



# Select Growth

Quarterly Report  
March 31, 2026



SANDS CAPITAL

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## STRATEGY TEAM

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All investments are subject to market risk, including the possible loss of principal. Recent tariff announcements may add to this risk, creating additional economic uncertainty and potentially affecting the value of certain investments. Tariffs can impact various sectors differently, leading to changes in market dynamics and investment performance. The strategy's growth investing style may become out of favor, which may result in periods of underperformance. The strategy is concentrated in a limited number of holdings. As a result, poor performance by a single large holding of the strategy would adversely affect its performance more than if the strategy were invested in a larger number of companies.

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AI can create "winners" and "losers" in markets. "Winners" are those who can leverage AI to enhance productivity and efficiency. "Losers" may include jobs involving routine tasks that are at risk of automation.

GIPS Reports found [here](#).

[Notice](#) for non-US Investors.

Disclosures and definitions found [here](#).

### On the Cover

The Spheres are three spherical conservatories that are part of the Amazon headquarters campus in Seattle, Washington. Designed to serve as an employee workspace, The Spheres house more than 40,000 plants consisting of 400 different species. Amazon has been a Select Growth portfolio business since 2015.

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# Select Growth (USD)

Quarterly Report - March 31, 2026

## OVERVIEW

Select Growth focuses primarily on U.S. businesses at the forefront of the most vital areas of positive structural change in our economy. These businesses are built on disruptive innovation, and generate growth by inspiring profound change within existing industries or creating entirely new ones.

## INVESTMENT CRITERIA

1. Sustainable above-average earnings growth
2. Leadership position in a promising business space
3. Significant competitive advantage/unique business franchise
4. Clear mission and value-added focus
5. Financial strength
6. Rational valuation relative to the market and business prospects

## KEY ATTRIBUTES

CONCENTRATED AND CONVICTION WEIGHTED

**28**

Businesses

**59%**

Top Ten Weight

LONG-TERM INVESTMENT HORIZON

**32%**

Turnover-Annual Avg.

**5+ Yrs**

Expected Holding Period

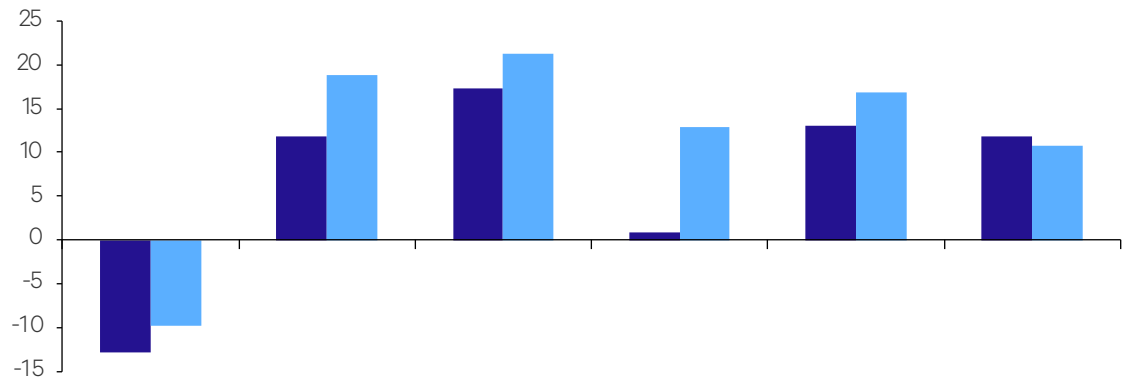
GROWTH-ORIENTED

**27%**

Sands Capital Long-Term  
EPS Growth Estimate

## INVESTMENT RESULTS (%)

Select Growth vs Russell 1000 Growth Index



Inception: 02/29/1992

● Portfolio (Net)

● Benchmark

Value Added (%)

	QTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Portfolio (Net)	-12.9	11.8	17.3	0.8	13.1	11.8
Benchmark	-9.8	18.8	21.2	12.8	16.8	10.7
Value Added (%)	-3.2	-7.0	-3.9	-12.0	-3.7	1.1

## CALENDAR YEAR RETURNS (%)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Portfolio (Net)	35.1	6.8	33.3	71.4	4.9	-49.1	52.0	24.3	15.5	-12.9
Benchmark	30.2	-1.5	36.4	38.5	27.6	-29.1	42.7	33.4	18.6	-9.8
Value Added (%)	4.9	8.3	-3.1	32.9	-22.7	-20.0	9.4	-9.1	-3.1	-3.2

Inception date is 2/29/1992. Returns over one year are annualized. The investment results shown are net of advisory fees and expenses and reflect the reinvestment of dividends and any other earnings. The investment results are those of the Select Growth Tax Exempt Institutional Equity Composite. Net of fee performance was calculated using Select Growth Tax Exempt Institutional Equity Composite's actual fees and performance fees if applicable. Past performance is not indicative of future results. GIPS Reports found [here](#).

## PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Portfolio Businesses	28	387
Active Share	58%	n/a
5-Year Historical EPS Growth	48%	32%
Consensus Forward P/E - Next 12 mos.	25x	24x
Strategy Assets	\$9.9B	n/a
Weighted Avg. Market Cap (USD)	\$1.4T	\$1.8T
Median Market Cap (USD)	\$87.3B	\$21.7B
Turnover - Trailing 12 mos.	46%	n/a

## RETURN & VOLATILITY METRICS

(Trailing 5 Years Net of Fees)	Portfolio	Benchmark
Annualized Excess Return	-12.0%	n/a
Beta	1.26	1
Information Ratio	-1.0	n/a
R-Squared	83.1%	100.0%
Sharpe Ratio	-0.1	0.5
Standard Deviation	25.8%	18.6%
Tracking Error	11.7%	n/a
Up Capture	97.5%	100%
Down Capture	132.7%	100%

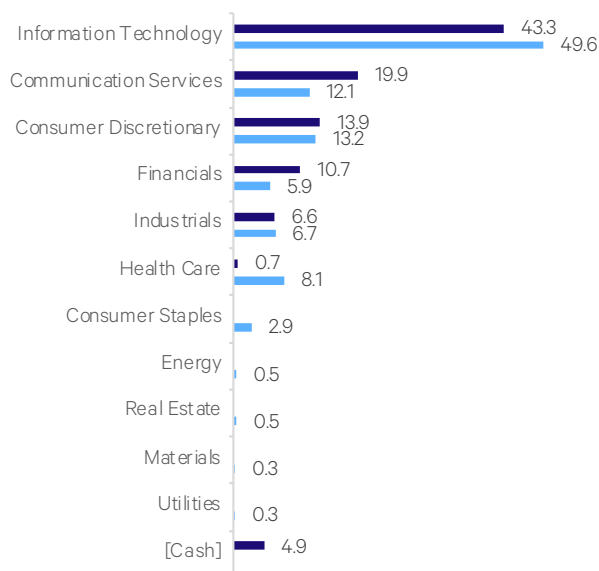
## TOP TEN HOLDINGS (58.6% OF ASSETS)



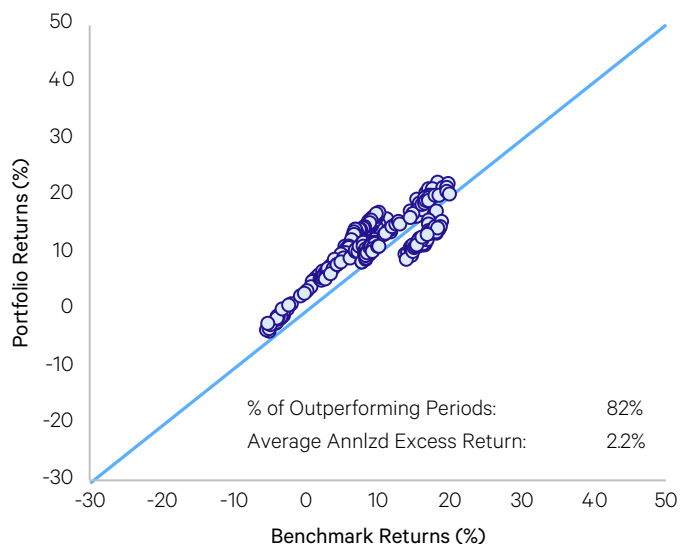
Company	Sector	Domicile	Portfolio (%)	Owned Since
NVIDIA	Information Technology	United States	12.9	2022
Taiwan Semiconductor	Information Technology	Taiwan	7.2	2025
Meta Platforms	Communication Services	United States	6.2	2023
Amazon	Consumer Discretionary	United States	6.2	2015
Alphabet	Communication Services	United States	5.2	2025
Spotify	Communication Services	Sweden	4.6	2024
Shopify	Information Technology	Canada	4.4	2021
Microsoft	Information Technology	United States	4.2	2023
Broadcom	Information Technology	United States	4.1	2025
Carvana	Consumer Discretionary	United States	3.6	2025

## SECTOR EXPOSURE

● Portfolio ● Benchmark



## ROLLING TEN YEAR INVESTMENT RESULTS\*



Source: Benchmark data sourced from Benchmark providers. Company domicile, sector, industry, regional, and country classifications, where applicable, are sourced from MSCI. Other data sourced from FactSet. \*Average annualized excess returns are calculated based on monthly rolling periods beginning 2/29/1992 (composite inception date). The investment results shown are net of advisory fees and expenses and reflect the reinvestment of dividends and any other earnings. Investment results presented are those of the Select Growth Tax Exempt Institutional Equity Composite. Net of fee performance was calculated using Select Growth Tax Exempt Institutional Equity Composite's actual fees and performance fees if applicable. Past performance is not indicative of future results. GIPS Reports found [here](#).

## PORTFOLIO HOLDINGS BY SECTOR

SECTOR/COMPANY	GICS INDUSTRY	DOMICILE	PORTFOLIO (%)	BENCHMARK (%)	OWNED SINCE
<b>Communication Services</b>			<b>19.9</b>	<b>12.1</b>	
Alphabet	Interactive Media & Services	United States	5.2	6.4	2025
Meta Platforms	Interactive Media & Services	United States	6.2	3.5	2023
Netflix	Entertainment	United States	2.6	1.5	2015
Roblox	Entertainment	United States	1.4	0.1	2024
Spotify	Entertainment	Sweden	4.6	0.3	2024
<b>Consumer Discretionary</b>			<b>13.9</b>	<b>13.2</b>	
Amazon	Broadline Retail	United States	6.2	4.7	2015
Carvana	Specialty Retail	United States	3.6	0.2	2025
DoorDash	Hotels, Restaurants & Leisure	United States	1.8	0.2	2020
Sea	Broadline Retail	Singapore	2.3	0.0	2019
<b>Financials</b>			<b>10.7</b>	<b>5.9</b>	
Block	Financial Services	United States	3.0	0.0	2020
Intercontinental Exchange	Capital Markets	United States	2.5	0.0	2024
Nu Holdings	Banks	Brazil	2.5	0.2	2023
Visa	Financial Services	United States	2.7	1.8	2008
<b>Health Care</b>			<b>0.7</b>	<b>8.1</b>	
Ultragenyx Pharmaceutical	Biotechnology	United States	0.7	0.0	2023
<b>Industrials</b>			<b>6.6</b>	<b>6.7</b>	
Axon Enterprise	Aerospace & Defense	United States	0.9	0.1	2024
Carpenter Technology	Aerospace & Defense	United States	3.3	0.0	2025
Quanta Services	Construction & Engineering	United States	2.4	0.2	2025
<b>Information Technology</b>			<b>43.3</b>	<b>49.6</b>	
AppLovin	Software	United States	1.5	0.3	2024
Broadcom	Semiconductors & Semiconductor Equipment	United States	4.1	4.8	2025
Cloudflare	IT Services	United States	2.0	0.2	2021
Datadog	Software	United States	1.5	0.1	2022
Lam Research	Semiconductors & Semiconductor Equipment	United States	1.7	1.0	2026
Microsoft	Software	United States	4.2	8.8	2023
NVIDIA	Semiconductors & Semiconductor Equipment	United States	12.9	12.9	2022
Samsara	Software	United States	2.0	0.0	2024
Seagate Technology	Technology Hardware, Storage & Peripherals	United States	2.0	0.0	2026
Shopify	IT Services	Canada	4.4	0.0	2021
Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	Taiwan	7.2	0.0	2025
Cash			4.9		

Source: Sands Capital, FactSet, MSCI. Data presented is that of the Select Growth Tax Exempt Institutional Equity Composite. The index represented will differ in characteristics, holdings, and sector weightings from that of the composite. The index does not contain cash and does not reflect the reinvestment of dividends. Rounding may cause figures to vary from 100.0%. GIPS Reports found [here](#).

# Commentary

## MARKET ENVIRONMENT

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U.S. large-cap growth equities, as measured by the Russell 1000 Growth Index, declined during the first quarter of 2026, extending the sell-off that began in late 2025. The quarter was initially defined by significant dispersion driven by rapid advances in artificial intelligence, before late-quarter geopolitical developments—including escalating conflict with Iran—triggered a more broad-based risk-off move across equity markets.

AI remained the central force shaping market behavior. New developments, including tools released by Anthropic, heightened concerns about the durability of business models across knowledge-based industries. These concerns initially centered on software but expanded to areas such as legal services, insurance, and data providers as AI capabilities increasingly targeted core workflows.

The scale of AI-related capital expenditures further amplified dispersion across markets. Consensus estimates for hyperscaler capital expenditures now exceed \$650 billion for 2026, representing growth of approximately 60 percent year over year. This level of investment is expected to consume a sizable portion of mega-cap technology companies' cash flows, raising questions about the returns on incremental spending and contributing to relative weakness among the largest index constituents.

At the same time, capital rotated toward asset-heavy industries positioned to benefit from AI-related infrastructure demand while facing less disruption risk. Businesses providing products or services that alleviate bottlenecks in data center development were among the best performers, with strong returns across power infrastructure, memory, and networking providers. Traditionally defensive sectors such as consumer staples and utilities also outperformed, as investors sought exposure to businesses with low risk of obsolescence amid rising uncertainty around AI's broader impact.



### Select Growth Quarterly Strategy Review

Sr. Portfolio Manager Wesley A. Johnston, CFA shares insights on the markets, Select Growth's current positioning, and where we see long-term opportunities.

**Watch the replay** until May 22, 2026.

The macroeconomic backdrop initially supported this rotation. Early in the quarter, economic data surprised to the upside across manufacturing, employment, and consumer spending, and earnings growth accelerated for smaller capitalization businesses. However, late-quarter geopolitical developments, including conflict involving Iran and disruptions in the Strait of Hormuz, created uncertainty regarding the trajectory of energy supply, inflation, and monetary policy. The potential knock-on effects of a prolonged period of higher energy prices and disruptions to the critical inputs across several supply chains led markets to transition from a period marked by historic levels of dispersion in the first two months of the year to a more broad-based sell-off in March.

Weakness in equity markets contrasted with strong corporate fundamentals. 2026 consensus earnings estimates rose by 3 percent for the Russell 1000 Growth Index in 2025's first quarter. The price-to-earnings multiple for growth equities has now compressed 18 percent since the drawdown began in October. Russell 1000 Growth Index constituents are now down an average of 31 percent from their 52-week highs, with 67 percent of the index declining more than 20 percent.

## INVESTMENT RESULTS AND ATTRIBUTION

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Select Growth underperformed the Russell 1000 Growth Index, as concerns about AI-driven disruption weighed on both sector allocation and stock selection.

The portfolio's emphasis on higher-growth, asset-light, and service-oriented businesses created a headwind during the rotation toward more capital-intensive industries perceived to have lower risk of disruption. Underweights to more cyclical and defensive areas, including consumer staples and energy, modestly detracted from relative results amid the broader market rotation.

Stock selection further weighed on performance, driven primarily by weakness across the portfolio's internet holdings. Share price declines reflected a combination of near-term margin pressure, which we view as largely transitory, and multiple compression as investors accounted for the disruptive potential of AI.

We believe our internet holdings remain well positioned despite these concerns. In our view, these businesses benefit from durable competitive advantages, including physical infrastructure, network effects, and direct access

Past performance is not indicative of future results.

to consumer and merchant demand. Their services are often low cost and deeply embedded in customer workflows, which supports continued relevance. We expect these characteristics to enable these businesses to benefit from AI as a tool to enhance efficiency and growth, rather than face meaningful disruption.

Holdings tied to the build-out of AI infrastructure helped offset some of the weakness. Strong performance from semiconductor fabrication and energy infrastructure businesses reflected their role in addressing key physical constraints required to support expanding AI demand.



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AI is booming and markets are chasing its promise. But are we heading toward a bubble? Learn why we focus on strong businesses and remain flexible as conditions evolve.

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## **CONTRIBUTORS**

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The top individual absolute contributors to Select Growth's results were Carpenter Technology, Taiwan Semiconductor (TSMC), Quanta Services, Netflix, and Cloudflare.

**Carpenter Technology** is a leading supplier of specialty nickel alloys for the aerospace industry. Shares rose amid broader strength in industrials and a clearer pricing outlook. Fourth-quarter results were strong, with earnings per share increasing 41 percent year over year, supported by a 23 percent increase in aerospace orders, reinforcing our investment thesis. Pricing momentum and a more constructive supply backdrop were key drivers. Carpenter announced three new contracts with pricing increases of more than 30 percent, signaling customer acceptance of higher prices. A competitor also added less nickel capacity than expected, which should help sustain near-term pricing power. We believe tightening capacity and improving demand across aerospace, defense, gas turbines, and space support a favorable pricing environment, positioning Carpenter to benefit from a multiyear period of stronger pricing and demand.

**TSMC's** latest results highlighted accelerating AI demand and reinforced the company's position as a primary beneficiary of that trend. The update included two new data points that strengthened our outlook for AI accelerator demand. First, TSMC Chairman C.C. Wei said he personally spoke with the company's largest hyperscaler AI customers and concluded that their requests for additional capacity were supported by end demand. Given TSMC's historically conservative posture, we view this as a meaningful signal. Second, the company

reinforced that confidence with a materially higher capital expenditure plan of \$54 billion for 2026, well above consensus estimates of \$47.8 billion, to support expected AI-driven demand. TSMC also reported results and issued guidance that exceeded our expectations and those of consensus. Management now expects AI-related revenue to grow at a 55 percent annualized rate through 2029, up from 45 percent previously, driven by both higher volumes and improved pricing. While peers continue to invest, we believe TSMC's yields, scale, and surrounding ecosystem continue to differentiate it for high-performance GPUs and leading CPUs. Planned expansions in Arizona, including additional advanced fabs and a U.S.-based advanced packaging facility, should also ease prior capacity concerns.

**Quanta Services** is the largest U.S. provider of skilled labor and equipment for power and communications infrastructure. The business advanced following the release of fourth-quarter results and alongside a broader rally in companies addressing the physical bottlenecks of AI. Fourth-quarter earnings exceeded expectations, and guidance pointed to broad-based organic growth in 2026 across its core utility, renewables, and data center segments, with strong visibility through 2030. In our view, these results reinforce our thesis that Quanta is well positioned to benefit from the buildout of electric power infrastructure needed to support rising AI-driven demand. Our confidence is further supported by our belief that demand for higher-voltage transmission lines is underappreciated, which should support Quanta's ability to sustain above-average growth given its leadership in providing the technical services required for this infrastructure expansion.

**Netflix** shares rose after the company walked away from a proposed acquisition of Warner Bros. Discovery. While we viewed the deal positively, the uncertainty had weighed on sentiment, and Netflix will receive a \$2.8 billion break fee. We believe the company is now better positioned to exceed guidance and resume share repurchases. The stock also trades below 30 times forward earnings, a level rarely seen over the past 15 years. Fourth-quarter 2025 results included several positives. Management tacitly endorsed a leaked long-term forecast of reaching a \$1 trillion valuation by 2030. Advertising revenue exceeded expectations, and net subscriber additions surpassed 23 million in 2025. We see upside potential to 2026 growth guidance of 12 percent to 14 percent, driven by management's typical conservatism, consensus underestimation of United States and Canada revenue, and strength in advertising revenue.

**Cloudflare** is a global cloud platform that improves the security, performance, and reliability of websites and applications. Shares rose during the quarter as investors increasingly viewed the company as a beneficiary of agentic AI, given its position at a key control point for routing and securing machine-to-machine internet traffic. While we do see Cloudflare as a long-term beneficiary of AI broadly and the proliferation of agents specifically, we are more encouraged by improving enterprise sales execution reflected in recent results. Fourth-quarter 2025 revenue growth accelerated to 34 percent year over year, up from 31 percent and 28 percent in the prior two quarters. New annual contract value bookings increased 50 percent, and sales capacity expanded at the fastest pace since 2022, supporting continued momentum. New product traction is also contributing to results. Act 3 offerings, which focus on edge computing, are gaining traction, while an emerging Act 4 opportunity centered on mediating the agentic web could extend the company's growth duration.

## DETRACTORS

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The top individual absolute detractors were AppLovin, Microsoft, Shopify, Sea, and Carvana.

**AppLovin** is one of the leading providers of advertising solutions for mobile game developers. Shares declined alongside broad-based weakness in gaming and ecommerce stocks, amplified by the release of Google's generative gaming platform, Project Genie, and concerns that Meta Platforms may emerge as a more aggressive competitor. Fourth-quarter results remained strong, with revenue growing 66 percent year over year and advertising EBITDA margins reaching 84 percent. These results highlight continued momentum in AppLovin's core advertising business. Our view on the risks is mixed. We see generative gaming as a potential accelerant that could expand content supply and benefit AppLovin's distribution platform, while acknowledging that competition from Meta Platforms represents a credible longer-term risk. We weigh these dynamics against what we view as an attractive valuation, supported by our expectation that AppLovin will double ecommerce gross advertising spending to over \$2.5 billion in 2026.

**Microsoft** reported revenue and operating income above consensus expectations, but shares declined as Azure growth met, rather than exceeded, investor expectations. Azure grew 38 percent year over year on a constant currency basis, consistent with recent quarters, and guidance did not signal near-term reacceleration. Capacity constraints, rather than demand, continue to limit Azure growth. Microsoft is prioritizing compute for internal AI workloads, including Copilot, which reduces near-term availability for external customers. This reflects

strong underlying AI demand and reinforces Microsoft's positioning, even as it constrains reported growth. We see potential for acceleration as capacity expands. Additionally, Microsoft's leadership in agentic AI development represents incremental upside that we believe is not yet reflected in expectations.

**Shopify** is an ecommerce software platform that enables merchants to build, manage, and scale their businesses. Shares declined alongside software stocks amid investor concerns about AI-related disruption. While AI is reshaping the software landscape, we believe Shopify is better positioned than most horizontal vendors. As a vertical application tailored to ecommerce, it is less likely to be displaced by agentic workflows. Instead, generative tools such as ChatGPT may act as incremental demand channels. Shopify has already enabled an integration with ChatGPT and created a universal protocol for AI shopping alongside Google, which applies third-party payment fees to transactions originating there, consistent with its platform model. Strong operating momentum supports this view. Shopify has delivered three consecutive quarters of roughly 30 percent year-over-year gross merchandise volume growth, with 2025 marking its fastest calendar year growth since 2021. This growth reflects ecommerce expansion, share gains, and product innovation, reinforcing the durability of its business model in an evolving AI landscape.

**Sea** is an internet business in Southeast Asia that operates leading platforms in video games (Garena), ecommerce (Shopee), and digital financial services (Monee). Shares have come under pressure in recent months due to earnings revisions tied to incremental investment in the ecosystem, competition concerns with TikTok, and perceived AI disintermediation risk. We believe Shopee's ongoing investments reflect a proactive effort to strengthen competitive advantages. These initiatives, costing roughly 70 basis points of gross merchandise value, focus on logistics, fulfillment, and loyalty programs. Compared with the reactive investment cycle in late 2023, this approach is more offensive, with clear visibility into return on investment and outcomes, and has a smaller financial impact. We believe TikTok's threat is overblown and that competitive intensity remains stable, as evidenced by both platforms' continued commission rate hikes throughout 2025. Our latest consumer survey also indicates Shopee continues to capture incremental wallet share and mindshare across Southeast Asia and Taiwan. At the same time, structural factors, including low ecommerce penetration in core markets, strong infrastructure, and concentrated market dynamics, should limit AI disintermediation risk and support Shopee's long-term position.

**Carvana** is the world's largest ecommerce used car retailer by revenue. Shares of the business declined after fourth quarter profitability failed to meet expectations, driven by a lower-than-expected gross profit per unit in retail. Our research indicates the miss was driven by three primary factors, including lower shipping fees due to greater retail density, industry car depreciation, and less efficient reconditioning at newly acquired sites. Absolute results were strong, with units and revenues increasing 43 percent and 58 percent year over year, respectively. In our view, outsized intra-year volatility is within expectations for Carvana and as such, we believe the business is attractively valued relative to our expectation for it to compound earnings by over 40 percent over the next three years.

## PORTFOLIO ACTIVITY

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In the first quarter, our investment activity centered on evolving our exposure to AI infrastructure toward the physical beneficiaries of the AI buildout. These actions sought to increase exposure to businesses providing essential products or services in areas we view as key bottlenecks required to scale AI.

Our conviction in these actions is grounded in the durability of the AI infrastructure buildout, and more specifically, our belief that memory is emerging as the key bottleneck to scaling AI systems. As model capabilities improve, the number of AI agents is expanding rapidly—particularly in areas like coding—and we expect this usage to extend across a broad range of knowledge work over time. We see memory as the primary constraint on scaling agentic capabilities, given the need for large, high-fidelity context windows to enable reliability in enterprise-grade applications that we expect to span across areas of knowledge work. Underpinned by these dynamics, we expect an exponential increase in demand, coupled with constrained supply growth, will drive both higher memory pricing and increased volumes.

We initiated positions in Seagate Technology and Lam Research and believe both businesses will play a key role in this transition. As a provider of hard disk drives, we expect Seagate Technology to benefit from limited capacity and potential price increases for solid state memory, which we expect may exceed current expectations. The hard disk drive market is a duopoly with limited risk of Chinese competition and Seagate is the clear industry leader in both share and technology. Similarly, memory production is dependent on the tools provided by Lam Research.

Our positions in these businesses were partially sourced by reductions in our exposure to cloud hyperscalers and

internet holdings. Our decision to reduce our exposure to cloud computing reflects our preference for AI exposure in the supply chain for compute. We prefer this exposure over the buyers of that compute, amid an increasingly competitive environment in the transition from traditional infrastructure as a service to hyperscale AI. Buyers of AI computing power are increasingly reliant on purchases from a narrow set of AI model providers and face increasing competition from neo cloud providers. The decision to reduce our consumer internet holdings reflects our relative conviction in our new additions to the portfolio.

We provide more detail on the new purchases below.

**Lam Research** is a leading global provider of semiconductor fabrication equipment. Our research indicates that Lam is a market share leader in numerous leading edge etch applications, where transistor structures are etched onto silicon wafers, with primary exposure to memory and a secondary focus on logic chips. Semiconductor manufacturing is becoming more complex, as more functionality is packed into a fixed physical space, increasing capital intensity and raising the cost of producing advanced chips. In our view, Lam plays a critical role in enabling future computing performance. Traditional drivers of computing improvements, such as frequency scaling and power efficiency, have slowed, shifting innovation toward new architectures including three-dimensional structures, parallel processing, and task-specific accelerators. These advances require increasingly sophisticated manufacturing processes, where Lam's capabilities play an essential role. We believe Lam is well positioned to benefit from a multiyear investment cycle as the industry transitions to more advanced nodes and as demand for memory increases to support the growth of AI applications.

**Seagate Technology** is a global leader in mass-capacity data storage. The company has built its position over decades of innovation and industry consolidation, emerging as one of two scaled providers in the global storage market, with a focus on high-capacity nearline hard disk drives that serve cloud service providers and enterprise data centers. Its Mozaic platform uses heat-assisted magnetic recording to increase storage density, enabling a significantly lower cost per byte than flash alternatives and reinforcing hard drives as the preferred solution for large-scale data storage. Demand for storage is rising rapidly, driven by AI-related workloads that generate and retain large volumes of data, including generative and agentic applications that require long-context processing. We believe this growth in data creation is likely to outpace near-term supply, creating a favorable industry backdrop. In our view, a constrained supply environment, combined

with sustained demand, should support volume growth and stable to improving pricing, positioning Seagate to benefit from durable trends tied to cloud computing and AI-driven data expansion.



### Debugging the AI Narrative in Software

We agree with the market's assessment that AI is a disruptive force in the world of software. Find out why we maintain a higher bar for investments in this industry.

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## OUTLOOK

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The first quarter of 2026 marked a meaningful inflection in the evolution of artificial intelligence, as the emergence of agentic AI tools broadened the scope of potential disruption across industries. While AI has been a dominant theme for several years, this latest phase has intensified investors' focus on both its transformative potential and its unintended consequences. Beneath the surface, market behavior reflected this shift, with historically wide dispersion within and across sectors.

Since October 2025, this uncertainty has manifested in a pronounced drawdown in growth equities, driven by a sharp increase in risk aversion. Investors have grown more skeptical of the scale and returns associated with rising AI infrastructure investment, particularly among mega-cap technology companies. At the same time, concerns around AI-driven disruption have prompted a rotation away from higher-growth, asset-light businesses toward more cyclical, asset-heavy companies perceived to have lower risk of obsolescence.

In our view, the breadth of this sell-off has grown increasingly indiscriminate. While we agree that AI is likely to reshape competitive leadership across many industries, we do not believe all growth businesses face equal risk. The market's current posture, in many cases, fails to distinguish between companies that are genuinely vulnerable to disruption and those whose competitive advantages may be reinforced.

In an AI-first world, we expect certain competitive moats to become increasingly important. These include network effects, control of critical physical or digital infrastructure, high switching costs embedded in user workflows, and ownership of proprietary data. Businesses with these characteristics, in our view, are more likely to harness AI as an accelerant to growth rather than be displaced by it. In some cases, the rise of agentic AI may even reinforce scale advantages, particularly where access to data and infrastructure is a key differentiator.

Our approach is to assess this uncertainty pragmatically and on a case-by-case basis. Where the risk to long-term earnings durability is both elevated and difficult to underwrite—such as in certain areas of application software—we have reduced exposure. In other areas, including infrastructure software, hardware-enabled vertical solutions, and select internet businesses, we have maintained conviction where we believe competitive positioning remains strong.

It's periods such as these that we believe amplify the importance of a fundamental approach that's anchored on the long-term. Heightened macroeconomic or technological uncertainty can lead investors to shorten their time horizon and reduce risk, often exaggerating the divergences between price and our assessment of intrinsic value. We are observing this dynamic today, with valuation relationships across sectors reflecting a level of risk aversion comparable to prior dislocations, such as the onset of COVID-19 or the rate shock of 2021–2022.

It is in these periods—when our long-term orientation is most out of step with consensus—that we see the greatest potential. With valuations compressed across many secular growth businesses, Select Growth's growth-adjusted valuation premium relative to the index is near its lowest level since 2009, based on two-year consensus estimates. This creates what we view as an attractive setup for the next five years.

The companies identified represent a subset of current holdings and were selected by the author on an objective basis to illustrate the views expressed in the commentary. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients. There is no assurance that any securities discussed will remain in the portfolio or that securities sold have not been repurchased. Individual contributors and detractors are determined using absolute contribution, which multiplies the portfolio weight for each security or group by its total return, calculated and compounded daily unless otherwise stated.

This material may contain forward-looking statements, which are subject to uncertainty and contingencies outside of Sands Capital's control. Readers should not place undue reliance upon these forward-looking statements. There is no guarantee that Sands Capital will meet its stated goals. Past performance is not indicative of future results.

Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results, and clients may lose money. A company's fundamentals or earnings growth is no guarantee that its share price will increase. Forward earnings projections are not predictors of stock price or investment performance, and do not represent past performance. Characteristics, sector exposure and holdings information are subject to change, and should not be considered as recommendations. References to companies provided for illustrative purposes only. You should not assume that any investment is or will be profitable. Upon request, a complete list of securities purchased and sold will be provided. To receive a complete list of and description of the calculation methodology for the attribution analysis and complete list detailing each holding's attribution please contact a member of the Client Relations Team at 703-562-4000.

# Contribution Analysis

## CONTRIBUTION ANALYSIS (NET %)

### Top Absolute Contributors

#### Quarter to Date

Company Name	Average Weight	Return	Contribution
Carpenter Technology	2.6	25.2	0.5
Taiwan Semiconductor	6.7	11.3	0.5
Quanta Services	1.9	30.0	0.4
Netflix	2.2	2.4	0.1
Cloudflare	1.7	4.6	0.1

#### Trailing 1 Year

Company Name	Average Weight	Return	Contribution
NVIDIA	12.2	60.5	4.9
Taiwan Semiconductor	4.4	105.0	2.2
Broadcom	4.5	85.8	1.8
Cloudflare	2.0	82.6	1.5
Nu Holdings	3.1	39.8	1.0

#### Trailing 3 Year

Company Name	Average Weight	Return	Contribution
NVIDIA	9.5	526.0	17.6
ServiceNow	5.1	74.8	7.0
Amazon	7.8	99.2	6.5
Netflix	3.0	175.9	4.4
Meta Platforms	5.4	116.4	4.4

#### Trailing 5 Year

Company Name	Average Weight	Return	Contribution
NVIDIA	6.1	948.7	20.0
ServiceNow	5.8	62.1	5.5
Netflix	3.8	81.8	3.7
Microsoft	4.7	36.2	3.6
Lam Research	1.4	45.3	3.3

### Bottom Absolute Contributors

Company Name	Average Weight	Return	Contribution
AppLovin	2.4	-41.0	-1.7
Microsoft	6.4	-23.4	-1.6
Shopify	4.5	-26.4	-1.3
Sea	3.0	-35.2	-1.2
Carvana	4.3	-25.6	-1.1

Company Name	Average Weight	Return	Contribution
Sea	3.4	-37.0	-1.0
Oracle	0.3	-34.9	-0.7
Atlassian	1.2	-28.9	-0.6
Meta Platforms	6.1	-0.9	-0.5
Shopify	3.5	23.7	-0.5

Company Name	Average Weight	Return	Contribution
AppLovin	1.3	23.9	-1.8
Dexcom	3.6	-54.8	-1.5
10X Genomics	0.5	-70.5	-1.3
Warner Music	0.1	-26.3	-1.2
Venture Global	0.2	-67.9	-0.9

Company Name	Average Weight	Return	Contribution
Block	4.0	-76.0	-8.3
Sea	4.1	-65.4	-8.0
Match Group	1.7	-77.2	-6.6
Twilio	0.9	-75.0	-4.8
Atlassian	3.1	-30.4	-4.5

All values are those of the Select Growth Tax Exempt Institutional Equity Composite. The companies identified above represent a subset of current holdings in the Select Growth portfolio and were selected based on the performance measures presented. With the exception of IPOs where actual transacted prices are used, contributions are calculated in FactSet Portfolio Analysis using FactSet end of day prices, and do not reflect actual purchase prices. This can affect the presentation of contribution and performance of transactions amid heightened volatility. Security return and contribution are net of advisory fees and expenses and reflect the reinvestment of dividends and any other earnings. Attribution generated returns will not match actual performance because FactSet uses different exchange rate sources, the performance does not capture intra-day trading, and the analysis removes the impact of cash flows. Relative Return calculations do not incorporate risk or volatility impacts and should not be exclusively relied upon. To receive a description of the calculation methodology for the attribution analysis and a complete list detailing each holding's attribution please contact a member of the Client Relations Team at 703-562-4000. Past performance is not indicative of future results. GIPS Reports found [here](#).

# Stewardship

## CARBON EXPOSURE

Select Growth vs. Russell 1000 Growth Index  
Reported March 31, 2026

### Carbon Footprint

	CARBON EMISSIONS	TOTAL CARBON EMISSIONS	CARBON INTENSITY	WTD AVG. CARBON INTENSITY	CARBON EMISSIONS DATA AVAILABILITY
Select Growth	3.0	3,019	23.1	28.7	100%
Russell 1000 Growth	8.5	8,498	52.8	34.0	100%
	tCO <sub>2</sub> e/\$M Invested	tCO <sub>2</sub> e/\$B Invested	tCO <sub>2</sub> e/\$M Sales		Market Value

### Largest Contributors

to Portfolio Weighted Average Carbon Intensity

COMPANY	PORTFOLIO WEIGHT (%)	CARBON INTENSITY (S1+2) tCO <sub>2</sub> e/\$m	CONTRIB. TO WTD AVG. CARBON INTENSITY
Taiwan Semiconductor	7.6	185.9	14.1
Carpenter Technology	3.5	108.0	3.7
Seagate Technology	2.1	126.1	2.6
Amazon	6.5	28.1	1.8
Microsoft	4.4	41.2	1.8

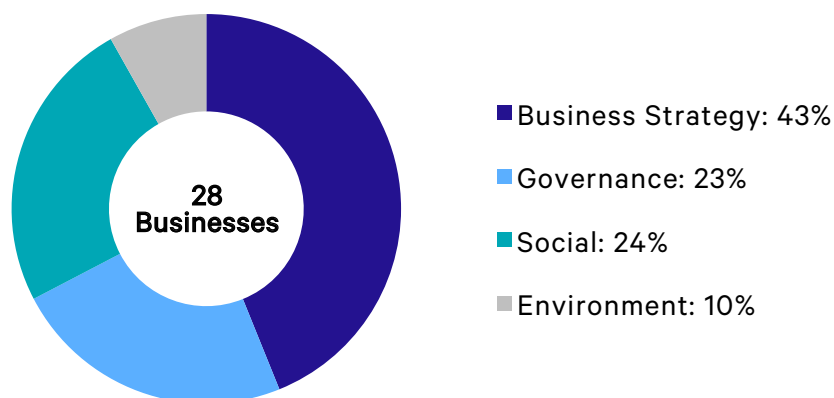
Carbon Emissions are calculated as Scope 1 & Scope 2 carbon emissions per \$1 million invested. Portfolio and Benchmark Carbon Intensity is defined as the portfolio or benchmark carbon emissions per \$1 million of portfolio or benchmark sales. At a business level, carbon intensity is calculated as carbon emissions per unit of sales (tons/\$ 1 million sales). Weighted averages are computed as the sum product of the portfolio or benchmark companies' respective carbon values and portfolio or benchmark companies' weights.

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## VOTING ACTIVITY - TRAILING 12 MONTHS ENDING MARCH 31, 2026

VOTES	BUSINESSES	RESOLUTIONS	%
Cast in Favor of Management	24	313	98%
Cast Against Management	5	7	2%
Abstentions	0	0	0%
		<b>320</b>	<b>100%</b>

## ENGAGEMENT ACTIVITY - TRAILING 12 MONTHS ENDING MARCH 31, 2026



### TOPICS ADDRESSED

#### Governance

Capital structure  
 Management accountability  
 Shareholder protection and rights  
 Increasing transparency and disclosure  
 Board structure or composition  
 Executive compensation  
 ESG strategy and oversight  
 Audit and accounting  
 Regulation  
 Related-party transactions

#### Social

Human capital management  
 Data security and privacy  
 Regulation  
 Digital ethics  
 Human rights  
 Product safety and impact  
 Diversity and inclusion  
 Health and safety  
 Labor rights

#### Environmental

Energy use and efficiency  
 GHG emissions or climate change strategy  
 Materials use and sourcing  
 Water use and efficiency  
 Environmental policy and strategy  
 Pollution and waste management  
 Regulation

We may refrain from voting when issues arise that cause us to determine that voting proxies is not in the best interest of our clients or that it is not reasonably possible to determine whether voting proxies will be in the best interests of clients. Additionally, we do not vote in certain countries that require "share blocking," due to the possible liquidity constraints that could result in the cost of voting outweighing the benefit to the client. Shares out on loan also may not be voted. Sands Capital is not an activist investor and generally does not acquire or hold investments for the purpose or effect of changing or influencing the control of its investee companies.

As part of our ongoing research, Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. Sands Capital's engagement with management teams and board members does not involve any direct or indirect attempt to exert pressure to implement specific measures, change policies, or otherwise influence control over the issuer.

## Nu Holdings



**Business:** Nu Holdings operates Nubank, a digital financial services platform that serves over 112 million customers in Latin America.

**Key issues:** Capital structure, regulation, and artificial intelligence (AI) governance.

Nubank is a leading digital financial services company focused on expanding access to banking across Latin America. The company has built a large and growing customer base by offering transparent, low-cost financial products that challenge incumbent institutions. Our recent engagement with Nubank's management team focused on understanding how its current investment cycle aligns with its long-term growth prospects.

### Encouraging executive compensation alignment

We sought to understand the rationale and oversight behind Nubank's investment spending through 2026. Management outlined a structured approach, categorizing investments into workplace infrastructure, international expansion, and AI capabilities. They emphasized that these investments are intentional, time-bound, and aligned with long-term strategic priorities. We view this level of transparency as supportive of strong governance practices.

### Financial Inclusion and Risk Management

We also discussed how Nubank balances growth with prudent risk controls. Management highlighted that

its model expands access to credit while maintaining disciplined underwriting standards. We specifically engaged the company about recent increases in provisions, and management clarified that these reflect higher available credit limits rather than a deterioration in borrower quality. This distinction is important, as it demonstrates that Nubank is scaling access to financial services without compromising credit integrity.

### International Expansion and Regulatory Approach

Our engagement explored Nubank's expansion into the United States, with a focus on governance and regulatory readiness. Management described a targeted and measured strategy, highlighting a willingness to adjust if outcomes fall short of expectations. This disciplined approach, combined with ongoing regulatory engagement, reflects a thoughtful expansion strategy that prioritizes long-term sustainability.

### Responsible Use of AI and Data

We discussed Nubank's increasing investment in AI and data capabilities, particularly in credit underwriting and customer engagement tools. Management noted that these technologies are already improving risk assessment and enabling more tailored financial solutions. The focus remains on measurable outcomes and controlled deployment, rather than speculative use cases. We believe this approach supports responsible innovation while enhancing customer access and experience.

### Conclusion

Nubank's approach demonstrates disciplined capital allocation, responsible innovation, and financial inclusion. We appreciate management's transparency during the engagement and will continue to monitor progress, particularly regarding asset quality, international expansion, and the application of AI in lending and customer solutions.

This report is an example of the type of fundamental research Sands Capital conducts and, as such, contains the opinions and comments of Sands Capital at points in time. Additional or subsequent information may cause Sands Capital's views to change. This report is not a complete analysis of all material facts and therefore is not a sufficient basis alone on which to base an investment decision. This material may include summaries and references to research notes, emails, conference calls, and meetings, and there is no guarantee or representation that this information is complete, current, or accurate. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy and is not a complete summary or statement of all available data. This report is for informational purposes only. As part of our ongoing research, Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. Sands Capital's engagement with management teams and board members does not involve any direct or indirect attempt to exert pressure to implement specific measures, change policies, or otherwise influence control over the issuer. The company illustrated represent a holding in the Sands Capital strategies as of March 31, 2026, and was selected by the author on an objective basis to illustrate the views expressed in the Commentary. The example was selected based on the recent date of the engagements and topics discussed. The assessment of each business is based on factors that we believe are material to the long-term investment case. To receive a complete list of company engagements for the prior twelve months please contact a member of the Client Relations Team at 703-562-4000.

## Select Growth Tax Exempt Institutional Equity Composite (TEIEC) GIPS Report

YEAR END	NUM OF ACCTS	END OF PERIOD AUM (USD \$M)	TEIEC			R1000G			NON-FEE PAYING % OF COMPOSITE	ASSET WGT'D STD. DEV. (GROSS)	FIRMS TOTAL ASSETS (USD \$M)
			NET RETURNS	GROSS RETURNS	ANN. 3 YR. STD. DEV. (NET)	R1000G	ANN. 3 YR. STD. DEV.				
2024	46	\$6,375.64	24.30	24.79	28.91	33.36	20.33	0.00	0.22	\$47,462.52	
2023	69	\$7,696.98	52.03	52.71	28.22	42.68	20.51	0.00	0.29	\$46,746.96	
2022	88	\$6,625.17	-49.14	-48.88	28.26	-29.14	23.47	0.00	0.19	\$40,707.08	
2021	78	\$10,733.38	4.89	5.36	20.99	27.60	18.17	0.00	0.23	\$75,340.29	
2020	82	\$12,888.65	71.42	72.15	22.42	38.49	19.64	0.00	0.71	\$68,621.83	
2019	84	\$10,063.97	33.34	33.91	17.22	36.39	13.07	0.00	0.15	\$44,636.85	
2018	90	\$9,140.97	6.77	7.27	17.03	-1.51	12.13	0.00	0.19	\$35,387.67	
2017	102	\$11,646.37	35.15	35.74	15.07	30.21	10.54	0.00	0.48	\$41,331.26	
2016	115	\$10,192.82	-7.13	-6.70	15.58	7.08	11.15	0.00	0.18	\$34,914.29	
2015	146	\$14,686.78	2.92	3.40	14.56	5.67	10.70	0.00	0.50	\$44,192.42	

### Net Returns

As of 03/31/2026	QTD	1 Year	3 Years	5 Years	10 Years	Since Inception (02/29/1992)
TEIEC	-12.9	11.8	17.3	0.8	13.1	11.8
R1000G	-9.8	18.8	21.2	12.8	16.8	10.7

Effective 5/31/2022, the name of the composite changed from Tax Exempt Institutional Equity Composite to Select Growth Tax Exempt Institutional Equity Composite. As of October 1, 2021, the firm was redefined to be the combination of Sands Capital Management, LLC and Sands Capital Alternatives, LLC (previously known as Sands Capital Ventures, LLC). Both firms are registered investment advisers with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940, as amended. The two registered investment advisers are combined to be one firm for GIPS purposes and are doing business as Sands Capital. Sands Capital operates as a distinct business organization, retains discretion over the assets between the two registered investment advisers, and has autonomy over the total investment decision making process. Prior to October 1, 2021, the firm was defined as: Sands Capital Management, LLC, is an independent registered investment adviser. Sands Capital claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Sands Capital has been independently verified for the periods February 7, 1992 through December 31, 2024. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Select Growth Tax-Exempt Institutional Equity Composite ("TEIEC") has had a performance examination for the periods February 29, 1992 through December 31, 2024. The verification and performance examination reports are available upon request. The TEIEC contains all fee and non-fee paying, tax-exempt institutional accounts managed in the Select Growth strategy. The Select Growth strategy is a concentrated portfolio that normally consists of the equity securities of 25 to 30 primarily large and mid-capitalization growth businesses. Portfolio companies are primarily domiciled in the U.S. but may also include ADRs and the equity securities of foreign issuers in other developed and emerging markets that are listed on U.S. exchanges. The strategy may experience losses as it is subject to equity securities risk, market and issuer risk, selection risk, growth style risk, concentration risk, and other economic risks that may influence the returns of this strategy. The benchmark for the TEIEC is the Russell 1000 Growth Index ("R1000G"). The R1000G measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The TEIEC holds securities that are not included in the R1000G, and Sands Capital may invest in securities not covered by the index. The minimum account size for this composite is \$3 million. The annual composite dispersion presented is an asset-weighted standard deviation calculated of performance dispersion for accounts in the composite for the entire year, using beginning of period values. Gross and net performance includes the reinvestment of all income and is presented net of expenses, interest income, and capital gains. Net returns presented are calculated using actual fees and performance fees if applicable. Bundled fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions this fee may have included portfolio monitoring, consulting services, and in some cases, custodial services. As of January 1, 2013, bundled fee accounts are no longer included in the TEIEC and in 2012, bundled fee account assets represented 0.9% percent of the composite. The U.S. Dollar is the currency used to express performance. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. A list of composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution funds is available upon request. Past performance is not indicative of future results. The investment management fee schedule for separate accounts is 0.75% on the first \$50 million of assets under management and 0.50% on assets under management greater than \$50 million. Accounts may also pay a performance-based fee that consists of a base fee plus a percentage of the annualized excess return versus the benchmark. Additional information regarding performance fees is available upon request. Actual investment advisory fees incurred by clients may vary which will result in performance that may be higher or lower. The TEIEC was created on February 29, 1992 and the inception date for performance is February 29, 1992. Russell 1000® Growth Index is a trademark of the Frank Russell Company. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Sands Capital is an active, long-term investor in leading innovative growth businesses, globally. Our approach combines analytical rigor and creative thinking to identify high-quality growth businesses that are creating the future. Through an integrated investment platform spanning venture capital, growth equity and public equity, we provide growth capital solutions to institutions and fund sponsors in more than 30 countries. Sands Capital is an independent, staff-owned firm founded in 1992 with offices in the Washington, D.C. area, London, and Singapore.

### **ALL-IN CULTURE**

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We are one team dedicated to one mission and one philosophy. As a fully independent and staff-owned firm, we attract and retain strong talent, focus on long-term outcomes, and are highly aligned with our clients' interests.

### **GLOBAL PERSPECTIVE WITH LOCAL UNDERSTANDING**

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Innovation-driven growth knows no geographic boundaries. Neither does our research team. We are hands on, on-the-ground, deeply immersed in the ecosystems in which our businesses operate.

### **INSIGHT DRIVEN**

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Businesses that can build a sustainable advantage are few and far between. To seek them, we apply six criteria to separate signal from noise, identify what matters most, and construct differentiated views on tomorrow's businesses, today.

### **HIGH CONVICTION FOR HIGH IMPACT**

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All our strategies concentrate investments in only our best ideas and avoid mediocrity. With the intent to own businesses for five years or longer, we seek to create value for clients through the compounding of business growth over time.