

# ZEVENBERGEN INCOME GROWTH

## 4Q24 REVIEW & PERSPECTIVE

U.S. equity markets recorded significant gains in 2024, with the S&P 500® Index finishing the year up 25%. The index deftly navigated fits and starts along its ascent, with returns buoyed in the fourth quarter by encouraging inflation statistics, robust consumer spending, and a solid, albeit slowing, job market. In addition, the Federal Reserve's first rate cut in September and deregulation speculation following the U.S. general election fueled optimism for pro-business economic conditions.

The S&P 500® Index posted a 2.4% return in the fourth quarter. The Zevenbergen Income Growth strategy underperformed the index due to adverse security selection in the technology and health care sectors. Consistent with our long-term risk management approach and focus on business models with sustainable income growth, the strategy maintained an active underweight position in several of the S&P 500's top holdings. These holdings, which generally favor internal reinvestment over dividend distribution, performed strongly during the year, further impacting relative returns. As a result, the strategy underperformed for the quarter and year. More broadly, equities outside the artificial intelligence (AI) sector faced competition from yield-focused investors drawn to the relatively higher interest rates offered by fixed income securities.

Bottom 5 Detractors 4Q24		
Ticker	Company	Average Portfolio Weight
MPWR	Monolithic Power Systems, Inc.	4.60 %
ZTS	Zoetis Inc.	2.91 %
CTAS	Cintas Corporation	4.36 %
CDW	CDW Corporation	0.81 %
STZ	Constellation Brands, Inc.	2.26 %
<b>Bottom 5 Total</b>		<b>14.94 %</b>

Top 5 Contributors 4Q24		
Ticker	Company	Average Portfolio Weight
JPM	JPMorgan Chase & Co.	5.41 %
V	Visa Inc.	4.61 %
AAPL	Apple Inc.	7.68 %
BX	Blackstone Inc.	3.31 %
BLK	BlackRock, Inc.	4.57 %
<b>Top 5 Total</b>		<b>25.58 %</b>

**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.

## DETRACTORS

### **Monolithic Power Systems, Inc. (MPWR):**

Shares of power chip vendor Monolithic Power Systems, Inc. traded lower on weaker-than-expected quarterly performance and guidance for its enterprise data segment (30% of 3Q24 revenue), stoking fears the company has lost (or will lose) market share in datacenter applications as leading AI system providers diversify their supplier ranks. Assuaging some investor concerns, management disclosed the company has not received order cancellations and does not anticipate any sales reductions from current customers. Additional transparency into Monolithic's competitive positioning in next-generation AI infrastructures deployments, if positive, should support the stock.

### **Zoetis Inc. (ZTS)**

Leading developer of animal health medicines Zoetis Inc. reported better-than-expected financial results with revenue and earnings surpassing expectations. The company's results demonstrated healthy demand for its livestock products, as well as for its companion animal therapies, including its parasiticide medication Simparica Trio® and its allergic itch medication Apoquel®. However, the company reported muted sequential growth in its injectable therapy for osteoarthritic pain, Librela®, which led to the stock's subsequent pullback. Management remains confident in its ability to ramp sales of Librela® given its low U.S. market penetration, which represents a market opportunity of 25 million dogs.

### **Cintas Corporation (CTAS):**

Despite reporting in-line quarterly expectations, uniform and facility services provider Cintas Corporation's shares pulled back after management's commentary sparked concerns about a more challenging price environment. Over the past few years, Cintas experienced above average pricing growth due to the inflationary macroeconomic backdrop; as the rate of inflation moderates, its pricing ability will likely normalize. Cintas is poised to benefit from potential reshoring initiatives under the incoming U.S. presidential administration which could increase demand for the company's commercial uniforms and supplies.

## CONTRIBUTORS:

### **JPMorgan Chase & Co. (JPM):**

JPMorgan Chase & Co. kicked off the quarter reporting better-than-expected net interest income, robust investment banking fees, and continued balance sheet strength. The global banking and financial services firm also saw healthy growth in assets under management, driven by a combination of net inflows and market appreciation. Supporting further share gains, U.S. election results fueled a rally in financial sector stocks, as investors contemplated a more relaxed regulatory environment conducive to loan growth, mergers and acquisitions deal activity and corporate tax relief.

### **Visa Inc. (V):**

Global payments processor Visa Inc. delivered robust quarterly results with revenues increasing by 12% year-over-year primarily due to 5% growth in total payments volume and 9% growth in transactions. Additionally, revenues in Visa's Value-added Services and New Flows businesses each increased by over 20% year-over-year. Rising global adoption of ecommerce and growth in cross-border payments continue to be strong tailwinds for Visa that should support consistent revenue growth for the foreseeable future.

## Apple Inc. (AAPL):

Technology giant Apple Inc. reported solid financial results in the most recent quarter, supported by mid-single-digit iPhone sales growth. Outpacing devices, services revenue rose 12% year-over-year as users increasingly adopted paid subscriptions, games, streaming services and payment features. While macroeconomic headwinds were factored into conservative near-term guidance, management expressed confidence in the potential of its newly launched AI-powered suite, "Apple Intelligence," to drive future product upgrades and innovation.

## PERSPECTIVE:

It is safe to assume 2025 will feature moments of surprise, fear and elation. Emotional market swings, if not justified by company fundamental trends, give long-term investors, such as ZCI, an opportunity to capture value. Additionally, there are multiple reasons to remain constructive on growth and dividend investment strategies, including:

- Forward valuation multiples for ZCI's dividend growth holdings 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 profit margins via cost savings.
- The U.S. consumer has demonstrated a resilient capacity and willingness to spend, aided in part by strong labor and housing markets.
- Sustainable growth assets with strong free cash flow could gain relative favor among investors if the economy downshifts or plateaus.
- Dividend growth for S&P 500® companies could outpace the rate of inflation, with high growth potential in financial services, banking, energy, and pharmaceutical sectors. Stock buybacks, which could increase meaningfully from 2024, should moderate share price volatility.

Our research aims to uncover well-run and underappreciated companies exhibiting pricing power, durable demand drivers, income and 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 consists of companies across various market capitalizations, which can sometimes exhibit volatility comparable to the S&P 500 Index.**

The information presented relating to portfolio holdings is from a representative account in the Zevenbergen Income Growth 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, fee-paying accounts managed in a capital appreciation and income growth investment strategy. The Strategy utilizes individual equity securities, mutual funds, Exchange Traded Funds (ETFs) and/or other securities as appropriate. The SPDR® S&P 500 ETF (SPY) has been chosen as the performance benchmark for this Strategy. The SPY seeks to provide investment results before advisory expenses, that generally correspond to the price and yield performance of the S&P 500 Index. The S&P 500 Index is comprised of the top 500 U.S. corporations measured by their market capitalization and is generally representative of the U.S. stock market. The Strategy inception date is August 31, 2011. The SPY is used as a benchmark for performance comparison purposes only. The inclusion or reference to SPY, a product of State Street Global Advisors, does not imply any endorsement or sponsorship of our firm's products or strategies by State Street Global Advisors.

References to companies are not offers to sell or solicitations to buy any securities. The content herein may contain proprietary insights and should not be reproduced or distributed without prior consent from Zevenbergen Capital Investments (ZCI). This information may include forward-looking statements subject to risks and uncertainties; actual results may differ materially. Data from third-party sources are believed to be reliable, but ZCI does not guarantee their accuracy or completeness. Inclusion of this data does not imply endorsement of any third-party entity or views. The information discussed represents the opinion and views of Zevenbergen Capital Investments, which are subject to change, and should not be construed as personalized or individualized investment advice. Performance for the index referenced does not include investment management fees, brokerage commissions, and other expenses associated with investing in equity securities