JACKSON SQUARE PARTNERS SAN FRANCISCO

# Jackson Square Global Growth Fund Commentary

As of September 30, 2018

## QUARTERLY MARKET REVIEW

Stocks were up globally in the third quarter, although leadership was narrow and centered in the U.S. Few developed markets outperformed the MSCI ACWI, while emerging markets were particularly weak in both debt and equity markets.

In contrast to the global picture, investors in the U.S. expressed optimism as both style and capitalization indices performed well. Growth outperformed Value and Large-cap outperformed Small-cap.

Growth sectors (Healthcare, Technology) were especially strong while cyclicals (Energy, Materials, Semiconductors), and most other sectors, lagged.

Most global statistical risk factors had positive performance led by stocks with exposure to Profitability and Momentum while the Value factor was significantly negative for the quarter, adding to its poor performance year-to-date.

## STRATEGY REVIEW

For the third quarter of 2018 the Global Portfolio outperformed its benchmark, the MSCI All Country World Index. While performance was largely driven by our stock exposure, on a sector level, information technology was the largest detractor and health care was the largest contributor to performance.

### Contributors

**IQVIA Holdings Inc.** (Formerly Quintiles IMS Holdings, Inc.), a provider of outsourced Research and Development (R&D) and commercial solutions for pharmaceutical companies was a contributor to performance during the quarter. The stock has continued to rally after reporting second quarter earnings in July, which saw revenues of $2,567 billion, a 9% increase, and an adjusted diluted earnings per share (EPS) growth rate of 25%, both year-on-year. The company had its largest ever R&D bookings quarter and cited significant strategic investments which have begun to build operating momentum as key growth drivers. Consequentially, the company raised revenue and profit guidance for the year. We believe the company is uniquely positioned due to its unmatched data set to run a clinical trial faster than the status quo and an analytical toolkit that enhances the value proposition for potential customers. Furthermore, we believe the company stands to benefit from the growing contract research organization (CRO) market, as biotech companies increasingly outsource R&D to independent providers.

**MonotaRO Co., Ltd.**, an online Japanese retailer of industrial supply products, was a contributor to performance during the month. The company announced second quarter earnings and has seen their stock price appreciate since. Sales increased 24.1% year-on-year attributed to the mounting effects of the company's campaign to raise usage frequency, favorable economic conditions and an upsurge in sales to existing customers. Additionally, MonotaRO's gross profit increased 18.7% year-on-year. Although we are positive on the company's long-term fundamental outlook and competitive positioning, we are closely monitoring the position size because we believe the company has a higher risk/reward profile than our average holding due to the cyclicality of spending within the industrial supply industry.

**Illumina, Inc.**, a manufacturer and marketer of integrated systems for gene analysis, was a contributor to performance during the period. The company reported second quarter earnings in July and raised FY18 guidance. Investors have continued to be bullish on the stock due to the possible long-term benefits attributable to a multi-year upgrade cycle for NovaSeq and the growth of consumer-driven genotyping services; 25% of Nova orders during the second quarter came from customers new to genetic sequencing or from bench-top systems, illustrating the scale of the potential addressable market for cost-effective sequencing. We continue to believe Illumina's newest generation of sequencing machine has exponential benefit in efficiency and power, which has the potential to be a game-changer in a massive and growing market.

### Detractors

**IPG Photonics Corporation**, a global leader in high performance fiber lasers and amplifiers, was a detractor from performance during the quarter. The company announced earnings broadly in-line with management's guidance range but lowered forward guidance consensus expectations. Reduced demand in Europe and China has resulted in more modest year-on-year growth in orders. Regardless, management stressed strong order activity in North America and the company reported record earnings of $2.21 per share. While recognizing near-term headwinds, we believe investors have been overly focused on current macroeconomic and geopolitical pressures rather than the industry's competitive landscape and IPG's long-term opportunity. We remain positive on our thesis as the secular industry shift to high power lasers is continuing to grow the total addressable market (TAM) in materials processing and newer applications (medical, telecom, numerous others). We believe the expansion of the TAM will allow IPG Photonics to continue to grow at a robust rate. Furthermore, we believe the company is not commonly recognized as a leading player in global industrial automation, but that will likely change as the laser industry continues to grow and attract greater attention in the market.

**Start Today Co., Ltd.**, the dominant online portal in Japan that matches brands with consumer demand, detracted from performance during the quarter. Investors have been cautious after the company announced its global expansion and have raised concerns at the speed with which Start Today is moving into the private-label business suits. Nonetheless, the company's vision was lauded by a renowned publication for its progress in revolutionizing the clothing retail industry. We continue to believe the company has made significant progress adapting its e-commerce platform towards wireless devices (smartphones and tablets) and has an attractive online, consignment model that eliminates inventory and real estate risk inherent in most apparel businesses.

## STRATEGY REVIEW CONTINUED

**Intertek Group Group, Plc**, a leading testing, inspection, and certification company, was a detractor from performance during the period. The stock has lagged after exchange rate fluctuations negatively affected the company's year-on-year revenues. That said, organic revenue at constant rates was up 3.4% and net finance costs of £12.2 million were 10.3% lower than last year through a combination of lower debt and with the stronger pound reducing dollar interest costs. We continue to believe Intertek is a structural grower in both consumer products, trade, and resources, and is well placed to benefit from increasing product quality and safety standards resulting from rising consumer, corporate, and government/regulatory demands.

## MARKET OUTLOOK

After significant positive absolute returns in the equity market over the past several years, some measures of volatility emerged during the first half of 2018. The volatility appeared to be both technical and fundamental, leaving investors continuing to struggle with accurately predicting the pace of global economic recovery and assessing external factors that threaten economic fundamentals, such as central bank actions and fiscal policy debates across the globe. In any given period, including the third quarter, the markets oscillate quickly from sector rotations to stock differentiation and then back again. The result can sometimes be investor focus on equities as an asset class as opposed to a focus on company-specific fundamentals. Within this backdrop, the U.S. equity market continues to be strong with only minor, short-lived pullbacks.

President's Trump's unconventional style as a head of state and various controversies surrounding his administration may hamper significant policy change. In the short term, we are mindful of the potential macroeconomic implications of Trump policy shifts, e.g. economic growth, higher corporate and personal incomes from lower tax rates, etc. More recently, President Trump's comments and public positioning on global trade has created more investor concerns about how a potential global trade war might impact the pace of economic growth and the upcoming fall mid-term elections bear close watch. We believe it is too early to determine the long term magnitude of such outcomes but we will closely monitor President Trump's tenure with a keen eye on the execution of significant policy shifts.

Nonetheless, regardless of policy outcomes, we remain consistent in our long-term investment philosophy:

We want to own what we view as strong secular-growth companies with solid business models and competitive positions that we believe can grow market share and have the potential to deliver shareholder value in a variety of market environments.

| **PERFORMANCE** as of 09/30/18 | Current quarter | YTD | 1 year | Since inception | Inception date | Gross expense | Net expense* |
|---|---|---|---|---|---|---|---|
| JS Global Growth Fund Inst. Class | 4.50% | 11.45% | 15.08% | 19.43% | 9/19/16 | 2.63% | 1.16% |
| JS Global Growth Fund IS Class | 4.50% | 11.44% | 15.07% | 19.48% | 9/19/16 | 2.40% | 1.06% |
| MSCI All Country World | 4.28% | 3.83% | 9.77% | 14.66% | 9/19/16 | | |

**The performance shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month-end, call 844.577.3863. Short term performance in particular is not a good indication of the fund's future performance and an investment should not be made based solely on returns. Performance reflects fee waivers in affect. In the absence of such waiver, returns would be reduced.**

* The adviser has contractually agreed to reduce management fees and reimburse operating expenses until 02/28/19. Net expense is what the investor pays.

| **TOP 10 HOLDINGS** | | % of Total Net Assets |
|---|---|---|
| Microsoft | Technology | 4.53 |
| Amadeus IT Group | Technology | 3.59 |
| IQVIA Holdings | Health Care | 3.56 |
| Mastercard - Class A | Financial Services | 3.54 |
| Visa - Class A | Financial Services | 3.44 |
| Acxiom Holdings, Inc | Technology | 3.35 |
| Haemonetics | Health Care | 3.09 |
| New York Times - Class A | Consumer Discretionary | 3.05 |
| Alphabet - Class A & C | Technology | 3.01 |
| Baidu - ADR | Technology | 2.98 |
| **Total Top Ten Holdings** | | **34.14** |

**List excludes cash and cash equivalents.**

## IMPORTANT INFORMATION

*Unless otherwise noted, the source of statistical information used in this document was FactSet.*

*The views expressed represent the Manager's assessment of the account and market environment as of 09/30/18 and should not be considered a recommendation to buy, hold, or sell any security, and should not be relied on as research or investment advice. Holdings are as of 09/30/18 and subject to change. Investments in small and/or medium-sized companies typically exhibit greater risk and higher volatility than larger, more established companies. Because this strategy expects to hold a concentrated portfolio of a limited number of securities, the portfolio's risk is increased because each investment has a greater effect on the strategy's overall performance.*

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company and may be obtained by calling 844.577.3863, or by visiting www.jspfunds.com. Read the prospectus carefully before investing.*

**Mutual Fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Small- and Mid-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater in emerging and frontier markets. Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments.**

**Earnings growth is not representative of the Fund's future performance.**

The MSCI All Country World Index is a free float-adjusted market capitalization weighted index designed to measure equity market performance across developed markets worldwide. Index "net" return reflects minimum possible dividend reinvestment, after deduction of withholding tax at the highest possible rate. For comparison purposes, the index is fully invested and includes the reinvestment of income. Index returns do not reflect management fees, transaction costs, or expenses. Indices are unmanaged, and one cannot invest directly in an index. Benchmark information contained herein has been obtained from third party sources believed to be reliable, but we cannot guarantee its accuracy or completeness. All third-party marks are the property of their respective owners.

Information regarding JSP's policies and procedures for calculating and reporting performance results is available upon request. A complete list and description of composites managed by Jackson Square Partners is available upon request. The above information is not intended and should not be construed as a presentation of information regarding any mutual fund.

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