



# Select Growth

Quarterly Report  
June 30, 2025



SANDS CAPITAL

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## STRATEGY TEAM

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GIIPS 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 - June 30, 2025

## 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

**56%**

Top Ten Weight

LONG-TERM INVESTMENT HORIZON

**29%**

Turnover-Annual Avg.

**5+ Yrs**

Expected Holding Period

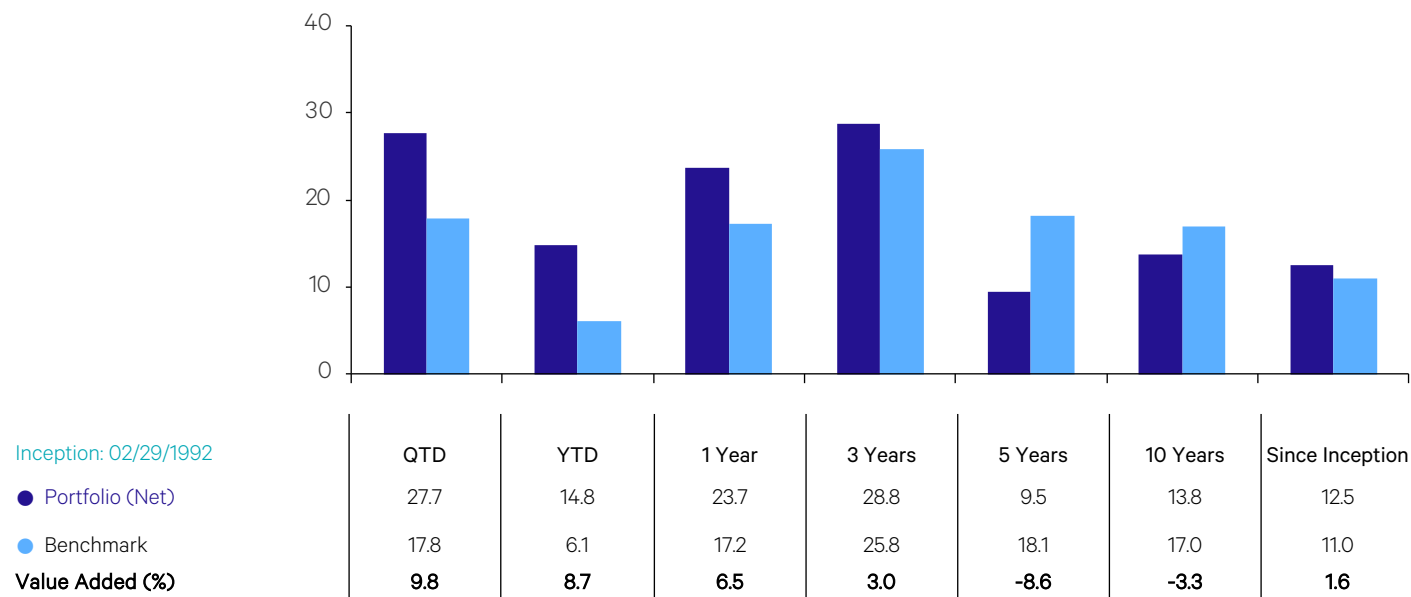
GROWTH-ORIENTED

**29%**

Sands Capital Long-Term  
EPS Growth Estimate

## INVESTMENT RESULTS (%)

Select Growth vs Russell 1000 Growth Index



## CALENDAR YEAR RETURNS (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
Portfolio (Net)	-7.1	35.1	6.8	33.3	71.4	4.9	-49.1	52.0	24.3	14.8
Benchmark	7.1	30.2	-1.5	36.4	38.5	27.6	-29.1	42.7	33.4	6.1
Value Added (%)	-14.2	4.9	8.3	-3.1	32.9	-22.7	-20.0	9.4	-9.1	8.7

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	385
Active Share	58%	n/a
5-Year Historical EPS Growth	40%	30%
Consensus Long-Term EPS Growth	16%	14%
Consensus Forward P/E - Next 12 mos.	35x	30x
Strategy Assets	\$13.9B	n/a
Weighted Avg. Market Cap (USD)	\$1.3T	\$1.7T
Median Market Cap (USD)	\$95.9B	\$23.0B
Turnover - Trailing 12 mos.	50%	n/a

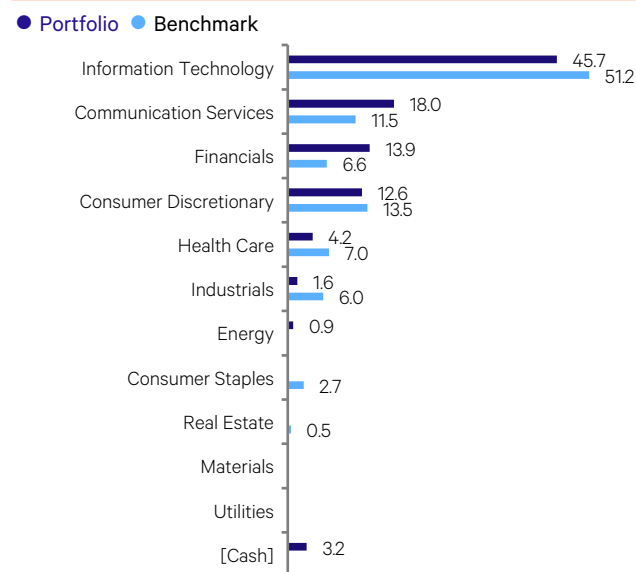
## RETURN & VOLATILITY METRICS

(Trailing 5 Years Net of Fees)	Portfolio	Benchmark
Annualized Excess Return	-8.6%	n/a
Beta	1.24	1
Information Ratio	-0.7	n/a
R-Squared	81.9%	100.0%
Sharpe Ratio	0.3	0.8
Standard Deviation	26.7%	19.5%
Tracking Error	12.3%	n/a
Up Capture	100.3%	100%
Down Capture	125.2%	100%

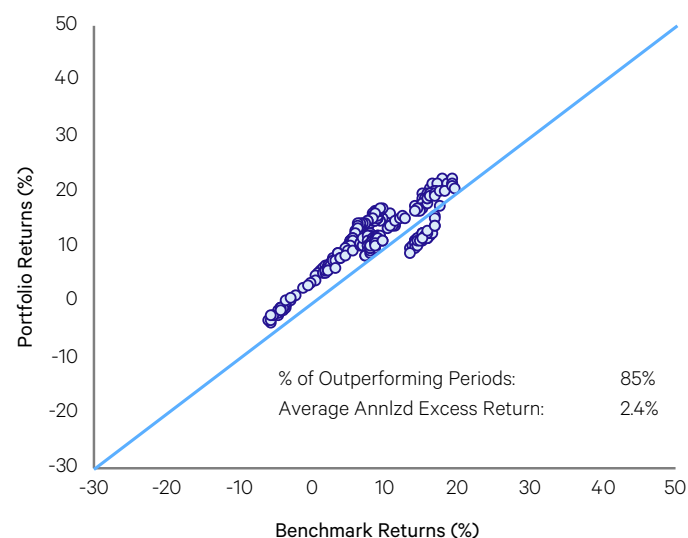
## TOP TEN HOLDINGS (56.2% OF ASSETS)

Company	Sector	Domicile	Portfolio (%)	Owned Since
 NVIDIA	Information Technology	United States	12.2	2022
 Microsoft	Information Technology	United States	8.4	2023
 Amazon	Consumer Discretionary	United States	7.8	2015
 Meta Platforms	Communication Services	United States	6.2	2023
 ServiceNow	Information Technology	United States	4.5	2016
 Broadcom	Information Technology	United States	3.7	2025
 Sea	Communication Services	Singapore	3.5	2019
 Intercontinental Exchange	Financials	United States	3.4	2024
 Taiwan Semiconductor	Information Technology	Taiwan	3.3	2025
 Netflix	Communication Services	United States	3.2	2015

## SECTOR EXPOSURE



## 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>18.0</b>	<b>11.5</b>	
Meta Platforms	Interactive Media & Services	United States	6.2	4.5	2023
Netflix	Entertainment	United States	3.2	1.9	2015
Roblox	Entertainment	United States	2.4	0.2	2024
Sea	Entertainment	Singapore	3.5	-	2019
Spotify	Entertainment	Sweden	2.6	0.4	2024
<b>Consumer Discretionary</b>			<b>12.6</b>	<b>13.5</b>	
Amazon	Broadline Retail	United States	7.8	5.2	2015
Carvana	Specialty Retail	United States	1.9	0.1	2025
DoorDash	Hotels Restaurants & Leisure	United States	2.8	0.3	2020
<b>Energy</b>			<b>0.9</b>	<b>0.3</b>	
Venture Global	Oil Gas & Consumable Fuels	United States	0.9	-	2025
<b>Financials</b>			<b>13.9</b>	<b>6.6</b>	
Arthur J. Gallagher	Insurance	United States	2.1	0.0	2025
Block	Financial Services	United States	2.4	0.0	2020
Intercontinental Exchange	Capital Markets	United States	3.4	-	2024
Nu Holdings	Banks	Brazil	3.2	0.1	2023
Visa	Financial Services	United States	2.8	2.1	2008
<b>Health Care</b>			<b>4.2</b>	<b>7.0</b>	
Dexcom	Health Care Equipment & Supplies	United States	3.1	0.1	2020
Ultragenyx Pharmaceutical	Biotechnology	United States	1.0	0.0	2023
<b>Industrials</b>			<b>1.6</b>	<b>6.0</b>	
Axon Enterprise	Aerospace & Defense	United States	1.6	0.2	2024
<b>Information Technology</b>			<b>45.7</b>	<b>51.2</b>	
AppLovin	Software	United States	1.8	0.3	2024
Atlassian	Software	United States	1.6	0.1	2018
Broadcom	Semiconductors & Semiconductor Equipment	United States	3.7	4.3	2025
Cloudflare	IT Services	United States	2.4	0.2	2021
Datadog	Software	United States	2.5	0.1	2022
Microsoft	Software	United States	8.4	12.5	2023
NVIDIA	Semiconductors & Semiconductor Equipment	United States	12.2	12.6	2022
Samsara	Software	United States	3.0	0.0	2024
ServiceNow	Software	United States	4.5	0.7	2016
Shopify	IT Services	Canada	2.4	-	2021
Taiwan Semiconductor	Semiconductors & Semiconductor Equipment	Taiwan	3.3	-	2025
Cash			3.2		

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) delivered strong returns in the second quarter, recovering from a sharp selloff that culminated in early April. The quarter's performance was supported by a combination of muted inflation, strong corporate earnings, and improving sentiment around artificial intelligence (AI) and global trade.

The quarter began on a turbulent note. The Trump administration's announcement of higher reciprocal tariffs on April 2 triggered a steep equity market selloff, as market volatility (as measured by the CBOE Volatility Index) reached its highest level in over four years. However, growth equities troughed on April 8—24 percent lower than their peak in mid-February—and recovered over the remainder of the quarter.

Improvement in macroeconomic and geopolitical conditions set off the rebound in growth equities. A 90-day tariff truce between the U.S. and China lifted market sentiment and reduced investor uncertainty. Meanwhile, inflation data for May showed both headline and core consumer price index readings coming in below expectations, offering reassurance that tariffs had not yet sparked a broad-based rise in prices. This eased pressure on the Federal Reserve and revived market hopes for rate cuts later in the year.

These encouraging developments accompanied resilient corporate profit growth. S&P 500 companies reported earnings growth of 12.9 percent in the first quarter, well ahead of expectations, with positive revisions accelerating throughout the quarter. The Magnificent Seven delivered a 28 percent year-over-year earnings increase, marking their largest upside surprise relative to consensus estimates since the third quarter of 2023.

Returns within the Russell 1000 Growth Index were led by high-beta, pro-cyclical segments. As investors reembraced risk, technical factors such as short covering tended to result in recent market laggards producing the strongest returns. Within the Russell 1000 Growth Index, gains were led by the information technology, consumer discretionary, and communication services sectors.

Within information technology, the semiconductor industry produced the strongest returns, gaining more than 40 percent.

This reflected a strong recovery after a period of weakness from July 2024 through early April 2025, fueled by concerns of an AI spending bubble, exacerbated by the release of DeepSeek's reasoning model.

The rally in semiconductors came alongside improved sentiment toward the AI secular growth theme as investors regained confidence in the scale and durability of AI demand following strong results from Microsoft and Meta Platforms, NVIDIA's announcement of a deal to supply Saudi Arabia's new AI company with leading-edge chips, and the new administration's rescission of restrictions from the AI Diffusion rule.

Returns for the Magnificent Seven improved after lagging the broader market in the first quarter. However, return dispersion was significant, with the strongest gains coming from those businesses viewed as direct beneficiaries of AI.



### Select Growth Quarterly Strategy Review

Senior Portfolio Manager Wes A. Johnson, CFA shares insights on the markets, Select Growth's current positioning, and where we see long-term opportunities. [Watch the replay](#) until August 18, 2025.

## INVESTMENT RESULTS AND ATTRIBUTION

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Broad-based security selection drove outperformance relative to the Russell 1000 Growth Index. Stock picking contributed positively across all seven sectors of the strategy, with the strongest relative gains coming from holdings in the communication services and information technology sectors.

Returns from consumer internet platforms were especially strong, spanning multiple sectors. These businesses aggregate the supply of goods and services across varied end markets—including gaming, social media, streaming video and music, and food delivery. As these platforms scale, their low marginal costs allow each additional user to disproportionately enhance profitability, supporting margin expansion and reinvestment into growth, often through the addition of complementary services.

Recent strong performance from many of these businesses reflects, in part, their perceived status as tariff-resilient havens. Their asset-light business models are generally insulated from the margin pressures associated with higher input

costs from tariffs. Because their products are embedded in consumers' daily routines, only a severe economic downturn is likely to disrupt usage or profitability.

First-quarter earnings highlighted this resilience, with profits continuing to accelerate. In many cases, these businesses command dominant and expanding market share in end markets that benefit from strong secular tailwinds. They have matched this growth opportunity with tighter cost discipline and new monetization levers, such as advertising, leading to margin improvement and better-than-expected earnings.

At the same time, the competitive landscape has shifted in their favor. Higher capital costs and waning private equity appetite have constrained access to funding for weaker competitors. This has led to industry consolidation and share gains for the market leaders we favor.

Looking ahead, we are encouraged by early signs that artificial intelligence may extend both the magnitude and duration of growth for these businesses. Initial applications suggest that AI can deepen user engagement through more personalized experiences and improve ad targeting. We also see margin upside as companies deploy AI to lower costs via productivity gains in areas such as content moderation and software development.

## CONTRIBUTORS

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The top individual absolute contributors to Select Growth's results were NVIDIA, Microsoft, Netflix, Broadcom, and Roblox.

**NVIDIA** is a market-leading provider of AI technology. Its most recent results eased concerns about AI demand and the impact of export restrictions on China. Although the H2O ban created a \$10.5 billion revenue headwind in the first half of 2025, demand remains strong. Excluding China, datacenter revenue grew 64 percent year-over-year and is expected to accelerate to 70 percent next quarter. Management also guided for gross margins to rise to the mid-70 percent range from 72 percent. Rack yield concerns were addressed, with major hyperscalers now deploying nearly 72,000 Blackwell GPUs per week. NVIDIA ended the quarter as the strategy's largest position by weight and remains one of the high-conviction businesses at Sands Capital.

**Microsoft** is a leading global software and cloud infrastructure business. The company delivered better-

than-expected quarterly results, with a reacceleration in Azure growth as the key highlight. Demand for AI-related services remains strong, and Microsoft also benefited this quarter from sequential improvement in non-AI-related Azure revenue. We believe Microsoft is well positioned to facilitate and benefit from enterprise adoption of AI services, both at the infrastructure and application layers.

**Netflix** is the world's largest producer and distributor of video streaming content, measured by content spending and subscriber base. Shares rose following strong first-quarter 2025 results, which reflected solid subscriber growth and retention, continued margin expansion, and increased capital returns, including a \$3.5 billion share repurchase—the largest in the company's history. Advertising momentum continued, bolstered by reports of a \$9 billion internal ad revenue target by 2030. In our view, these results underscore the compelling value of Netflix's robust content portfolio, competitive pricing, and growing ad-supported tier. Video entertainment has historically remained resilient during economic downturns, and we expect Netflix's scale and market leadership to support ongoing durability and long-term growth.

**Roblox** is a leading platform for game development and distribution. First-quarter results showed a reacceleration across several key metrics, including daily active users, bookings, and hours played. These gains were broad-based across regions and included the strongest sequential increase in hours played since 2020. Roblox also demonstrated significant operating leverage, with EBITDA margins expanding by 760 basis points year over year, reaching 17 percent—the highest level since 2021. Company guidance points to continued margin expansion through year-end, potentially resulting in \$1 billion in free cash flow in 2025. Following these results, real-time data indicated the emergence of a new hit game, reinforcing a core strength of the Roblox platform: frictionless creation of user-generated content and global distribution.

**Broadcom** plays a vital role in advancing system scalability and compute expansion through its Ethernet networking technologies and custom accelerators. Shares gained in the second quarter as investors grew more confident that demand for generative AI infrastructure continues to outstrip supply. Results reinforced this view, with AI-related revenue rising 46 percent year over year to \$4.4 billion. Management expects growth to accelerate to accelerate to 60 percent year over year in the third quarter and to continue at a similar pace into 2026. Looking ahead, Broadcom is well positioned to benefit from its leadership

in networking technologies that interconnect increasingly complex arrays of AI accelerators. We also expect rising interest in its custom chip design services, as more organizations seek hardware tailored to the specific needs of their AI workloads.

## DETRACTORS

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Atlassian was the sole detractor from absolute results in the second quarter. Ultragenyx Pharmaceutical, Arthur J. Gallagher, Shopify, and Visa contributed least to results.

**Atlassian** is a leading provider of software applications designed to improve team collaboration and productivity. Shares declined after first-quarter results revealed a narrower-than-expected beat on cloud revenue guidance. While the market reacted to the narrow beat, we do not believe it signals any erosion in the company's competitive position or broader macroeconomic challenges. Enterprise seat expansion, product upgrades, cross-sells, and migrations from data center to cloud all tracked within or above expectations. Importantly, we continue to see no signs of weakness in the data supporting our view that Atlassian's momentum with enterprise customers and newer offerings like Jira Service Management remains underappreciated.

**Ultragenyx Pharmaceutical** is a leading developer of treatments for rare diseases, with a track record of strong execution and thoughtful pipeline investment. Shares were little changed in the second quarter as investors awaited an interim analysis from its Phase 3 trial in osteogenesis imperfecta, a rare genetic disorder. The combination of Ultragenyx's expanding commercial franchise and its underrecognized pipeline presents what we view as a compelling long-term opportunity.

**Arthur J. Gallagher (AJG)** is the largest middle-market commercial insurance broker in the United States by revenue. Commercial property rate declines weighed on AJG's share price during the quarter, despite the company's strong underlying performance. Rates fell 5 percent year over year in June, creating modest headwinds, though AJG's business tends to have a natural offset from higher purchase volumes in softer pricing environments. This dynamic, along with a benign catastrophe season so far, explains the near-term reset in expectations. Still, the company delivered organic growth of 9.5 percent, outperforming peers on the back of strong execution in its brokerage segment and well-timed reinsurance placements. AJG also continued to scale its

acquisition strategy, closing approximately \$400 million in deals year to date and maintaining momentum ahead of its planned AssuredPartners acquisition.

**Shopify** is a leading global provider of ecommerce solutions for merchants operating outside of Amazon's ecosystem. In the first quarter, Shopify overcame concerns about macroeconomic uncertainty and tariff-driven price increases to grow gross merchandise value (GMV) by over 20 percent. This marked the seventh consecutive quarter of GMV growth exceeding 20 percent and the fifth straight quarter growing at more than twice the pace of overall U.S. ecommerce. Free cash flow margins expanded by 300 basis points, supporting an eighth consecutive quarter of free cash flow growth above 25 percent. In our view, these results reinforce the case for Shopify's long-term growth potential. We expect the business to continue outpacing the broader ecommerce market, driven by new merchant additions, higher same-store sales, increased take rates, and ongoing expansion across international markets and larger retail segments.

**Visa** operates the world's largest retail electronic payment network. Shares declined in June amid a broader selloff in card network stocks following stablecoin-related headlines. Unlike the market, we do not view stablecoin proliferation as a threat to card volumes; in fact, we believe it could expand the addressable market for card networks. While stablecoins may have utility in cross-border business-to-business transactions, we think they are unlikely to disrupt consumer-to-merchant payments, where cards offer a compelling value proposition—rewards, liquidity, ubiquity, buyer protections, and trust. Moreover, card networks could enhance stablecoin adoption by providing the rules, protections, and services needed for broader, mainstream use.

## PORTFOLIO ACTIVITY

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In the second quarter, we conducted a series of investment actions focused on balancing long-term alpha generation potential with portfolio risk mitigation. The majority of these actions focused on recalibrating exposures to mitigate risk and capture relative value opportunities amid the volatility created by trade negotiations.

Over the course of April and May, Select Growth sought to manage exposures to businesses we viewed as most exposed to the proposed increases in tariff rates. These actions resulted in a series of trims to ecommerce and advertising businesses, in favor of businesses focused on



streaming video and music, financial exchanges, and fleet management, which we viewed as more insulated from higher trade barriers.

As these risks receded, we sought to reverse these actions through trimming our weighting to the perceived tariff safe havens and rebuilding our weighting in ecommerce and advertising.

Along with these actions, we sought to mitigate the relative risk from Select Growth's underweight to the Magnificent Seven. After a period of relative underperformance from this cohort, we expected that a rebound in the share prices of these businesses was increasingly likely, following a series of positive developments. As a result, we added to our four holdings in the Magnificent Seven, funded by trims to businesses whose expected returns had compressed after being perceived as tariff-safe havens.

As part of this investment action, we added to our AI-exposed semiconductor and cloud infrastructure businesses. This action sought to capture the opportunity created by supply chain concerns and fears that the advances of DeepSeek will hinder demand for leading edge chips. These concerns have pressured near term estimates and share prices, while our conviction in long-term AI chip demand continues to strengthen. The most notable positive evolution is that much of the demand is driven by inference—the usage of AI. We are no longer reliant on training spend driven by a speculative “race to artificial general intelligence.” Rather, we are seeing AI usage drive inferencing demand.



#### **AI at Scale: The Forces Shaping the Next Decade**

Senior Research Analyst Daniel Pilling unpacks the global dynamics of model training versus real-time inference, the economics and energy demands of massive compute workloads, and the infrastructure constraints that could determine AI's future scale.

**Watch now.**

In addition to these portfolio adjustments, Select Growth initiated positions in Carvana and Arthur J. Gallagher (AJG). The addition of AJG increases the portfolio's exposure to compounder businesses and serves to mitigate portfolio risk, in our view, given its exposure to an economically insensitive end market (insurance) and ability to pass through inflation-driven price increases. Meanwhile, Carvana continues to execute well, gaining share in the large and fragmented used-car market.

## **PURCHASES**

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**Arthur J. Gallagher** (AJG) is the largest middle-market commercial insurance broker in the United States and the third-largest globally by revenue. The company connects thousands of insurance carriers with small and medium-sized businesses, earning commissions—typically 10 percent to 20 percent—on premiums without assuming underwriting risk. AJG drives growth through acquisitions, consolidating a highly fragmented industry with nearly 40,000 independent brokers in the United States. Its decentralized structure, with 10 regional hubs, enables efficient integration, in our view. The company enhances its profitability by leveraging analytics, workflow automation, and preferential carrier agreements. Recurring demand mitigates the risk to the commercial insurance industry because businesses require coverage regardless of economic conditions, which suits our compounder classification of businesses. AJG has sustained strong financial performance throughout economic cycles. While insurance rate increases are moderating post-pandemic, AJG remains well-positioned for long-term growth, in our view, supported by industry consolidation and technological advancements.

**Carvana** is the world's largest ecommerce used car retailer by revenue. The business seeks to transform the used car industry, which is massive, fragmented, and characterized by a complicated customer experience. Used cars are one of the largest consumer verticals—with over \$1 trillion in annual sales—but only a low single-digit percentage of vehicles is purchased online today. The industry is also highly fragmented, with the current market leader accounting for a roughly 2 percent share. The buying process is often emotional, cumbersome, and anxiety-inducing, which is worsened by low trust in traditional salespeople. Carvana seeks to improve this process through its vertically integrated platform, which provides a radically different experience through convenience, transparency, and competitive prices. Nationwide scale and verticalization also result in attractive unit economics, which we believe will drive strong margin expansion over our investment time horizon. Ultimately, we expect Carvana—by providing a service that is faster, better, and cheaper than brick-and-mortar car dealerships—to consolidate a significant portion of used car sales moving forward as more transactions shift online.

We believe a small weight is appropriate given the wide range of potential outcomes, while also allowing flexibility to add opportunistically if the macroeconomic environment

deteriorates. In our view, the business remains early in its growth curve and stands to benefit from tariffs, as higher new car prices and limited new vehicle supply increase demand for used cars. However, potential second-order effects—such as weaker consumer demand or rising parts inflation—could put pressure on both earnings and valuation. While we believe the likelihood of a downside scenario is lower, the potential impact is greater than for other businesses we own, due to the compounding risks associated with Carvana’s vehicle financing operations.

Carvana is on firmer ground today than during our prior ownership in 2021–2022. It is now the most profitable U.S. car dealer, and solvency concerns have abated. Leverage is in line with traditional dealers, and structural improvements have driven stronger free cash flow generation.

## SALES

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We sold **Uber Technologies** after a holding period of more than five years. After initiating the investment in February 2020, Uber navigated a pandemic-related slowdown and grew bookings by over 150 percent. As the business scaled, our investment thesis played out, with profitability expanding across both the mobility and delivery segments.

More recently, however, the return potential has been tempered by concerns that autonomous vehicles could disrupt ride-hailing. While our research indicates that Uber is well positioned to aggregate supply from multiple autonomous transportation providers, the future of mobility remains highly uncertain. Given the heightened uncertainty, we reallocated capital to higher-conviction opportunities.

## OUTLOOK

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Growth equities now stand 26 percent above their trough in mid-April. Along with improved sentiment following a de-escalation in tariff negotiations, equity market gains were supported by healthy profit growth, led by better-than-expected results from several of the largest market capitalization U.S. growth businesses.

Underpinning this profit growth and market sentiment is the outlook for the trajectory of spending to support the transition to accelerated computing. While the return on this spending continues to receive scrutiny, advances in computing power continue to unlock new capabilities and lower cost models, which further increases demand for compute.

Amid the rapid pace of innovation, data points are emerging which help determine which businesses are best positioned to benefit from AI. Thus far, we have seen businesses use AI to reduce frictions in advertising, improve engagement through personalization, generate cost-saving insights from proprietary data, and reduce costs through efforts in fraud detection, code automation, and content moderation. Meanwhile, we’ve observed others struggle to execute, often faced with the dilemma of how they should adapt their core products as preferences from enterprises and consumers shift.

In this environment, we believe passive strategies are unlikely to position investors to appropriately capture this change. With market concentration near all-time highs, we see potential vulnerabilities among a subset of the index’s largest holdings. Meanwhile, index concentration has also created a vacuum that may limit exposure to the businesses in the “other 493” of the index—or in out-of-benchmark names—that are best positioned to leverage AI to improve the magnitude or duration of their earnings growth.

Our forward-looking approach rooted in fundamental analysis positions us well to capture this opportunity, in our view. Our team of domain experts continues to assess the sustainability of AI infrastructure spending, triangulating signals from the cloud hyperscalers, model providers, and semiconductor value chain. Simultaneously, we are seeking to identify those businesses with frictions that AI may alleviate, to strengthen their competitive positioning and earnings potential.

As our research uncovers new insights, our intent is to remain nimble, positioning portfolios to reflect the businesses we expect to be the leaders in this technology paradigm shift. With this said, it’s important to note our portfolio is not solely reliant on the success of AI. Rather, it remains diversified across businesses directly exposed to demand for AI, businesses we expect to leverage AI to run more efficiently or enhance their products and services, and companies operating in end markets completely detached from AI-related spending.

# Contribution Analysis

## CONTRIBUTION ANALYSIS (NET %)

### Top Absolute Contributors

#### Quarter to Date

Company Name	Average Weight	Return	Contribution
NVIDIA	10.4	45.6	4.6
Microsoft	7.8	32.5	2.5
Netflix	4.1	43.4	1.9
Broadcom	2.9	64.8	1.7
Roblox	2.5	80.3	1.7

#### Trailing 1 Year

Company Name	Average Weight	Return	Contribution
NVIDIA	10.1	27.2	3.5
Sea	3.4	123.2	3.1
Spotify	3.0	136.4	3.1
Netflix	3.1	97.7	2.9
Cloudflare	2.1	135.7	2.4

#### Trailing 3 Year

Company Name	Average Weight	Return	Contribution
NVIDIA	6.8	940.3	22.2
Netflix	3.3	662.4	10.7
Shopify	3.3	265.8	8.5
ServiceNow	6.5	112.8	7.8
Amazon	7.8	103.2	7.2

#### Trailing 5 Year

Company Name	Average Weight	Return	Contribution
NVIDIA	4.1	849.8	21.7
ServiceNow	6.4	151.0	9.1
Microsoft	3.8	97.7	6.4
Netflix	4.5	191.5	6.3
Visa	5.8	87.7	4.7

### Bottom Absolute Contributors

Company Name	Average Weight	Return	Contribution
Atlassian	2.5	-4.5	-0.3
Ultragenyx Pharmaceutical	1.2	0.2	-0.0
Arthur J. Gallagher	2.2	0.3	0.1
Shopify	2.4	20.6	0.1
Visa	3.1	1.3	0.1

Company Name	Average Weight	Return	Contribution
AppLovin	1.6	9.4	-2.1
ASML Holding	1.8	-25.5	-1.5
Dexcom	3.1	-23.7	-1.5
Lam Research	0.5	-28.1	-0.9
Edwards Lifesciences	0.6	-24.0	-0.8

Company Name	Average Weight	Return	Contribution
Match Group	1.2	-54.1	-3.5
AppLovin	0.5	9.2	-2.1
Atlassian	3.7	5.0	-2.0
Charter Communications	0.5	-29.6	-1.1
ASML Holding	1.1	-16.3	-1.0

Company Name	Average Weight	Return	Contribution
Match Group	2.4	-70.6	-5.6
Atlassian	3.3	9.9	-4.4
Block	4.5	-38.1	-3.9
Twilio	1.4	-61.3	-3.5
10X Genomics	0.6	-90.2	-2.8

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](#).

## CARBON EXPOSURE

Select Growth vs. Russell 1000 Growth Index  
Reported June 30, 2025

### Carbon Footprint

	CARBON EMISSIONS	TOTAL CARBON EMISSIONS	CARBON INTENSITY	WTD AVG. CARBON INTENSITY	CARBON EMISSIONS DATA AVAILABILITY
Select Growth	1.6	1,617	18.1	17.2	99%
Russell 1000 Growth	7.8	7,810	54.1	36.5	100%
	tCO <sub>2</sub> e/\$M Invested	tCO <sub>2</sub> e	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	3.4	185.5	6.3
Microsoft	8.7	38.8	3.4
Amazon	8.1	29.7	2.4
Cloudflare	2.4	44.2	1.1
Sea Limited	3.6	21.3	0.8

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.

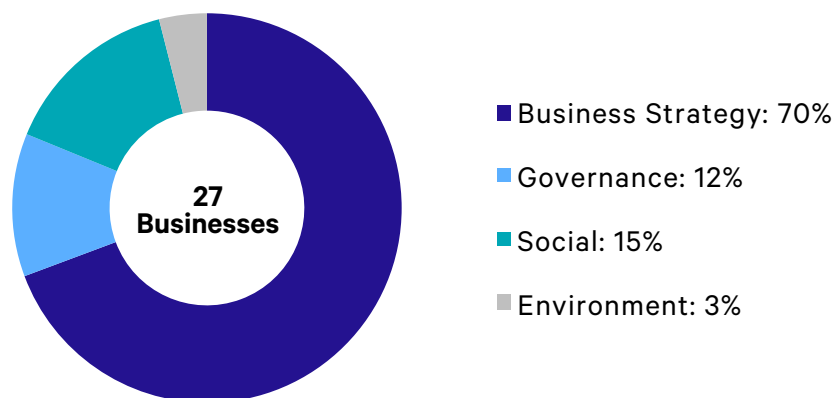
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## VOTING ACTIVITY - TRAILING 12 MONTHS ENDING JUNE 30, 2025

VOTES	BUSINESSES	RESOLUTIONS	%
Cast in Favor of Management	24	346	98%
Cast Against Management	5	7	2%
Abstentions	0	0	0%
		<b>353</b>	<b>100%</b>

## ENGAGEMENT ACTIVITY - TRAILING 12 MONTHS ENDING JUNE 30, 2025



## TOPICS ADDRESSED

### Governance

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

### Social

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

### Environmental

Energy use and efficiency  
Materials use and sourcing  
Environmental policy and strategy  
GHG emissions or climate change strategy  
Water use and efficiency

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.

## ServiceNow



**Business:** ServiceNow is the leading provider of enterprise workflow automation software, based on market share.

**Key issues:** Artificial intelligence governance and regulation.

We recently conducted an engagement with ServiceNow to better understand its governance practices and its approach to mitigating emerging technology risks, particularly around artificial intelligence (AI). The company welcomed the discussion and showed a clear commitment to strengthening its practices across critical areas.

### AI Governance and Risk Management

We devoted significant time to understanding how ServiceNow governs its growing portfolio of AI capabilities. The company shared details about its AI agent control tower, a framework designed to evaluate and monitor every AI use case on its platform. This

includes approval, testing, tracking, and retirement processes. Importantly, ServiceNow is working closely with clients in regulated sectors—including public, healthcare, and financial services—to support the responsible deployment of AI solutions.

The conversation also touched on the potential risks associated with large language models developed outside of its platform. We emphasized the need for visibility into training datasets to help identify operational risks and respond effectively in the event of a breach. ServiceNow's team agreed and underscored the importance of knowing the source of data that trains AI agents.

### Addressing Compliance Lapses in Government Contracting

Our dialogue also addressed governance lapses highlighted by a 2024 Department of Justice probe into one of ServiceNow's U.S. government contracts. The investigation resulted in the resignation of two senior employees. In response, ServiceNow implemented changes to its hiring and vetting protocols and commissioned an independent audit of its public sector compliance program. The company has already adopted nearly all of the audit's recommendations. During our discussion, the company's General Counsel shared a forward-looking objective: to create a compliance system capable of identifying and helping to prevent risky behavior before it escalates.

This engagement enhanced our understanding of how ServiceNow is mitigating risks tied to AI and public sector operations. We believe the company is taking meaningful steps to reinforce its governance practices and will continue to monitor its progress.

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 June 30, 2025, 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		ANN. 3 YR. STD. DEV. (NET)	R1000G		NON-FEE PAYING % OF COMPOSITE	ASSET WGT'D STD. DEV. (GROSS)	FIRMS TOTAL ASSETS (USD \$M)
			NET RETURNS	GROSS RETURNS		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 06/30/2025	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception (2/29/1992)
TEIEC	27.7	14.8	23.7	28.8	9.5	13.8	12.5
R1000G	17.8	6.1	17.2	25.8	18.1	17.0	11.0

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. For periods prior to 2013, gross returns are shown as supplemental information and are stated gross of all fees and transaction costs for bundled fee accounts; net returns are reduced by all fees and transaction costs incurred. 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 40 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.