DSM CAPITAL PARTNERS

US LARGE CAP GROWTH
FIRST QUARTER 2024 INVESTMENT LETTER

April 3, 2024

Performance Review*

During the first quarter of 2024, DSM's US Large Cap Growth Composite increased approximately 15.9% post fee. In comparison, the Russell 1000 Growth total return (including dividends) increased 11.4% and the S&P 500 total return (including dividends) increased 10.6%.

The Composite's outperformance versus the Russell 1000 Growth Index was driven by the very positive performance of NVIDIA along with Microsoft, Amazon.com, Arista Networks and ASML Holdings, each a sizable holding in the portfolio. These premier technology businesses are benefiting from AI trends, as well as long standing growth from Cloud, Internet, software and other services.

Additionally, this year the market's performance, as measured by the S&P 500, has been much broader than in the first quarter of 2023. For example, last year the S&P 500 increased by 7.5% in the first quarter driven by an increase of 45% in the "Magnificent 7" technology stocks (as represented below by the Bloomberg Magnificent 7 Total Return Index), while more speculative securities as represented by the Goldman Sachs Non-Profit Tech Index increased by 18%. This year in the first quarter the Bloomberg Magnificent 7 TR Index increased approximately 17.2% while the Goldman Sachs Non-Profit Tech Index declined (13.1)% and yet the S&P 500 increased by 10.6%.

First Quarter 2023/2024 Returns

	Q1 2023	Q1 2024
RUSSELL 1000 GROWTH INDEX	14.37	11.41
S&P 500 INDEX	7.50	10.56
S&P 500 EQUAL WEIGHTED INDEX	2.91	7.91
GOLDMAN SACHS NON-PROFIT TECH INDEX	18.06	-13.13
BLOOMBERG MAGNIFICENT 7 TR INDEX	45.48	17.15

Source: Blomberg/FactSet

We believe the speculative frenzy created by zero interest rates from the financial crisis in 2008 through the pandemic in 2022, created an artificial pattern of performance across asset classes. Historic equity factor and risk analysis of portfolios remains distorted by zero interest rates and accordingly, we believe such analysis will be a less reliable predictor of performance going forward. That said, we believe zero interest rate speculation may have come to an end during the first half of 2023 based on equity market performance over the past nine months.

The world is moving relentlessly forward inventing, developing and utilizing various technologies across an ever-larger swath of the global economy. From Amazon.com and Meta to NVIDIA and Arista Networks to UBER and Fortinet, the portfolio has broad exposure to dominant internet services, software and hardware companies which are leading the digital transformation. At this time, the portfolio is valued at approximately 27.3x forward twelve months earnings through March 2025, with an underlying earnings growth rate of approximately 21%. Of note, the portfolio is 23.7x 2025 earnings, a valuation which, in our view, will become an important factor during the third quarter. We continue to believe the valuation of the portfolio is quite reasonable, especially with an AI and technology tailwind, and its strong earnings growth provides the opportunity to generate attractive rates of return over the next few years.

Strategy returns are preliminary and unaudited.

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Portfolio Dashboard (as of March 31, 2024)

Portfolio Characteristics			
Calendar 2024 P/E	28.8x	Number of Holdings	27
Calendar 2025 P/E	23.7x	Weighted Avg Market Cap	$1,125 B
Price to Book Ratio	10.1x	LT Debt/Capital	29%
EPS, Forward 3-5 Years	21%	Dividend Yield	0.3%
Active Share	58%	Trailing 12 Month Turnover	33%

Top 10 Holdings	Location	%
NVIDIA Corp	US	12.6
Microsoft Corp	US	12.2
Amazon.com Inc	US	8.9
Alphabet Inc – Cl A	US	7.6
Arista Networks Inc	US	6.7
Intuit Inc	US	4.9
Visa Inc	US	4.2
ASML Holding NV	NL	4.2
Meta Platforms Inc	US	3.9
Fiserv Inc	US	2.9

GICS Sector Weighting	%
Information Technology	55.9
Communication Services	11.5
Financials	11.1
Consumer Discretionary	10.3
Industrials	4.6
Health Care	4.4
Consumer Staples	1.7
Energy	0.0
Materials	0.0
Real Estate/Utilities	0.0

YTD Contributors to Return - Gross (basis points)			
Top 5		Bottom 5	
NVIDIA Corp	+652	Adobe Inc	-65
Amazon.com Inc	+159	EPAM Systems, Inc	-24
Microsoft Corp	+158	Meta Platforms Inc	-9
Arista Networks Inc	+128	Dynatrace, Inc	-6
ASML Holding NV	+105	Paycom Software, Inc	-3

Source: FactSet, DSM

Market Projections, Recessions and S&P 500 Earnings

Last year at this time we pointed out that many economists and market strategists believed that a recession over the coming year was virtually certain, and that an economic downturn would lead to a significant decline in the earnings of the S&P 500. Their conclusions were generally based on the historical patterns of sales and margins of the S&P 500 over previous recessions. However, as can be seen in the exhibit below, today's S&P 500 bears little resemblance to the index of 30 years ago. We had also argued that since the composition of the S&P 500 has changed dramatically over the past 32 years, those forecasting a dire earnings outlook were reaching their conclusions in error by relying on earnings patterns now outdated due to the significant changes in the index.

Market Projections, Recessions and S&P 500 Earnings *cont.*

Top 20 US Companies by Market Cap

1990		2024*	
IBM	$65 B	MICROSOFT CORP	$3,126 B
EXXON	$64 B	APPLE INC	$2,648 B
GENERAL ELECTRIC	$50 B	NVIDIA CORP	$2,259 B
ALTRIA GROUP	$48 B	ALPHABET INC-A	$1,885 B
BRISTOL-MYER SQUIBB	$35 B	AMAZON.COM INC	$1,874 B
MERCK	$35 B	META PLATFORMS-A	$1,238 B
WALMART	$34 B	BERKSHIRE HATH-A	$909 B
AT&T	$33 B	ELI LILLY & CO	$740 B
COCA-COLA	$31 B	BROADCOM INC	$614 B
PROCTER & GAMBLE	$30 B	JPMORGAN CHASE	$577 B
CIGNA	$29 B	VISA INC-CLASS A	$575 B
BELLSOUTH	$26 B	TESLA INC	$560 B
CHEVRON	$26 B	WALMART INC	$485 B
DU PONT	$25 B	EXXON MOBIL CORP	$461 B
JOHNSON & JOHNSON	$24 B	UNITEDHEALTH GRP	$456 B
MOBIL	$24 B	MASTERCARD INC-A	$449 B
VERIZON	$21 B	PROCTER & GAMBLE	$382 B
GENERAL MOTORS	$21 B	JOHNSON&JOHNSON	$381 B
PEPSICO	$20 B	HOME DEPOT INC	$380 B
ATLANTIC RICHFIELD	$20 B	ORACLE CORP	$345 B

Source: Bloomberg

**as of 31 March 2024*

Last year we listed the following variables as drivers that will make today's S&P 500 earnings less economically sensitive in a recession, especially as compared to the S&P 500 of 32 years ago. Importantly, as the US and global economies continue to grow, these same factors should accelerate earnings growth for the S&P 500 this year, and arguably provide upward momentum for the market. In our view, the largest components of the index today:

1) Grow faster
2) Are less cyclical
3) Have less margin risk
4) Face fewer competitors
5) Are less capital intensive
6) Have superior pricing power
7) Benefit from secular technology trends

Consensus earnings expectations for the S&P 500 in 2024 and 2025 are approximately $241 and $272 respectively. With the ten-year US Treasury yielding an historically low 4.2%, a 20x to 22x price/earnings multiple can certainly be justified, which would possibly drive the S&P 500 to a level from $5400 (+4%) to $6000 (+16%) by year-end. To the downside, in a recession, earnings in 2025 could fall to $225, which at 20X depressed earnings might put the market at $4500 (-13%) or lower by January of 2025. In our view, absent a very negative event, the market is more likely to move up than down within the parameters we have described.

Recent Portfolio Transactions

Since our last letter we trimmed the portfolio's positions in Accenture, Adobe, Autodesk, Chipotle Mexican Grill, Intuit and EPAM Systems. Autodesk, Chipotle and Intuit were trimmed on appreciation, while Accenture, Adobe and EPAM were trimmed due to concerns over near term business trends. We used the proceeds generated by these trims to add to our existing positions in Advanced Micro Devices, Arista Networks and Meta Platforms.

Transactions Since January 1, 2024

BUYS	DATE	% CHG
Uber Technologies	Jan-24	1.2
Advanced Micro Dev	Jan-24	2.0
Dynatrace, Inc	Feb-24	0.5
Meta Platforms	Feb-24	1.2

SELLS	DATE	% CHG
Linde PLC	Jan-24	-1.8
Thermo Fisher	Feb-24	-1.0

ADDS	DATE	% CHG
Entegris Inc	Jan-24	0.4
Uber Technologies	Feb-24	1.0
EPAM Systems, Inc	Feb-24	0.5
Advanced Micro Dev	Feb-24	0.5
Meta Platforms	Mar-24	2.9
Arista Networks	Mar-24	1.0
Advanced Micro Dev	Mar-24	0.3

TRIMS	DATE	% CHG
Chipotle Mex Grill	Jan-24	-0.4
Accenture PLC	Jan-24	-1.4
Chipotle Mex Grill	Feb-24	-0.3
Accenture PLC	Feb-24	-1.0
Adobe Inc	Feb-24	-1.7
Accenture PLC	Mar-24	-0.4
Adobe Inc	Mar-24	-0.5
Autodesk Inc	Mar-24	-0.9
Intuit Inc	Mar-24	-0.4
Chipotle Mex Grill	Mar-24	-0.6
EPAM Systems, Inc	Mar-24	-1.3

Global Economic Outlook

We continue to believe global economic growth will reach 2% with US growth a bit higher and European growth slightly lower than the global average. Given the ongoing anti-growth government policies in China there is little to be expected from a Chinese economy that continues to struggle. Importantly, we believe the Federal Reserve (the Fed) and European Central Bank (ECB) both remain focused on reducing inflation, which is critical to the global economic and market outlook.

Until recently, many believed that the size and speed of the central banks' rate increases would result in a recession. While we could not be certain, our view has been that Fed rate hikes from zero to 3% might not prove to be significantly contractionary. After all, historically 3% is an extremely low short-term interest rate. We felt that as short rates approached 5% a negative impact to economic growth might be more likely. However, even then, 5% on the short end of the yield curve may not be a big deterrent to economic growth in a period in which the ten-year bond yields about 4%. In 2023, interest rates moved higher, but they remain historically low when looking over the entire post-WWII period. In our view, this has been the reason for the current "soft" landing

Global Economic Outlook *cont.*

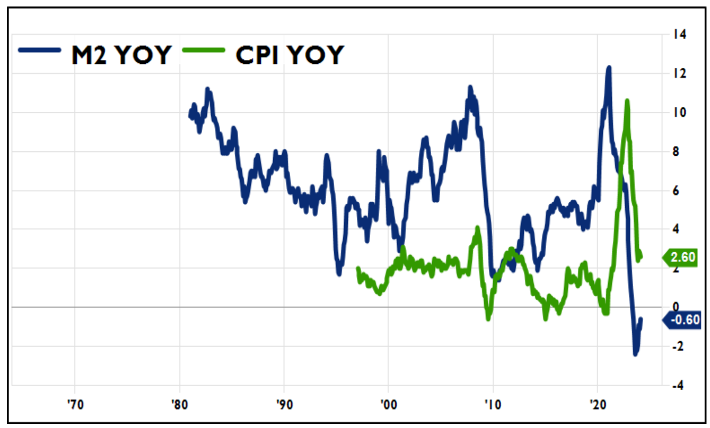
which has thus far surprised the many forecasters expecting a significant slowdown. Falling inflation and economic growth concurrent with rate increases was not in the playbook for most observers. Thus far, we are experiencing a near perfect, mostly unexpected economic outcome.

One year ago, in our first quarter 2023 letter, we stated our belief that the most important factor driving equity and debt markets over the coming year, and perhaps longer, would be the extent and speed of the decline in the rate of inflation in both the US and Europe. Over the past few years, we have often shared our view that money supply drives inflation and inflation drives interest rates. The Fed and ECB have continued to substantially tighten money supply growth (the blue line below) and as a result, inflation (the green line below) appears to have peaked and started its decline.

Money Supply (M2)/CPI YOY Growth

United States

Europe



Source: FactSet

The Fed and ECB began tightening money supply (M2) in early 2021. Since late 2022, year-over-year money supply growth has turned negative, meaning there is less money in circulation now then over a year ago. To our knowledge it is likely that the last time money supply contracted was during the Great Depression of the 1930s, a policy decision most economists believe played a very significant role in the resulting depression which featured falling prices. Accordingly, it is no surprise that today's falling money supply is bringing down inflation in the US and Europe.

While a year ago the discussion centered around how high rates would go, today investors are focused on when rate cuts will begin. In all likelihood, the ECB is possibly on its way to a rate cut over the next three months or so. We believe a US rate cut is possible over that time frame as well. However, if various economic indicators remain strong and rate cuts are delayed and are then fewer/smaller than generally expected, we believe the market is likely to continue to move higher. On the other hand, if the economy softens and rates are lowered sooner, we believe the market may also move higher. In our view, a 4.2% ten-year yield is very low historically and will support a market with a 19x to 22x price/earnings multiple, as long as the intermediate to longer term economic outlook is reasonably positive.

Portfolio and Market Outlook

We have stated in every client letter since October of 2022 that global markets can work higher as investors become more confident that US and EU inflation is on a sustained downward track, which would enable the Fed and ECB to stop raising interest rates. At this point it appears that both central banks are winning the war on inflation and that rate cuts are likely at some point this year, perhaps beginning in the third quarter. Importantly, economic growth remains more robust than investors expected a year ago. While hopes for a soft landing appeared too good to be true when central banks began raising rates, the economy is currently experiencing a nearly perfect scenario of steady growth, full employment and falling inflation.

Decades of technological leadership and entrepreneurship remain the foundation of American economic growth and have been the driver of the US equity market's outperformance versus Europe, Japan and emerging markets. In addition to the mega cap names so well known as the "Magnificent 7", there is an extensive list of many other strong, innovative American technology companies. As the demand for software, networking equipment, semiconductor production equipment, cloud infrastructure, IT services and advanced semiconductor chips increases unrelentingly, we believe an overweight to US equity markets and American technology companies is quite warranted.

We continue to believe that Artificial Intelligence (AI) has likely become the most transformative technological trend since the launch of the internet, cellular communication and networking in the 1990s. Beginning with purchases we made during 2022, we remain focused on companies we believe should benefit from AI/digital transformation themes. In our view, the total portfolio is rationally valued at 27.3x forward four quarter earnings through March of 2025 and 23.7x 2025 earnings. Furthermore, we believe the seventeen technology-related positions in the portfolio*, which are on average valued at 25.7x 2025 earnings with a projected growth rate of roughly 24% (based on DSM's internal calculations) are very attractively priced. Moreover, we believe it is possible that the AI earnings upside in these companies is not fully reflected in their stock prices at this time.

As the economy continues to grow, albeit slowly, and inflation continues to fall, we continue to expect that global markets will trend higher despite well-publicized macro and geopolitical risks. In our view, there are few significant economic risks at this time thereby creating a relatively clear path to equity market appreciation. However, we believe that geopolitical risks emanating primarily from Russia, Iran and China remain elevated and should not be ignored. That said, as we have stated previously, "bull markets climb a wall of worry" and in our view the market's direction remains upward.

**Includes NVDA, MSFT, AMZN, GOOGL, ANET, INTU, ASML, META, ADSK, AMD, ADBE, UBER, FTNT, ENTG, ACN, EPAM, DT.*

* DSM First Quarter 2024 Investor Update - Wednesday, April 24th at 10:30 am (EST) *

For those who would like to participate in the webinar, please use the registration link provided below. After registering, you will receive a confirmation email about joining the webinar.

https://us06web.zoom.us/webinar/register/WN_mZRoiExnSOejhXdxB4gaTw

Please submit your questions in advance via e-mail to questions@dsmcapital.com. DSM's investment team will answer all questions; however, we will not have a facility for "live" questions on the call.

The call is open to DSM clients, prospects, consultants, and representatives. This invitation is intended for the sole use of the recipient. Should you wish to recommend someone whom you believe should be on our invitation list, please contact DSM at clientservices@dsmcapital.com.

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Pursuant to Rule 3a-4 of the Investment Company Act of 1940, as amended, DSM Capital Partners LLC ("DSM") is required to remind you on a quarterly basis to contact us if your financial situation or investment objectives have changed in any way, or if you wish to impose new, or modify existing, restrictions on your account. Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, DSM is required to notify you periodically that you should be receiving, at least quarterly, a statement showing transactions from your custodian, and urge you to compare your custodial statement to the statement from DSM.

The Russell 1000 Growth Total Return Index includes dividends reinvested in the Russell 1000 Growth Index as reported by the FTSE Russell Company. S&P 500 Total Return includes dividends reinvested in the S&P 500 index, as reported by Standard & Poor's. The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. The Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

Portfolio Characteristics, Top Holdings, and Sector Weighting information refers to a representative account and is provided for illustrative purposes only - individual client accounts will vary. Contributors to return represents the holdings that most significantly impacted performance during the measurement period. The securities were selected in a mechanical and objective manner by using a calculation to show their relative impact on overall performance; they were not included or excluded for any other reason. The calculation computes the contribution of each holding by calculating the weight (i.e., percentage of the total account) invested in each holding multiplied by the rate of return for that holding during the measurement period. The result shows each holding's contribution to the overall return during the measurement period without regard to fees or expenses. If fees or expenses were applied, it would cause a detraction from the performance presented. The securities listed does not represent all of the securities purchased, sold, held or recommended or that these reflect current or past holdings for any particular client. You should not assume that the securities identified or discussed are currently held or will be profitable, or that any client account was or will attain the same or similar performance as the securities listed. DSM's standard fee is detailed in its Form ADV.

Weighted average market capitalization represents the average value of the companies held in the portfolio. When that figure is weighted, the impact of each company's capitalization on the overall average is proportional to the total market value of its shares. Price-to-earnings ratio is an equity valuation measure defined as market price per share divided by annual earnings per share. Earnings Per Share is another valuation measure. It is a company's total earnings or net income divided by its shares outstanding. Earnings per share, price to earnings ratios and other valuation models do not guarantee future performance or results. DSM may not be successful in predicting EPS growth or P/E ratios and, as a result, investors may experience losses. The price-to-cash flow ratio is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share. The price-to-sales ratio is calculated by taking a company's market capitalization and divide it by the company's total sales or revenue over the past 12 months. The price to book ratio is used to compare a company's current market value to its book value. Return on Equity is a measure of the profitability of a business in relation to the equity. Long-Term Debt to Capital denotes the weighted average of each security's long-term debt divided by the total capital of the security. Dividend yield is the dividend per share divided by the price per share. Measured in percent, Active Share represents the portion of a portfolio that differs from its benchmark. It is calculated as half the sum of the absolute active weights of all securities in a portfolio. It ranges from 0% for an index-tracking fund to 100% for a portfolio with no overlap with its benchmark. The higher the percentage, the more "active" the manager is. Portfolio turnover is a measure of how frequently assets are bought and sold. DSM's year-end revenue growth projections and earnings growth projections are an average of DSM's quarter-end revenue growth and earnings growth projections for the securities held in the portfolio.

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Please contact DSM at (561) 618-4000 or at operations@dsmcapital.com if we can be of assistance.