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Notes from the Global Growth Equity Desk



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Global Growth (MSCI ACWI)	Gross Return (%)	Net Return (%)	MSCI World Return (%)	Gross Excess Return (%)	Net Excess Return (%)
February 2020	-6.84	-6.87	-8.08	1.24	1.21
YTD	-7.08	-7.14	-9.09	2.01	1.95
1 year	11.14	10.72	3.89	7.26	6.84

Data as of 2/29/2020, returns in USD. Periods greater than one year have been annualized.

*Inception date for composite is 7/1/2010.

Source: FactSet

Global Concentrated Growth	Gross Return (%)	Net Return (%)	MSCI ACWI Return (%)	Gross Excess Return (%)	Net Excess Return (%)
February 2020	-5.94	-6.00	-8.08	2.13	2.08
YTD	-4.62	-4.74	-9.09	4.48	4.35
1 year	17.48	16.87	3.89	13.59	12.99

Data as of 2/29/2020, returns in USD. Periods greater than one year have been annualized.

*Inception date for composite is 6/1/2005.

Source: FactSet

Secular Growers Holding Up Well

Although current conditions are very challenging, the Global Growth (ACWI) and Global Concentrated Growth portfolios have been holding up well relative to benchmarks. Many of our investments in companies that are tied to long-running **secular** trends such as operators of data centers have contributed positively to relative returns. The portfolios have very little exposure to the areas of the market that are most directly impacted by the COVID-19 virus (e.g., airlines, cruise lines, and hotels).

Other areas that have performed relatively well include our investments in stock exchanges. Volatility in markets has been beneficial to volumes for many exchanges. The portfolios have also benefitted from its investments in technology, specifically enterprise software vendors whose products are mission critical and whose business models are underpinned by recurring, subscription-based revenue.

Hardest hit of our holdings have been our investments in the industrial and energy sectors. While the impact of the Coronavirus will be disruptive for many names in these sectors over the short term, the long-term view, which underpins our investment thesis, remains largely unaffected.

Dynamics in the oil sector: A complicating factor

The recent market selloff was exacerbated by the abrupt fall in the oil price which was driven by Saudi and Russian plans to flood the global market with more barrels after failing to reach a coordinated agreement to manage supply. While our portfolio does contain a few energy investments, we are not overly exposed to the sector. Our investments are concentrated in best in class operators with attractive long-term reserve positions and strong balance sheets. While we do not believe that \$30/barrel oil is sustainable over the long term, we acknowledge that the entire industry will struggle if the current commodity backdrop persists. We will continue to closely monitor the situation and evaluate the merits of our investments in this sector.

Focus on pricing dislocation

The market selloff has provided an opportunity to add to existing positions and establish new positions in great businesses at significantly more attractive risk/reward levels. We focus on having a deep bench of names on our follow list and market dislocations like the one we are currently experiencing often create attractive long-term opportunities.

The longer-term view

We do not have a clear perspective on when the impact of the Coronavirus will abate. Our best guess is that the virus will impact company earnings for the next two to three quarters. **The team's focus will remain on following our process diligently.** Our focus on investing in companies where we have the highest conviction on sustainability should serve our clients well in this environment. The overall themes in our portfolios have not materially changed.

The portfolio continues to invest in companies where we believe business fundamentals are improving and where we have high conviction that improvement is sustainable. Our process is based on individual security selection, but broad themes have emerged.

In health care, the portfolio is focused on medical devices, equipment, tools and production over traditional biotechnology or pharmaceutical names. We believe these companies will benefit from increasing research and development spending driven by secular trends such as an aging population. Many of these businesses have highly visible revenue models, tied to the sale of aftermarket consumables and test kits. We have less exposure to companies where growth is tied directly to the successful commercialization of the product pipeline or where the business is susceptible to political rhetoric around drug pricing.

We remain invested in several nonbank financial names offering financial data and analytics to their customers. A good example is our investment in the London Stock Exchange Group, which is benefiting from the growth of their data business. We believe the data segment provides an attractive business, as it is not balance sheet intensive and not dependent on transaction volume. We also have exposure to insurers amid a firming of pricing in the property and casualty markets. Finally, the portfolio remains invested in emerging markets-based banks, which continue to benefit from the rising penetration of financial services in those markets.

The impact of e-commerce is driving diverging trends for many retailers, with traditional brick-and-mortar businesses being forced to adapt or become obsolete. Our investments in the space are beneficiaries of these disruptive trends. We also have exposure to certain retailers that have very idiosyncratic growth drivers.

Within information technology, we have identified companies benefiting from long-lasting secular trends, such as e-commerce, payment systems, cloud computing, the rollout of 5G technologies, data center expansion and growth in software innovation. The portfolio retains a large exposure to the proliferation of data and information. Our investments range from the growth of data infrastructure (data centers to mobile towers) to data generation and delivery via the cloud.

Global Growth (MSCI ACWI)	Gross Return (%)	Net Return (%)	MSCI World Return (%)	Gross Excess Return (%)	Net Excess Return (%)
December 2019	3.51	3.48	3.52	-0.01	-0.05
3 months	8.43	8.33	8.95	-0.52	-0.62
YTD	36.33	35.81	26.60	9.73	9.22
1 year	36.33	35.81	26.60	9.73	9.22
3 years	18.28	17.83	12.44	5.83	5.39
5 years	11.27	10.85	8.41	2.86	2.45
Inception*	13.24	12.82	10.41	2.83	2.41

Data as of 12/31/2019, returns in USD. Periods greater than one year have been annualized.

*Inception date for composite is 7/1/2010.

Source: FactSet

Global Concentrated Growth	Gross Return (%)	Net Return (%)	MSCI ACWI Return (%)	Gross Excess Return (%)	Net Excess Return (%)
December 2019	3.40	3.37	3.52	-0.12	-0.15
3 months	9.83	9.71	8.95	0.87	0.76
YTD	42.62	41.95	26.60	16.02	15.35
1 year	42.62	41.95	26.60	16.02	15.35
3 years	22.50	21.89	12.44	10.05	9.45
5 years	13.40	12.81	8.41	4.99	4.41
10 years	12.95	12.22	8.79	4.16	3.43
Inception*	10.99	10.44	7.16	3.83	3.28

Data as of 12/31/2019, returns in USD. Periods greater than one year have been annualized.

*Inception date for composite is 6/1/2005.

Source: FactSet

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