

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Looking for Innovative Companies with Strong Growth Potential



ANTHONY ZACKERY, CFA, is Associate Portfolio Manager at Zevenbergen Capital Investments LLC. Mr. Zackery joined Zevenbergen Capital in 2011. In his current capacity, he supports ZCI's portfolio managers with active recommendations on security selection and portfolio construction through original research, which includes financial statement analysis, forecasting and management assessments. Prior responsibilities at ZCI have included operations and client service. Before joining ZCI, Mr. Zackery worked as a credit analyst for Banner Bank, where he evaluated the creditworthiness of existing and prospective bank clients. He graduated magna cum laude with a B.A. in business administration with a finance concentration and a minor in economics from Western Washington University, where he was a Presidential Scholar. He currently serves as an advisory board member to the Western Washington

University College of Business and Economics Investment Management and Scholarship Endowment Fund. Mr. Zackery is a CFA charterholder, and is a member of both the CFA Institute and CFA Society of Seattle.

SECTOR — GENERAL INVESTING

TWST: Do you mind telling us what your role is in the company and what fund or funds you want to talk about today? And maybe provide just a brief overview of them.

Mr. Zackery: Founded in 1987, by our President and Chief Investment Officer, Nancy Zevenbergen, Zevenbergen Capital is a Seattle-based boutique investment firm that manages concentrated portfolios of innovative growth companies.

We broadened our access to the wider investment community in August 2015 through the launch of two mutual funds — Zevenbergen Growth Fund and Zevenbergen Genea Fund — that mirror our long-standing growth strategies. Both funds take a venture-capital-like perspective by investing in companies with disruptive product sets, large addressable markets, and committed and visionary management teams. We distinguish the Genea Fund through a greater emphasis on companies earlier in the growth cycle and greater sector concentration.

Every portfolio and strategy is managed collaboratively by the investment team, which consists of three portfolio managers and two associate portfolio managers, all of whom have sector research responsibilities. I am an associate portfolio manager and support the team with technology, finance, producer durables and utilities research.

TWST: Can you distinguish the funds from one another a little bit more and talk about the process, and even just a number of holdings in each?

Mr. Zackery: Our Zevenbergen Growth Fund is an extension

of our flagship growth strategy. In that fund, we invest in companies that are industry leaders with significant growth potential, strong competitive advantages, a large addressable market and quality management. That fund typically holds between 30 and 60 stocks of any market cap, given adequate trading liquidity.

The Genea Fund also invests in companies with strong growth potential and quality leadership, but there is greater emphasis on advancements in technology. So it takes a longer-term view and focuses more on younger companies. This fund is more concentrated than the Growth Fund and typically holds between 15 and 40 stocks of any market cap.

TWST: Are both of them across industries?

Mr. Zackery: Yes. The Genea Fund is currently more concentrated in the technology and consumer discretionary sectors, but both funds incorporate our philosophy that we can find growth no matter the sector.

TWST: Can you talk a little bit about your process? I know you bring some technological expertise to the table. Maybe talk about how that integrates into the process.

Mr. Zackery: I will start with our investment philosophy, which is based on the conviction that revenue, earnings and cash flow growth drive stock prices upward, while quality leadership and balance sheets protect in volatile markets. Our research process starts with a 360-degree review of our surroundings. Ideas originate from many directions, such as personal product usage, industry conferences, quantitative screens, conversations with investor peers and private equity monitoring. Our goal is to uncover companies with long-term growth potential.

In addition to thorough financial analysis, we spend a lot of effort evaluating qualitative factors. We take every opportunity to test products, gather customer feedback, talk with competitors and suppliers, and meet with management, who are ultimately responsible for the company's success. We prefer founder-led companies with management teams aligned with shareholders through significant personal stock ownership.

TWST: What are some of the sectors that you're being drawn to in these funds, and why?

Mr. Zackery: We look for secular, not cyclical, growth companies. This search often leads us to the technology and consumer discretionary sectors, markets that are rapidly changing from the rise of mobile computing and the internet. Aside from those two areas, we have meaningful exposure to biotech and financial services. In general, we prefer companies that aren't dependent on factors largely out of management's control, such as commodity prices.

TWST: Can you talk about specific holdings that you have that you're either excited about right now or bought recently and why you feel they are important to the funds?

Mr. Zackery: One theme we have identified is the "connected everything." Our world is becoming increasingly linked, from people on social media to fitness trackers to the automobile with embedded internet and connectivity features. This trend also reaches beyond consumer applications. Two companies we like that have more of an industrial customer base are **Monolithic Power Systems** (NASDAQ:MPWR) and **Acuity Brands** (NYSE:AYI).

TWST: Can you go into some detail about both and why you like them?

Mr. Zackery: Monolithic Power is a semiconductor company, which has developed energy-efficient power solutions that help regulate the energy flow within certain applications, such as appliances, automobiles and data centers. This is a company that has been around since 1997 and reported nearly 15% organic revenue growth in its most recent quarter. The company stands out in a legacy market, growing low to mid single digits. The CEO, who founded the company, owns about 3% of shares outstanding and is committed to driving shareholder wealth. From a portfolio-management perspective, as a technology company, **Monolithic** is a great diversifier from advertising and software business models.

Acuity Brands is a materials and processing company that develops smart lighting systems used in residential and nonresidential construction. We believe their LED solution has a long runway to grow with current market penetration less than 10%. As construction firms and

individuals focus on environmental sustainability and energy savings, we believe adoption of **Acuity's** solutions will continue to rise.

TWST: With such a focus on growth, where you're actively looking at disruptive technologies, is there a way in which you manage the fund to minimize some of the possible volatility like including some large-cap names to offset the smaller cap?

Mr. Zackery: Although large companies are often challenged to maintain growth levels, we hold some large-cap companies that are examples of the trend of "the strong get stronger." In internet advertising, I saw a statistic that showed 90% of incremental ad dollars have gone to **Facebook** (NASDAQ:FB) and **Alphabet** (NASDAQ:GOOG), or **Google**. **Facebook** is a \$340 billion-market-cap company that recorded 52% revenue growth in its most recent quarter. We believe this is at the expense of some of the smaller advertising-based companies, such as **Yelp** (NYSE:YELP) and **Twitter** (NYSE:TWTR).

Growth can be found across the cap spectrum, but we want to invest in companies in which we have the most conviction, and that will drive growth for the long-term and also display characteristics of competitive advantage. With **Facebook**, **Alphabet** and **Amazon** (NASDAQ:AMZN) in mind, it is hard to question the benefits of scale.

TWST: You're really describing more of a process of taking each investment on a case-by-case basis rather than looking at the fund as a whole and saying, "How we do design something that is going to lower volatility?" Right?

Mr. Zackery: Yes, we evaluate each company individually and are aware of the potential of lack of business diversification. For

example, in software, we noticed a strong correlation in the market prices among our holdings at the time. We decided to consolidate in companies we had the most confidence in, exiting positions in certain companies with less upside potential. These proceeds were used to fund compelling investments outside of software.

TWST: I'm looking at the Genea Fund recent fact sheet, and you have a 10.1% holding in Amazon.com, but then, you have Tesla Motors underneath that at 9.2%. Talk about why you like Tesla right now and why you think it has a positive future.

Mr. Zackery: Tesla (NASDAQ:TSLA) is a technology company that happens to fall into the automobile category. They are disrupting a traditional mode of transportation. We believe they have really yet to crack the market. Up to this point, their products have catered to niche, wealthy customers, so we look forward to the production of its Model 3 mass-market vehicle.

Highlights

Anthony Zackery discusses Zevenbergen Capital Investments LLC, and the Zevenbergen Growth Fund and Zevenbergen Genea Fund. Zevenbergen Capital is a boutique firm that manages concentrated portfolios made up of innovative growth companies. Both the Growth Fund and the Genea Fund have a venture-capital-like perspective, looking for companies with large markets, disruptive products and visionary management teams. While both funds seek out investments with strong growth potential, the Genea Fund focuses on younger companies and has a greater emphasis on advancements in technology. The portfolios are also managed to invest across sectors and market caps. The firm's basic investment philosophy is that stock prices are driven upward by revenue, earnings and cash flow, with quality leadership and balance sheets offering protection in volatile markets.

Companies discussed: Monolithic Power Systems (NASDAQ:MPWR); Acuity Brands (NYSE:AYI); Facebook (NASDAQ:FB); Alphabet (NASDAQ:GOOG); Yelp (NYSE:YELP); Twitter (NYSE:TWTR); Amazon.com (NASDAQ:AMZN) and Tesla Motors (NASDAQ:TSLA).

TWST: And this is also because they've done so well and yet are still dealing with a lot of the early adopters, so it only makes logical sense that they are going to do even better when they enter a more mainstream audience?

Mr. Zackery: They are in growth mode. Underscoring Tesla's bright roadway, the company received hundreds of thousands of reservations and down payments for its Model 3 vehicle. Time will tell with regard to electric-vehicle adoption, but Tesla is pushing the boundary. Coming full circle, this ties back to part of the Genea Fund's philosophy to invest in companies that benefit from technology advancements and that are on that early stage of the growth curve.

TWST: What are some of the market trends that you personally are monitoring closely, and some of your opinions about those trends and how it might be even affecting your or others' management of the funds?

Mr. Zackery: Regardless of what the macro economy does, consumers will continue to fulfill their immediate needs, and businesses will find ways to grow and optimize costs. I am interested in how financial services is changing with the Millennial generation. I worked at a bank in a prior life and know firsthand how slow banks can move. Many upstart companies have caught my eye, from online marketplace lenders to automated robo investment services. Some of these

businesses have encountered market turmoil recently, but I believe part of the blame is attributable to an industry that is reluctant to adapt to new ways of doing things.

TWST: Why should an investor who is looking for, say, a growth fund choose one of yours as opposed to another company's fund?

Mr. Zackery: It comes down to our people, philosophy and process. Our strategies are long-term-oriented. We invest in quality, and we believe we add differentiation to the mutual-fund universe. We are not average, nor are the companies we invest in.

TWST: Thank you. (KJL)

ANTHONY ZACKERY, CFA
 Associate Portfolio Manager
 Zevenbergen Capital Investments LLC
 601 Union St.
 Suite 4600
 Seattle, WA 98101
 (206) 682-8469
 (206) 682-9625 — FAX
 www.zci.com

Opinions expressed are those of the author or Funds and are subject to change to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Earnings growth is not a measure of the Funds future performance.

Diversification does not assure a profit nor protect against a loss in a declining market.

Mutual fund investing involves risk, including the loss of principal. The Funds invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. Non-diversified funds may hold a significant percentage of their assets in the securities of fewer companies and therefore events affecting those companies have a greater impact on the funds than on a diversified fund. If the Funds invest in a few sectors they may have increased exposure to price movements of those sectors. Small and medium capitalization companies tend to have limited liquidity and greater price volatility than large capitalization companies. The Funds are new with no operating history, and there can be no assurance that the Funds will grow to or maintain an economically viable size, in which case the Board may determine to liquidate the funds.

Fund holdings and sector allocations are subject to change are not recommendations to buy or sell any security. Mutual funds, hedge funds, equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value.

Correlation is a statistical measure of the degree to which the movements of two variables (stock/option/convertible prices or returns) are related. Cash flow measures the cash generating capability of company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

Zevenbergen Capital Investments LLC is the investment adviser of the Zevenbergen Funds which are distributed by Quasar Distributors, LLC.

