# Jackson Square Global Growth Fund Commentary

As of June 30, 2018

## QUARTERLY MARKET REVIEW

It was a quiet quarter on the surface as the MSCI ACWI was up only marginally and the Bloomberg Barclays US Aggregate Bond Index was down only slightly. However, under the surface, there was considerable differentiation. U.S. stocks led the way globally, outperforming the ACWI while Australia, Canada and the UK were the only non-U.S. developed markets to outperform the ACWI during the quarter.

Higher oil prices provided some support for commodities and global energy stocks. The US Dollar outperformed major currencies handily on higher interest rates and expectations of solid economic growth in the U.S.

Style factors provided little drama overall but we did see a reversal of the Momentum factor during the quarter. Trading Activity continued its leadership from the first quarter while Size and Value both continued to lag.

For the second quarter of 2018, the small-mid cap Russell 2500 Growth® gained 5.53% while the Large-Cap Russell 1000 Growth® gained 5.76% and the Russell 3000 Growth® gained 5.87% In the international equity markets, the MSCI ACWI ND® gained 0.53%.

## STRATEGY REVIEW

For the second quarter of 2018 the Global Portfolio outperformed its benchmark, the Russell 3000 Growth Index. While performance was largely driven by our stock exposure, on a sector level, information technology was the largest contributor and healthcare was the smallest contributor to performance.

### Contributors

**Start Today Co., Ltd.**, the dominant online portal in Japan that matches brands with consumer demand, contributed to performance during the quarter. The company announced preliminary earnings, which hit targets and demonstrated a 24.3% increase in operating profits year-on-year. During the quarter, the company declared a share buyback of up to ¥25bn or 10mm shares. The acquisition period lasted 42 days from May 1 through June 30 and corresponded to approximately 12% of average daily trading volume, likely supporting share momentum over the period. As Start Today's strategy continues to evolve, and the stock has performed well in recent quarters, we continue to assess our weighting. Nevertheless, we 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.

**TripAdvisor Holdings, Inc.**, a travel website providing travel advice and planning features, was a contributor to performance during the quarter. The company reported positive earnings on May 8, demonstrating a strong start to 2018 with its Hotel segment results ahead of expectations and accelerated growth in its Non-Hotel segment. Average monthly unique visitors on TripAdvisor branded websites and apps grew 12% year-on-year to 433mm. Additionally, in June, delivery.com and TripAdvisor announced the integration of delivery.com's network into TripAdvisor's website and mobile app. This integration will allow users to order food at the push of a button from the thousands of restaurant partners currently available through delivery.com. We believe TripAdvisor is an undervalued asset due to its ability to attract significant numbers of interested travelers and that the company is worth more than recognized at the current valuation.

**MonotaRO Co., Ltd.**, an online Japanese retailer of industrial supply products, was a contributor to performance during the month. The company announced non-consolidated 1Q18 financial results in May and has seen its stock price appreciate since. Sales increased 21% year-on-year, with management attributing these increases to its campaign for raising usage frequencies which started in March, 2017 and favorable economic conditions. Additionally the company announced that Gross Profits increased 16.5% year-on-year. Although we are positive on the company's long-term fundamental outlook and competitive positioning, we have intentionally kept the position-size low, 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.

### Detractors

**Liberty Global Plc**, an international telecommunications and diversified cable company, was a detractor from performance during the quarter. We believe that weaker than expected video subs for US cable companies and COMCAST's pursuit of Sky have pushed investors to focus unduly on secular trends against cable in the US market despite meaningful differences in how the European market operates; unlike the US, average revenue per user in Europe is 50% to 80% less expensive due to lower content cost inflation. Additionally, the company officially announced a deal to sell their German, Czech, Hungarian and Romanian assets for $23bn. While we believe this deal will be economically accretive, the duration of the approval process and the unknown use of proceeds has created short term uncertainty and pressured the stock. We do not believe this pressure will persist and continue to believe that Liberty Global has an advantaged network with sustainable pricing power in an industry that continues to consolidate.

**MercadoLibre, Inc.** a top online retailer in Latin America, was a detractor from performance during the period. The company's Board of Directors decided to suspend the payment of dividends to shareholders as of the first quarter of 2018, in order to free up capital for investment. Additionally, the company's free shipping initiative has continued to push down margins as it seeks to encourage the broader, ongoing switch from instore purchasing to online. Nonetheless, USD year-on-year net revenues for the first quarter grew by 19%, gross merchandise volume increased 34% and total payment volume rose by 60.5%. Overall, as the digital marketplace leader in LATAM, we believe that MercadoLibre is well positioned to benefit from the secular growth of ecommerce within the region.

**eBay Inc.**, the online shopping and auction site, was a detractor from performance during the quarter. The company announced earnings during which management reinforced their confidence in the company's

## STRATEGY REVIEW CONTINUED

advertising partners' ability to comply with the EU's General Data Protection Regulation and their focus on marketing the eBay brand. Nonetheless, we believe investors remain cautious on management's ability to deliver on eBay's payments intermediation transition plan that was laid out in January and unduly fear that the momentum behind the company's strategy to drive acceleration in the business could be hard to maintain. Nonetheless, management announced revenues of $2.6bn, up 12% year-on-year (7% on a currency neutral basis), $337mm of free cash flow, and took advantage of an undervalued share price to repurchase $1bn of eBay shares. Overall, we believe that the company's investments in structured data and improved user experience will continue to have a positive impact on gross merchandise volume and we continue to maintain a full position.

## MARKET OUTLOOK

After significant positive absolute returns in the equity market over the past several years, some measures of volatility emerged during the first quarter of 2018 and lingered into the second quarter. 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 second 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.

President's Trump's unconventional style as a head of state and current questions and investigations 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 06/30/18 | Current quarter | YTD | 1 year | Since inception | Inception date | Gross expense | Net expense* |
|---|---|---|---|---|---|---|---|
| JS Global Growth Fund Inst. Class | 7.50% | 6.65% | 22.04% | 19.48% | 9/19/16 | 2.63% | 1.16% |
| JS Global Growth Fund IS Class | 7.50% | 6.65% | 22.08% | 19.53% | 9/19/16 | 2.40% | 1.06% |
| MSCI All Country World | 0.53% | -0.43% | 10.73% | 14.18% | 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 | Tecnology | 4.09 |
| PayPal Holdings | Financial Services | 4.07 |
| Mastercard - Class A | Financial Services | 3.55 |
| Alphabet - Class A & C | Technology | 3.53 |
| Visa - Class A | Financial Services | 3.29 |
| Amadeus IT Group | Technology | 3.08 |
| Start Today | Consumer Discretionary | 2.94 |
| IQVIA Holdings | Health Care | 2.87 |
| Intercontinental Exchange | Financial Services | 2.87 |
| IPG Photonics | Technology | 2.83 |
| **Total Top Ten Holdings** | | **33.12** |

**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 06/30/18 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 06/30/18 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 Russell 3000® Growth Index measures the growth segment of the U.S. equity universe. It includes those Russell 3000® Index companies with higher growth earning potential, as defined by Russell's leading style methodology. The Russell 2500® Growth Index measures the performance of the SMID-Cap Growth segment of the U.S. equity universe. It includes those Russell 2500® Growth companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000® Growth Index is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. The MSCI All Country World Index is a free float-adjusted market capitalization weighted index designed to measure equity market performance across developed markets world-wide. 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. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). Free Cash Flow is a way of looking at a business's cash flow to see what is available for distribution among all the securities holders of a corporate entity.

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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