

ZEVENBERGEN GENEAL GROWTH EQUITY REVIEW & PERSPECTIVE

U.S. equity markets recorded significant gains in 2024, culminating with a strong fourth quarter driven by encouraging inflation statistics, robust consumer spending, and a solid, albeit slowing, job market. The Russell 3000[®] Growth Index finished the year up 32.5%, deftly navigating fits and starts along its ascent. Momentum from the Federal Reserve's (the Fed) first rate cut in September continued and further accelerated following the U.S. general election, fueled by deregulation optimism. The Russell 3000[®] Growth Index rose 6.8% for the quarter, with particularly strong showings in the technology and consumer sectors, reflecting increased demand and continued innovation and investment in artificial intelligence (AI). Increasing market breadth showed signs of life only to see the Fed temper market enthusiasm by indicating that additional easing in 2025 would be based on economic data in the early part of the year.

In this positive market environment, the Zevenbergen Genea Growth Equity Strategy outperformed its benchmark, the Russell 3000[®] Growth Index, for the quarter and the year, as investors continued to reward the portfolio's strong company fundamentals, especially in terms of revenue and earnings growth. Top-performing industries included consumer discretionary and technology while the energy and real estate industries lagged during the quarter.

Top 5 Contributors 4Q24		
Ticker	Company	Average Portfolio Weight
TSLA	Tesla, Inc.	10.88 %
AXON	Axon Enterprise, Inc.	7.38 %
SHOP	Shopify Inc.	6.82 %
NVDA	NVIDIA Corporation	9.22 %
AMZN	Amazon.com, Inc.	7.46 %
Top 5 Total		41.76 %

Bottom 5 Detractors 4Q24		
Ticker	Company	Average Portfolio Weight
MELI	MercadoLibre, Inc.	7.48 %
UBER	Uber Technologies, Inc.	4.40 %
AMD	Advanced Micro Devices, Inc.	2.32 %
FSLR	First Solar, Inc.	1.41 %
ASML	ASML Holding N.V.	0.52 %
Bottom 5 Total		16.13 %

Past performance does not guarantee future results. The holdings identified do not represent all the securities purchased, sold, or recommended. Reader should not assume that investments in the securities identified were or will be profitable. This material is for informational purposes only and does not constitute investment advice.

Contributors:

Tesla, Inc. (TSLA):

Founder-led technology company Tesla, Inc. saw significant stock appreciation as investors reacted to perceived improvements in the company's fundamentals and the political climate for the year ahead. New model introductions remain on track for 2025 while progress in full self-driving technology and robotaxi plans boosted investor confidence. CEO Elon Musk's positive relationship with the incoming U.S. presidential administration also fueled optimism for a more favorable business environment for the company. In a rapidly evolving world, Tesla remains well-positioned to capitalize on the long-term growth opportunities in electric vehicles, autonomous driving, renewable energy, and artificial intelligence.

Axon Enterprise, Inc. (AXON):

Public safety technology vendor Axon Enterprise, Inc. reported another strong set of results with 32% year-over-year revenue growth on broad demand for its device and software offerings. The company is fielding significant interest in its artificial intelligence solutions, which includes a report-writing tool Draft One. While still early, Axon's "AI Era" could result in higher platform engagement and larger deal sizes over time.

Shopify Inc. (SHOP):

Direct-to-consumer commerce enabler Shopify Inc. grew revenue on healthy merchandise sales processed across its platform, especially in international and offline channels. Shopify expanded operating margins in the quarter, highlighting its commitment to profitable growth. Further, management offered constructive commentary on the holiday shopping season, general demand for commerce technology solutions, and the pace of new business formations under the next U.S. administration.

Detractors:

MercadoLibre, Inc. (MELI):

Founder-led, Latin American ecommerce and financial technology company MercadoLibre, Inc. delivered strong top-line growth, but profitability fell short of expectations as the company invested in expanding its credit offerings and logistics infrastructure. While impacting short-term margins, these investments should drive long-term value creation as MercadoLibre expands its credit products to higher-income customers and captures a larger share of the growing Latin American digital finance market. Despite macroeconomic challenges in the region, the company maintains a dominant market position and continues to innovate, leveraging its strong management team, highly respected brand, and scaled infrastructure to drive future growth.

Uber Technologies, Inc. (UBER):

Digital transportation and delivery leader Uber Technologies, Inc. reported a generally solid quarter with continued margin expansion and stable delivery growth. A deceleration in rides growth was a minor disappointment; however, investor concerns primarily centered around the potential impact of autonomous vehicle technology on Uber's long-term business model. Management has consistently maintained that their industry-leading network and customer base position the company as a valuable partner for self-driving technology companies, offering instant scale and utilization for fleet owners. Partnerships such as the one announced with Waymo in Austin support this view, suggesting that Uber may play a crucial role in the future of autonomous transportation.

Advanced Micro Devices, Inc. (AMD):

Shares of semiconductor company Advanced Micro Devices, Inc. reflected weaker-than-expected trends in its traditional personal computer and server segments. Additionally, there are concerns about the company's standing in the artificial intelligence infrastructure ecosystem as peer NVIDIA Corporation and custom chip design activity at large web services and internet companies gain steam. If AMD can demonstrate compelling hardware performance and total cost of ownership benefits versus alternative options, the AI-related revenue opportunity is large. Management estimates the addressable market for AI accelerators could climb significantly from current levels over the next three years. Furthermore, ongoing AI software innovations could lead to a meaningful replacement cycle for computing equipment, which should benefit AMD.

Perspective:

Despite jittery inflation data and geopolitical turbulence, equity markets reached record levels in 2024 on positive corporate earnings trends, improving odds of a “Goldilocks” economy—one that is not too hot or too cold—and the promise of a business-friendly presidential administration. There are multiple reasons to remain constructive on growth investment strategies and equities more broadly, including:

- Forward valuation multiples for many quality, high-growth companies appear reasonable when viewed against historical trading ranges and private market financing activity.
- Deepening adoption of artificial intelligence could boost operational productivity and lead to meaningful product innovations and revenue growth.
- The U.S. consumer has demonstrated a resilient capacity and willingness to spend, aided in part by strong labor and housing markets.
- Legislative and executive branch consensus on deregulation may stimulate bottlenecked industries, creating pro-cyclical policies that fuel strategic mergers, acquisitions and public offerings.
- Sustainable growth assets could gain relative favor among investors if the economy downshifts or plateaus.

The current news cycle dictates that volatility will continue into 2025 (fiscal policy, Fed actions and geopolitical events). ZCI's investment process inherently views disruption opportunistically. Our research aims to uncover well-run and underappreciated companies exhibiting pricing power, durable demand drivers, and high earnings growth potential—essential ingredients to long-term shareholder returns.

Investing involves risk, including the possible loss of principal and fluctuation of value. The strategy typically contains high growth companies of any market capitalization, which can exhibit substantially greater volatility than the stock market as a whole due to its sector-specific focus, leading to increased volatility compared to the Russell 3000® Growth Index.

The information presented relating to portfolio holdings is from a representative account in the Zevenbergen Genea Growth Equity Composite (Strategy), 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 Strategy contains fully discretionary, tax-exempt, taxable, fee-paying accounts managed in the Zevenbergen Genea Growth Equity investment style. The Strategy is capital appreciation characterized by concentrated portfolios (generally 20-40 securities) and limited income generation and is generally fully-invested at all times. The Strategy exhibits sector concentration, investing in growth companies with an emphasis on technology and telecommunications industries. Portfolios in the Strategy typically invest in high-growth companies which at times can exhibit substantially greater volatility than the stock market as a whole. The Russell 3000® Growth Index (Benchmark) serves as the performance benchmark due to its alignment with ZCI's initial security selection universe, along with its growth characteristics, capitalization ranges, and growth industry exposures. The Benchmark measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Strategy inception date is February 28, 1994.

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