Quarterly Factsheet

June 30, 2020

Large Cap Growth Equity

Fundamental-Research-Driven, Bottom-Up Large Cap Growth

Strategy Overview

Firm AUM:	$188.0B
Strategy AUM:	$70.1B
Inception Date:	July 31, 1969
Number of Holdings:	Typically 50-70
Benchmark:	Russell 1000® Growth Index
Available Vehicles:	▪ Institutional Separate Account ▪ Collective Investment Trust ▪ US Mutual Fund ▪ Managed Account ▪ UCITS Fund

Team Members

Portfolio Managers

Average Experience: 39 years

Spiros "Sig" Segalas	Michael Del Balso
Kathleen A. McCarragher	Rebecca Irwin
Blair A. Boyer	Natasha Kuhlkin, CFA

Dedicated Analysts: 12

Average Experience: 22 years

Highlights

- The strategy is based on belief that growth in earnings and cash flows drive share prices over the long term, that excess returns are generated by investing in market-leading companies that create economic value through long-duration competitive advantages
- The investment team seeks to invest in companies with:
  - Unique business models that build sustainable competitive advantages
  - Catalysts that drive long-term growth rates well above that of the market
  - Superior financial characteristics
  - Attractive valuations
- The strategy is high-conviction and benchmark-agnostic
- The experienced research team drives bottom-up stock selection
- The disciplined sell process reflects fundamental and valuation measures
- Risk management is integrated throughout the process
- The Large Cap Growth Equity Composite outperformed the Russell 1000® Growth Index since the index's inception in 1979 (gross and net)

Performance

Performance	YTD	2Q20	1 Year	3 Years	5 Years	10 Years	Since Inception of R1000G	Since Inception of Composite
Large Cap Growth Equity Composite (Gross)	19.2%	34.8%	31.3%	22.9%	17.5%	18.6%	14.2%	12.3%
Large Cap Growth Equity Composite (Net)	19.1	34.7	31.0	22.6	17.2	18.3	13.9	11.9
Russell 1000® Growth Index	9.8	27.8	23.3	19.0	15.9	17.2	11.7	NA

Past performance does not guarantee future results. *Source: Jennison/Mellon Analytical Solutions. NA: Not Applicable. Inception of Large Cap Growth Equity Composite: 7/31/69. Inception of Russell 1000® Growth Index: 1/1/79. Periods greater than one year are annualized. See disclosures for important information.*

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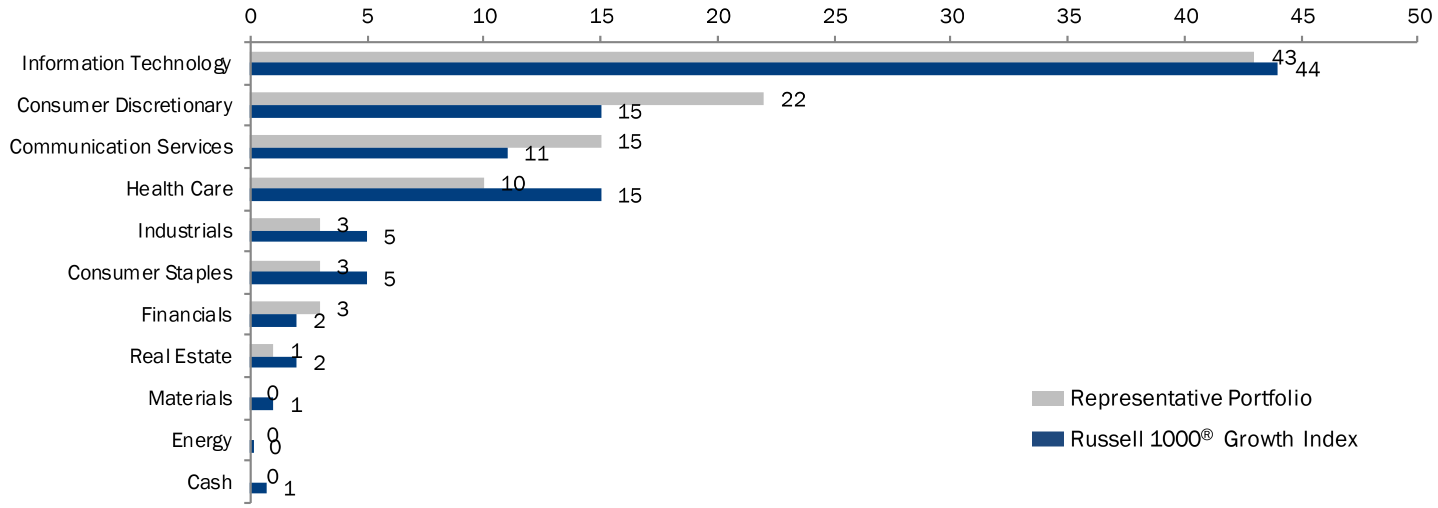
Sector Allocation



Source: Jennison/Mellon Analytical Solutions. Companies within the Utilities sector typically do not possess the fundamental attributes that meet the strategy's requirements for investment. Securities are not held in this sector and are, therefore, not shown. The cash percentage represents cash and cash equivalents. See disclosures for important information.

Equity Characteristics

	Representative Portfolio	Russell 1000® Growth Index	S&P 500® Index
Earnings Per Share Growth 2020E	9%	8%	-36%
Earnings Per Share Growth 2021E	35%	17%	29%
P/E 2020E	44x	32x	30x
P/E 2021E	33x	27x	23x
Weighted Avg. Market Cap	$479.3 bil.	$546.0 bil.	$365.5 bil.
Median Market Cap	$78.3 bil.	$12.6 bil.	$21.5 bil.
Dividend Yield	0.5%	0.9%	1.9%
Number of Holdings	50-70	435	505
Cash Range	<5%	N/A	N/A

Source: Jennison/Mellon Analytical Solutions. Dollar-Weighted Median EPS Growth shown. See disclosures for important information. ***Forecasts are not a reliable indicator of future performance and may not be achieved.***

Largest Holdings

Amazon.com	7.5
Microsoft	6.1
Apple	5.9
Alphabet	4.9
Netflix	4.1
Tesla	4.0
Facebook	3.5
Mastercard	3.3
Adobe	3.2
NVIDIA	3.0
	45.5%

Source: Jennison. See disclosures for important information.

Largest Absolute Impact (2Q20)

	Average Weight	Total Return	Contribution to Return
Top Five			
Amazon.com	7.5%	41%	307%
Tesla	3.3	106	263
Apple	5.1	44	213
Microsoft	6.4	29	194
Shopify	1.7	128	155

	Average Weight	Total Return	Contribution to Return
Bottom Five			
Marriott Int'l	0.0%	-21%	-9%
Kering	1.3	5	-2
Alcon	0.1	1	-1
Carvana	0.0	5	0
Teladoc Health	0.1	15	2

Past performance does not guarantee future results. *Source: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison during the time period shown. A complete list of holdings and how each contributed to the representatives portfolio's return is available upon request. See disclosures for important information.*

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Overview

The Russell 1000® Growth Index rose 27.8% in the quarter. Every sector in the benchmark advanced, but only three – information technology consumer discretionary, and energy (with a near-negligible weight) – outperformed the overall index.

The Jennison Large Cap Growth Equity Composite outperformed the benchmark in the quarter. Representative portfolio holdings in every sector contributed positively to absolute and relative return, with both stock selection and sector weights beneficial across the board. Positions in the portfolio's largest areas – information technology and consumer discretionary – were especially strong performers.

Equities markets rebounded strongly from a precipitous decline in the first quarter triggered by the initial spread of COVID-19, but the pandemic's economic damage continued to accumulate. US first-quarter GDP provided a preliminary gauge of the toll, contracting 5.0%, down sharply from growth of 2.1% in the previous quarter.

The rapid spread of the virus led to lockdowns and stay-at-home orders, bringing economic activity dependent on face-to-face interaction to a virtual standstill. This led to employment losses not seen since the Great Depression – more than 40 million claims for unemployment benefits were filed in less than three months. Unsurprisingly, the travel, leisure, entertainment, and hospitality industries, which require gathering and physical proximity, were among the business sectors hardest hit.

Monetary and fiscal actions sought to contain the economic distress. With "whatever-it-takes" earnestness, the Federal Reserve provided liquidity across all asset classes and credit intermediaries, alleviating solvency issues and ensuring access to capital. Congress passed the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, the largest single fiscal stimulus legislation in US history, providing direct payments to individual households as well as funds to enable small businesses and service industries to maintain their payrolls, hire back laid-off employees, and cover applicable overhead.

Awash in liquidity, equity markets began rebounding unexpectedly and dramatically in late March, just as health care system utilization and fatality rates across the hardest hit regions of the pandemic's first wave hit their peaks. Although economically debilitating, the social-distancing and work-from-home initiatives put in place worked as intended, helping to flatten inflection curves and relieving health care systems pushed to the brink of collapse.

Corporations able to do so moved to capitalize on easing financial conditions, issuing record amounts of public debt at very low nominal interest rates. Less well positioned businesses were left to access loans directly from the government on less favorable terms.

Energy markets regained a semblance of order with prices rebounding from acutely depressed levels as the major producers agreed to cut production despite lingering disputes over market share.

The patchwork of regional experiences and responses to the virus underscored the absence of a coherent national strategy to combat the pandemic, and, even more troubling, reflected partisan divides and an increasing politicization of the crisis. As conditions improved in the original hotspots in the Northeast and Midwest, many states in the South and West, which had had few if any restrictions on crowding and no social-distancing or mask-wearing recommendations, saw alarming rates of infection as the quarter drew to a close. The late-June surge in cases in these regions prompted authorities in some areas to rescind moves to reopen.

Key Contributors

- **Amazon** continues to benefit from economies of scale and its platform-based business model. Through reinvestment in its business, it continues to strengthen its competitive edge. The AWS web services business is an additional driver of revenue and profit. The company's secular growth profile looks even stronger in the current environment, as social-distancing and shelter-in-place directives are drawing renewed attention to the value, utility, and now, resilience, of ecommerce and cloud computing business models. Amazon's first-quarter revenue, reported in April, exceeded consensus forecasts.
- **Tesla** has surged on a host of impressive financial results made possible by solid production, increased capacity, and strong execution. The stock's strong advance reflected continued strong demand with indications that production is back to pre-COVID levels.
- With its huge installed base, **Apple** has been benefiting from rapid growth in service business subscriptions, a key source of recurring revenue. The upcoming product cycle should provide robust revenue and profit growth when it ultimately commences. Apple announced in the quarter that it will begin replacing Intel processors in Mac personal computers with chips designed in-house, potentially enhancing gross margins.

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Key Detractors

- Marriott International was the only security held in the representative portfolio to decline in the quarter. Its "asset light" model of managing properties rather than owning capital assets enhances return on invested capital (ROIC) and free cash flow. We trimmed then eliminated the position on recent lackluster revenue per available room and exposure to the coronavirus's impact on global travel and tourism.

Outlook

A troubling new surge in viral infection rates in several states has led to second thoughts about moving forward with scheduled, phased-in reopenings in the US. Europe and most of Asia have been more successful in containing the spread, while conditions in much of Africa and South America are acute at best.

While strategies for controlling the pandemic's spread are well-documented by science and history, they require will, determination, and a sense of social responsibility, characteristics that have been lacking in portions of the country and globe. Encouraging progress in developing a vaccine has been made, but it will likely be some time before one is approved and widely available for treatment. Ramped-up testing and compliance with social-distancing guidelines seem to be prerequisites for broad economic reopening.

Given the high degree of uncertainty, companies are taking a cautious approach to near-term business planning. Many companies are likewise suspending financial guidance for now with the hope of greater clarity later this year.

Investors and policymakers are wrestling with numerous questions about the days ahead: What are the limits to fiscal stimulus and Fed balance sheet expansion? How quickly can unemployed workers be reabsorbed into a reopening economy? Who will win in the upcoming US elections, and what are the resulting policy implications?

With the crisis several months old now, its primary, and in some cases, secondary effects on economic activity and behavior have become clearer. Consumers have altered their approach to daily life as work from home leads to greater ecommerce engagement, increased demand for food and grocery delivery, rising spending and investment on dwellings, and faster adoption of streaming media, fitness, and entertainment with attendant needs for robust internet infrastructure. The transformation of work is equally notable and starts with the same necessity of robust connectivity. Face-to-face meetings, business travel, and office needs are being re-imagined, giving rise to Zoom, cloud-based telephony, and remote working. The implications are vast.

The second-quarter recovery in equity prices was as swift and dramatic as their decline from February 19 to March 23. Perhaps even more remarkable was the number of stocks that closed at record highs on June 30. The logic in the market's bifurcation between winners and losers in a COVID/post-COVID environment has lifted advantaged companies and industries to records, while beleaguered companies with bleak prospects for recovery have seen equity values atrophy.

We eliminated a small number of companies whose ability to achieve growth objectives over the coming 2-3 years look to be at greater risk. We used the proceeds from these sales to initiate positions in several companies with new or enhanced opportunities stemming from post-COVID changes in personal and business behavior.

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