Quarterly Factsheet

September 30, 2020

JENNISON ASSOCIATES

Financial Services Equity

Unconstrained, high conviction approach across the full spectrum of financial services businesses

Strategy Overview

Firm AUM:	$203.7B
Strategy AUM:	$0.1B
Inception Date:	November 30, 2017
Number of Holdings:	Typically 25-40
Benchmark:	S&P Composite 1500® Financials Index
Available Vehicles:	Institutional Separate Account US Mutual Fund

Team Members

Portfolio Managers

Average Experience: 28 years

Steven A. Gavios

Jonathan M. Shapiro

Andrew M. Tucker, CFA

Highlights

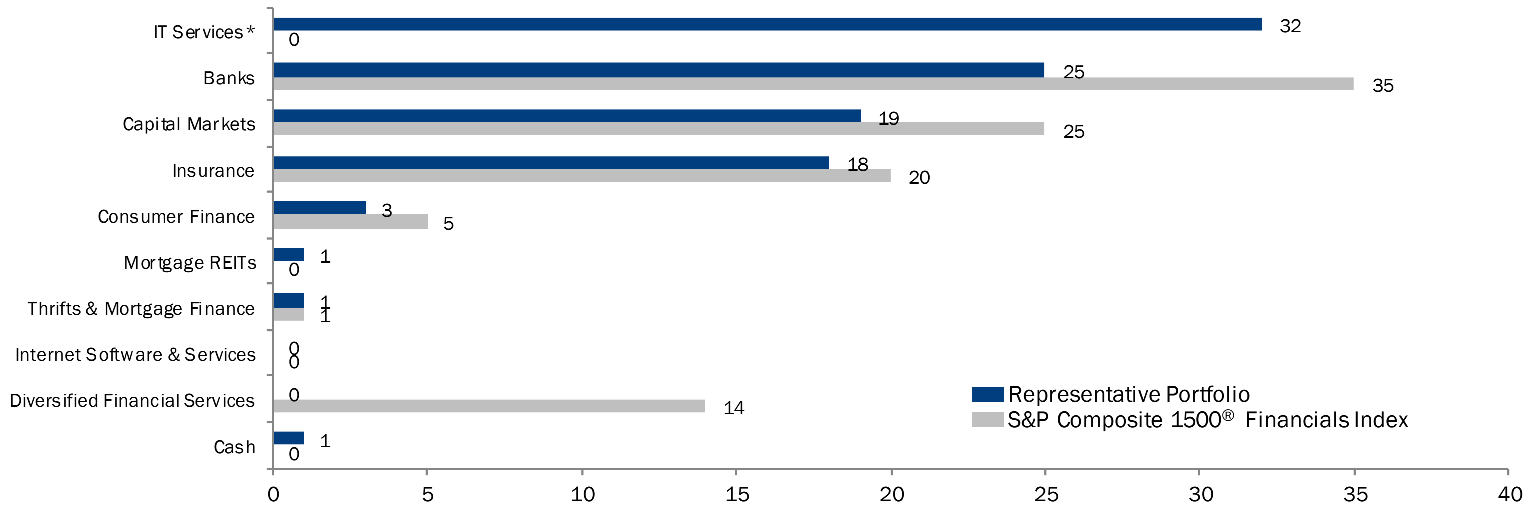
- Our core competitive advantage is our deep, experienced team that oversees approximately $12 billion in financial services equities across the firm
  - Collaborative investment process with expertise across a broad range of financial services business model types
  - Long-term relationships with company managements
  - Idea generation based on unique investment philosophies
- Unconstrained in our approach to finding the highest conviction ideas across the full spectrum of financial services businesses. Proprietary fundamental research drives bottom-up stock selection across:
  - All market caps
  - All styles
  - All industry groups
- High active share, concentrated portfolio with a current bias toward:
  - Differentiated business models with fundamentals inflecting higher
  - High quality management teams with a proven track record of execution
  - Non-traditional industries with long duration growth profiles

Performance

	3Q20	YTD to 9/30/20	1 Year	Since Inception
Financial Services Equity Composite (Gross)	4.7%	-11.2%	-2.5%	1.7%
Financial Services Equity Composite (Net)*	4.6	-11.6	-3.0	1.1
S&P Composite 1500® Financials Index	3.6	-21.1	-13.2	-3.1

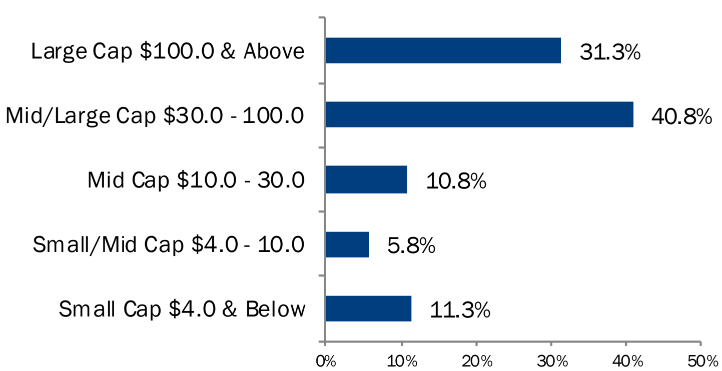
Past performance does not guarantee future results. *Source: Jennison/Mellon Analytical Solutions. *Net of fee performance shown reflects the deduction of a model fee. Due to the inclusion of performance based fee accounts, model net of fee performance presented herein may be higher or lower than the actual net of fee performance of the composite. Model net of fee performance is based on the highest tier of the standard asset-based fee schedule (0.55%). Actual net of fee returns are available upon request and are calculated using estimated performance fee accruals, where applicable, which are subject to change based on the account's performance as of each period end until the actual fees are invoiced. Inception of Financial Services Equity Composite: 11/30/17. Periods greater than one year are annualized. See disclosures for important information.*

Industry Allocation



*Source: FactSet. *IT Services are payment companies/processors. The cash percentage represents cash and cash equivalents. See disclosures for important information.*

Market Capitalization (Billion)



Source: Jennison. See disclosures for important information.

Largest Holdings

Adyen	7.9%
PayPal	7.7
JPMorgan Chase	7.6
Visa	5.7
Goldman Sachs	5.6
Chubb	5.3
Bank of America	5.1
MasterCard	4.9
Citigroup	4.9
S&P Global	3.9
	58.7%

Source: Jennison. See disclosures for important information.

Largest Absolute Impact (3Q20)

Top Five	Average Weight	Total Return	Contribution to Return
Adyen	7.3%	27%	189 bps
PayPal	7.4	13	101
MasterCard	4.7	15	62
KKR	4.4	12	53
S&P Global	3.6	10	34

Bottom Five	Average Weight	Total Return	Contribution to Return
Citigroup	5.2%	-15%	-79 bps
Chubb	5.7	-8	-43
FleetCor Technologies	5.5	-5	-19
Pinnacle Financial Partners	1.0	-15	-16
First Foundation	0.6	-20	-12

***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.*

Overview

In response to the COVID-19 pandemic and the resulting collapse of the global economy, the S&P 500® Index's financial sector continues to lag the overall market and is one of the worse performing sectors. The drastic fall in interest rates and uncertainty around credit quality has affected both fundamentals and market expectations. The volatility in index performance has been extreme, both during the market selloff and subsequent rally off the bottom. The index fell 42% year to date through the market low on March 23, but has rallied over 38% since. Year-to-date the index is down-20% versus the S&P 500® Index's 5.6% gain.

While government action early on in the COVID crisis and the subsequent re-opening of certain parts of the economy have served to mitigate the declines in the sector's performance, there are still too many macro-uncertainties to provide a meaningful outlook for financials over the near- to medium-term.

The Federal Reserve has signaled that interest rates will remain at depressed levels for the foreseeable future and there is still no visibility on sustainable economic growth. While there has been significant progress toward a COVID-19 vaccine, questions remain about timing, accessibility and the potential for a second wave globally before immunization is available. Lingering effects on consumer and business confidence, credit losses and balance sheets serve to cloud the outlook on the timeframe of exiting the recessionary environment.

During the third quarter, the S&P Composite 1500® Financials Index (Index) gained 3.6%; however, this lagged the broader market's return of 8.9%.

The Jennison Financial Services Equity Composite outperformed the index. In the representative portfolio, an out-of-benchmark allocation to IT services was the largest contributor to results. Security selection in capital markets and an underweight to banks were also additive for returns.

On the downside, having no allocation to diversified financial services was the largest detractor from performance. Security selection in insurance was also a headwind for results. Adyen, PayPal, and MasterCard were the largest contributors to results. On the downside, Citigroup, Chubb, and FleetCor Technologies were headwinds for results.

Key Contributors

- **Adyen** is a global digital payments company based in Amsterdam. With its focus on robust technology solutions enabled in part by artificial intelligence, machine learning, and data mining, the company has developed a single, dynamic, reliable, and secure payment platform that supports omni-channel commerce with end-to-end gateway, risk management, and processing services. We believe Adyen's functionality, scalability, and seamless integration create an attractive, distinct, and consolidated platform. Growth opportunities include entrance into new vertical markets and increased share of ecommerce, brick-and-mortar, and midmarket merchant markets.
- **MasterCard** has a strong market position with high barriers to entry, pricing power, and solid operating leverage potential. Increased ecommerce activity and meaningful acceleration in the adoption of contactless payment should provide long-term tailwinds. The company's second-quarter revenue and earnings surpassed forecasts.
- **PayPal** is an outsourced transaction-processing-services company that provides an easily accessible, efficient, and secure method for merchants to receive and consumers to make electronic payments. We believe the company is well positioned to benefit from the growing worldwide e-commerce marketplace and consider its technology a competitive advantage. PayPal is the largest e-commerce payments enabler in the US and many developing countries, and we believe it can deepen and extend its services among global, consumer, and business clients.

Key Detractors

- **Citigroup**'s strong capital levels and diversified geographic mix should help it weather the current environment better than to peers. Furthermore, we believe investors fail to recognize or believe the company's ROE (return on equity) story that is currently underway, and therefore we find the stock attractively valued relative to universal bank peers.
- Switzerland-based commercial and personal property & casualty insurer, **Chubb** declined over the period due primarily to COVID-19 global pandemic losses. We continue to like its industry-leading technology investments, which should benefit both revenues and expenses over time. These enhancements, along with a top management team and broad global platform, should allow it to grow faster than its industry peers.
- **FleetCor** (FLT) provides specific-purpose charge cards (used to purchase fuel and lodging) and payment-processing services for commercial and government trucking fleets and has a rapidly growing mobile payments business in Brazil. The stock's recent weakness reflects disappointing 2Q results as the rate of recovery for FLT's business lines, primarily Corporate Payments, has been much slower than anticipated. We like the company's collection of assets and expect a rebound across businesses as the economy improves.

Outlook

Overall, banks are significantly better-positioned today than they were in 2008-2009 financial crisis across a broad range of balance sheet, capital, and risk management metrics. Valuations remain very attractive, and are approaching their lower historical bounds on a relative and absolute basis. They compare favorably to levels seen post the Global Financial Crisis, despite much stronger company fundamentals; while the argument can be made that the sector is oversold, there is also a lack of near-term catalysts to drive share appreciation.

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Outlook (continued)

Looking forward for the next few years, consensus is expecting rates to stay historically low, the curve to remain flat and potential credit risks to remain across a broad range of bank and insurance company assets. The result is that we can expect continued headwinds working against traditional fundamentals and market sentiment, which will continue to put downward pressure on their P/E's.

Secular growth companies with defensive attributes (low leverage rates, asset light models, sustainable, high margin, and high free cash flow businesses) should continue to fare better in this type of environment. Several digital payment and financial technology companies meet these criteria and have demonstrated superior fundamentals and stock price performance through the COVID-19 crisis especially.

Property & casualty (P&C) insurers fare better in this environment given strong pricing power, while asset-heavy banks and life insurance companies with more interest rate sensitivity could raise the risk profile of a diversified portfolio.

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Disclosures

All data is as of September 30, 2020 unless otherwise noted. Due to rounding, individual values may not sum to total shown.

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