as highly positive for Datadog's long-term growth prospects, suggesting product cross-sell is accelerating. The stock also rebounded with other growth software names towards the end of the quarter. We believe the market is underestimating Datadog's emerging platform strategy and rapid product innovation that we feel will sustain high levels of growth at attractive economics for many years.

**Intuitive Surgical, Inc.**, a leading manufacturer of robotic surgery systems and per-procedure consumables in a razor/razorblade economic model, was a contributor to performance during the quarter. The stock outperformed on the back of strong earnings where procedure volumes, system placements, and profitability all exceeded expectations. We believe the company's competitive advantage is as strong as ever, reinforcing the potential for above-consensus procedure volumes for the foreseeable future as robotic surgery is increasingly embraced as the standard of care. Our research continues to indicate competitors' systems are a decade behind, while both COVID-19 and the FDA have caused additional delays that we believe will only widen Intuitive's lead. We believe the company should continue to grow and remains undervalued, even (conservatively) assuming some modest share loss over time.

### Detractors

**Uber Technologies, Inc.**, an online ridesharing services company, was a detractor from performance during the quarter. Shares de-rated on renewed concerns over regulatory issues following comments made by the Secretary of Labor indicating some gig companies should be classifying contractors as employees. We believe that the industry's landslide victory in the California ballot measure may mitigate future regulatory risk in the U.S. Uber is a dominant ride-sharing company with 70+% market share in all its geographies and has an asset-lite, network-effect business model with healthy incremental margins and returns on invested capital in its core Rides segment. We believe the future growth runway in Rides is many years long as Uber's current penetration of potential users remains low domestically and even lower globally.

**Airbnb, Inc.**, a leading global alternative accommodation platform, was a detractor from performance during the quarter. Airbnb shares performed well post-IPO but gave back some of those gains in an environment where growth and long-duration companies de-rated. Lock-up expiration also increased supply and added pressure to shares in May. Our conviction in Airbnb's long-term potential given the massive total addressable market (TAM), its highly engaged and loyal community, and its formidable competitive moat is unchanged. In addition, we believe the work-from-anywhere movement has the potential to expand Airbnb's TAM. In the short term, we believe Airbnb will be a beneficiary of the economy reopening and people yearning to travel, as demonstrated by its strong bookings growth in Q1 2021.

**Paycom Software, Inc.**, an online payroll and human resource technology company, was a detractor from performance during the quarter. The largest driver of underperformance was the rotation out of growth and technology stocks. The company reported solid results in May for Q1, the last quarter to be fully impacted by the pandemic, with revenue in line with its 12% top line guidance and EBITDA profitability coming in 8% ahead. They guided to a sharp increase in growth to 28%, consistent with pre-COVID levels, despite lower employment levels at their customers causing a headwind of ~10% of their full year 2021 revenue guidance. The soft employment backdrop through June continues to weigh on the stock but together with interest rates represents ~$100M in annual revenue opportunity yet to be recaptured. We believe the company is well positioned to gain market share with what we view as a superior solution and sales execution.

| TOP CONTRIBUTORS | |
|---|---|
| Edwards Lifesciences Corporation | Health Care |
| Datadog Inc Class A | Information Technology |
| Intuitive Surgical, Inc. | Health Care |
| KKR & Co. Inc | Financials |
| PayPal Holdings Inc. | Information Technology |

| TOP DETRACTORS | |
|---|---|
| Uber Technologies, Inc. | Industrials |
| Airbnb, Inc. Class A | Consumer Discretionary |
| Paycom Software, Inc. | Information Technology |
| Mastercard Inc. Class A | Information Technology |
| Wix.com Ltd. | Information Technology |

## Market Review and Outlook

The market's high volatility level over the last several quarters ramped further in 2Q21, as surging vaccination rates and economic activity in the United States signaled the end of the pandemic (if at different paces across the globe). The first half of the quarter saw further strengthening of 2021's value rally, while growth struggled, particularly in long-duration growth stocks. As economic activity ramped, inflation concerns followed. This market dynamic began to abate in late May and meaningfully reversed in mid-June when the Fed described US inflationary pressures as "transitory" while indicating it would maintain its supportive posture. Similarly, while traditional value sectors such as materials, industrials and energy were among the quarter's leaders at the mid point, by quarter-end growth had pushed ahead, with technology and healthcare in the lead.

Despite the increase in volatility and ongoing (if lessened) market concern over inflation, the economic backdrop remains accommodative to equity prices. The U.S. market has been buoyed by a mostly successful vaccine rollout and a lower level of political stress and controversy — certainly relative to the Capitol siege that started the year. While a mostly-contained COVID environment in the U.S. has become consensus — assuming any flare ups will be contained to a small number of less-vaccinated geographies — investors have now turned their attention to assessing the level and profile of economic recovery. The back and forth between growth and value factors noted above demonstrated investors' wrestling with the nature of the recovery: will a post-COVID world unleash an unrestricted economic boom that favors the most cyclical companies; or are there enough limiting factors in play to put a cap on economic growth and therefore favor secularly-growing companies, those more in control of their own destinies. Furthermore, there is increasing investor focus on assessing the impact of potential Biden Administration policy changes, including continued COVID relief for consumers, tax hikes for some individuals and for companies, and a sizeable infrastructure bill. In short, the second quarter demonstrated the tension between near-term high versus moderate medium-term economic growth prospects. The translation to equity prices makes the market outlook less clear, especially given the strong absolute equity returns already posted this year.

**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.**

*Securities described are subject to change and may not reflect the current portfolio. A full list of holdings is available upon request.*



*Please see additional disclosures on page 2.*

## COMPOSITE STATISTICS AND PERFORMANCE

| | | | | | 3-Year Annualized Standard Deviation (%) | | As of December 31st | | |
|---|---|---|---|---|---|---|---|---|---|
| Period End | Composite return gross-of-fees (%) | Composite return net-of-fees (%) | Russell 1000 Growth Index (net) return (%) | Composite Internal dispersion (%) | Composite | Russell 1000 Growth Index (net) | Number of Portfolios | Composite Assets ($mm) | Total Firm Assets ($mm) |
| **2020** | 45.0 | 44.4 | 38.5 | 0.2 | 19.5 | 19.6 | 19 | 13,848 | 25,497 |
| **2019** | 28.0 | 27.5 | 36.4 | 0.1 | 12.7 | 13.1 | 26 | 11,674 | 19,889 |
| **2018** | -2.1 | -2.5 | -1.5 | 0.2 | 12.4 | 12.1 | 31 | 11,036 | 16,779 |
| **2017** | 29.2 | 28.6 | 30.2 | 0.1 | 11.5 | 10.5 | 45 | 13,920 | 20,154 |
| **2016** | -4.4 | -4.8 | 7.1 | 0.4 | 12.4 | 11.2 | 54 | 12,563 | 19,749 |
| **2015** | 6.0 | 5.5 | 5.7 | 0.2 | 11.7 | 10.7 | 65 | 17,337 | 26,197 |
| **2014** | 13.7 | 13.2 | 13.0 | 0.1 | 10.4 | 9.6 | 64 | 18,358 | 25,753 |
| **2013** | 35.6 | 35.0 | 33.5 | 0.1 | 12.1 | 12.2 | 46 | 15,270 | n/a |
| **2012** | 17.1 | 16.5 | 15.3 | 0.2 | 15.1 | 15.7 | 49 | 10,981 | n/a |
| **2011** | 8.9 | 8.3 | 2.6 | 0.1 | 16.9 | 17.8 | 49 | 9,160 | n/a |

## PERFORMANCE DISCLOSURES: LARGE-CAP GROWTH COMPOSITE

Jackson Square Partners claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Jackson Square Partners has been independently verified for the periods May 1, 2014 through December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Large-Cap Growth Composite ("Composite") has had a performance examination for the periods May 1, 2005 through December 31, 2020. The verification and performance examination reports are available upon request. A list of the firm's limited distribution pooled fund descriptions and a list of broad distribution pooled funds is available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Jackson Square Partners is a registered investment adviser established on May 1, 2014. Registration does not imply a certain level of skill or training. Jackson Square Partners manages domestic and global growth equity strategies for institutional and retail clients. Performance shown prior to May 1, 2014 represents results achieved by the Jackson Square Partners team at Delaware Investments prior to the establishment of Jackson Square Partners. Delaware Investments claims compliance with the GIPS standards and was previously verified.

The Composite invests primarily in mid- and large-cap common stocks of U.S. growth-oriented companies that the firm believes have long-term capital appreciation potential and may grow faster than the U.S. economy. This Composite was created in May 2004. In April 2005, responsibility for Large Cap Growth investment management was assumed by the Jackson Square Partners team therefore performance of the Composite is presented since May 2005 only. The Composite inception date is May 2005. The Composite includes all discretionary, fee paying accounts, including pooled funds, managed in this strategy. Performance results are shown as total returns, net of dividend withholding taxes, assume reinvestment of dividends and capital gains, are presented before and after the deduction of investment advisory fees, and are calculated in U.S. dollars. The returns of some accounts in the Composite may include income from securities lending. Net returns are calculated using a model investment advisory fee derived by applying the strategy's maximum fee schedule in effect for the respective period, monthly. The current fee schedule for the strategy is as follows: first $50 million, 0.70%; next $150 million, 0.50%; amounts over $200 million, 0.40%. Jackson Square Partners investment advisory fees are described in Part 2A of the firm's Form ADV. Some clients may utilize a performance-based fee. Actual advisory fees can vary among clients employing this strategy and may be higher or lower than model investment advisory fees. Policies for valuing investments, calculating performance and preparing GIPS Reports are available upon request. A list of composite descriptions is available upon request. Past performance is not an indicator of future results. Internal dispersion is calculated using the asset-weighted standard deviation of the annual returns of all the portfolios that were included in the Composite for the entire year. Internal dispersion is only shown if the Composite has at least six accounts that were managed for the full calendar year. All risk measures presented are calculated using gross-of-fees returns.

The three-year annualized standard deviation measures the variability of the Composite and the benchmark over the preceding 36-month period. This measure is not required to be presented when 36 monthly composite returns are not yet available.

The benchmark for the Composite is the Russell 1000® Growth Index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. For comparison purposes, the index is fully invested and includes the reinvestment of income. 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. The benchmark returns are not covered by the report of independent verifiers.

Because the strategy expects to hold a concentrated portfolio of a limited number of securities, the strategy's risk is increased because each investment will have a greater effect on the strategy's overall performance.

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