

## ZEVENBERGEN GENEAL GROWTH EQUITY REVIEW & PERSPECTIVE

Shaking off a bout of volatility in April, U.S. equity markets broadly delivered positive performance in the second quarter of 2024, reinforcing the strong start seen earlier this year. Despite lingering anxieties about the Federal Reserve policy, economic uncertainty, and geopolitical events, ongoing enthusiasm surrounding the transformative potential of Artificial Intelligence (AI) bolstered technology sector returns (the largest determinant of benchmark performance). While several semiconductor, hardware, and cloud infrastructure companies led the pack with strong returns, calls for market breadth beyond the most obvious AI “winners” were left largely unanswered, with the “Big Tech vs. the Rest” narrative continuing as highlighted by 48% of the Russell 3000<sup>®</sup> Growth Index’s total market value being made up by only six companies: Microsoft Corporation, Apple Inc., NVIDIA Corporation, Amazon.com, Inc., Meta Platforms, Inc., and Alphabet Inc. These same six companies contributed to over 75% of the return in the Russell 3000<sup>®</sup> Growth year to date.

While the Zevenbergen Genea Growth Strategy posted a positive quarterly return, its relative performance to the Russell 3000<sup>®</sup> Growth benchmark lagged due to a portfolio underweight and stock selection within the technology industry, as well as stock selection in the industrial industry. Outside of these specific detractors, the portfolio holdings in the consumer discretionary industry and the energy industry contributed positively, rewarded for robust revenue and earnings growth, as well as continued fundamental strength and market share leadership in their respective industries.

Bottom 5 Detractors 2Q24		
Ticker	Company	Average Portfolio Weight
MDB	MongoDB, Inc.	3.29 %
DV	DoubleVerify Holdings, Inc.	1.05 %
SNOW	Snowflake Inc.	3.77 %
SHOP	Shopify Inc.	4.71 %
DLO	DLocal Limited	0.82 %
Bottom 5 Total		13.64 %

  

Top 5 Contributors 2Q24		
Ticker	Company	Average Portfolio Weight
NVDA	NVIDIA Corporation	12.83 %
TSLA	Tesla, Inc.	7.88 %
TTD	The Trade Desk, Inc.	7.91 %
AMZN	Amazon.com, Inc.	8.76 %
MELI	MercadoLibre, Inc.	6.61 %
Top 5 Total		43.99 %

**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:

### **MongoDB, Inc. (MDB):**

Share prices of database software company MongoDB, Inc. declined on slowing customer activity in its cloud-service, Atlas, accounting for 70% of revenues. Management suggested macroeconomic weakness has crimped its customers' product engagement, ultimately reducing their usage of MongoDB's database platform. In addition, rising interest in AI has led some companies to delay or deemphasize traditional technology spending on software applications and database architectures. While recent trends and financial guidance imply another quarter or two of slower-than-historical revenue growth, MongoDB's competitive position remains largely intact (as revealed in customer retention and new business win rates). Global digital transformation and AI initiatives support new application development and long-term consumption of modern database services.

### **DoubleVerify Holdings, Inc. (DV):**

Advertising technology provider DoubleVerify Holdings, Inc. reduced its 2024 revenue and profitability expectations on weaker-than-anticipated spending among several of its large retail and consumer packaged goods customers, including three of its top ten customers by sales contribution. While management attributes most of the financial weakness to customer-specific factors, investors are increasingly concerned about DoubleVerify's ability to grow ad impression volumes in a potentially slowing economic environment and maintain pricing as its brand safety and suitability solutions gain traction on lower-margin social network channels. Share prices are likely to remain under pressure until trends among large customers stabilize and business visibility improves.

### **Snowflake Inc. (SNOW):**

Data software and analytics provider Snowflake, Inc. reported 33% year-over-year revenue growth and 46% growth in remaining performance obligation, a gauge on future revenue. However, management disclosed softening customer trends during the period, along with operating margin headwinds as the company invests in AI infrastructure. Although punitive to near-term profits, Snowflake's strategic outlays on AI-related product development and architecture provide opportunity to establish the company as a leader among commercially available cloud data platforms.

## Contributors:

### **NVIDIA Corporation (NVDA):**

Share prices of founder-led artificial intelligence enabler NVIDIA Corporation reflected exceptional fundamental growth at scale and continued investor excitement for AI "building block" companies. The maker of accelerated computing hardware and software surpassed \$26 billion in quarterly revenue for the first time in company history (representing 262% year-over-year growth) while improving operating margins by 35 percentage points. Management indicated customer demand for its AI-related products remains stronger than its ability to fulfill, quelling concerns about a potential slowdown in industry capital expenditure. Although recent triple-digit sales growth rates may prove unsustainable, NVIDIA's leading solutions are expected to serve as a critical backbone for future AI development and deployments.

### **Tesla, Inc. (TSLA):**

Another volatile quarter for Tesla, Inc. share prices finished in positive territory with notable headlines for the founder-led technology company spanning short-term production, future product roadmap, and (as always) Elon Musk. During the first quarter earnings call the company announced it will pull forward production of new lower cost models on existing assembly lines, providing product freshness and a more economical bridge to its future Robotaxi initiatives. Autonomous driving development and approval continued making progress, highlighted by additional testing and partnership announcements in China. Finally, and perhaps most notably, shareholders voted to reinstate Elon Musk's compensation package to align key stakeholders as the company writes a new book for its next phase of growth<sup>i</sup>.

## The Trade Desk, Inc. (TTD):

Shares of founder-led advertising technology platform The Trade Desk, Inc. continued to rally after reporting accelerating sales growth for the first quarter. The Trade Desk has been a pioneer in Connected TV (CTV) advertising and continues to benefit from further industry adoption thanks to its strong customer base and enhanced measurement capabilities. Content owners and streaming companies understand the importance of strong advertising partnerships, as evidenced by Netflix joining Disney+, Roku, and NBCUniversal's Peacock<sup>ii</sup> as companies who have announced integrations with Trade Desk. CTV remains the biggest driver for the company, but further growth opportunities remain in international expansion and retail media partnerships.

## Perspective:

While the several anticipated U.S. interest rate cuts that were expected at the start of this year have since faded, equities have been buoyed by a string of positive macro surprises and optimism around AI, helping the broad indices deliver higher-than-average risk-adjusted returns over the last twelve months. Going into the second half of the year, our expectation is that the AI trend will continue to broaden, with less crowding out of non-AI investment ideas and capital investment spend. Industries such as software may begin to catch up, as AI-spend shifts from hardware-focused to software, where valuations are sitting at 10-year lows.

Widening the lens, our expectations are for a durable growth environment: excess demand for labor returning to a pre-COVID balance, broadening earnings and profit growth across the market capitalization spectrum, and disinflation trends opening the door for potential Federal Reserve rate cuts. Over the long-term horizon, the potential economic impact of AI could be substantial—perhaps transformative to how we work, live, and play. ZCI remains focused on identifying and investing in disruptors, growth leaders, and innovators poised to define or dominate their respective categories into the future. As fundamental growth investors with 37 years of experience navigating through various market regimes and themes (Telecom, Internet, and now AI), our steadfast focus on revenue growth and margin expansion—the true drivers of long-term shareholder returns—sets the stage to capitalize on future market opportunities.

---

<sup>i</sup> Elon Musk, Chief Executive Officer & Director, Tesla, Inc., at 6/13/2024 Annual General Meeting: “we’ve got a great sort of shareholder meeting here to recap the achievements of the company and tell you about where we’re going, and it’s – I think it’s incredible. I think we’re not just opening a new chapter for Tesla, we’re starting a new book.”

<sup>ii</sup> Netflix, Disney+, Roku, and NBCUniversal's Peacock are streaming services provided by Netflix, Inc.; The Walt Disney Company; Roku, Inc.; and Comcast Corporation, parent company of NBCUniversal Media LLC (respectively).

**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 (“Composite”), 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 Composite contains, 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 primary emphasis in the technology and telecommunications industries. The Russell 3000® Growth Index (Benchmark) has been chosen as the performance benchmark based on its similarity to the universe from which ZCI's security selection process begins, as well as the Index's fundamental 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 Composite creation and inception date is February 28, 1994.

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 Russell Indices are trademark of the London Stock Exchange Group.