Riverbridge

LARGE CAP GROWTH

Commentary — March 31, 2023

PERFORMANCE (AS OF 03/31/2023)

	1Q 2023	1 Year	3 Year	5 Year	10 Year	Inception
Riverbridge Large Cap Growth (Gross)	**16.68%**	**-9.05%**	**13.27%**	**10.96%**	**12.50%**	**8.38%**
Riverbridge Large Cap Growth (Net)	**16.55%**	**-9.49%**	**12.73%**	**10.43%**	**11.87%**	**7.20%**
Russell 1000® Growth	14.37%	-10.90%	18.58%	13.66%	14.59%	8.17%

Periods greater than one year are annualized. Inception Date: 12/31/1997.

HIGHLIGHTS

- The Russell 1000® Growth rallied in the first quarter, with large and mega caps buoying the market during March's banking turmoil
- Strategy meaningfully outperformed the Russell 1000® Growth, with strong stock selection in Health Care and Information Technology driving relative performance
- Riverbridge's focus on internally financed growth companies positions portfolio well for current economic environment

MARKET COMMENTARY

The equity market posted solid gains in the first quarter of 2023, but the path to that outcome was far from direct. Early in the quarter, equities rallied sharply based upon the release of optimistic macroeconomic data. While some factors remained concerning, others such as low unemployment and continued strength in the service economy supported the "soft landing" theory. Sentiment shifted in the middle of the quarter as the continuation of surprisingly strong macroeconomic data drove expectations for additional and extended interest rate increases. Later in the quarter, the failures of Silicon Valley Bank and Signature Bank, as well as distress at Credit Suisse and First Republic Bank, reminded investors of the importance of stability, quality, and strong balance sheets. During this period, large caps meaningfully outperformed small caps and took over performance leadership for the quarter.

There were several trends from 2022 which reversed in the first quarter. In particular, the multiple compression in growth companies which occurred last year because of higher interest rates appeared to stabilize. Eight of the eleven sectors in the Russell 1000® Growth generated positive returns, led by Information Technology, Communication Services, and Consumer Discretionary. Energy, the top performing sector in 2022, was by far the worst performing sector in the first quarter. Health Care and Utilities also declined.

PERFORMANCE COMMENTARY

The Riverbridge Large Cap Growth strategy comfortably outperformed its primary benchmark, the Russell 1000® Growth, during the first quarter of 2023. The portfolio's return outpaced the benchmark slightly through the first two months of the quarter, and then materially outperformed in March, as well-publicized bank failures caused market participants to seek out investments with less exposure to tightening credit conditions and lower economic sensitivity. Historically, in periods of economic distress when external capital becomes harder to access, Riverbridge strategies have performed well relative to the broader indices.

NEW BUYS

There were no new securities.

FULL SALES

GoDaddy, Inc. Class A

PayPal Holdings, Inc.

CONTRIBUTORS

NVIDIA Corporation

Microsoft Corporation

Salesforce, Inc.

West Pharmaceutical Services, Inc.

Align Technology, Inc.

DETRACTORS

UnitedHealth Group, Inc.

CoStar Group, Inc.

Dollar General Corp

Danaher Corporation

TJX Companies, Inc.

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The strategy's best performing sector on a relative basis was Health Care. Within the Health Care sector, the Riverbridge investment team has traditionally found companies which meet our investment criteria among providers of services, technology, and supplies to hospitals, clinics, and other entities across the care continuum. These companies tend to have more stable and predictable revenue streams relative to medical device manufacturers, pharmaceutical companies, and biotechs, which we are typically underweight.

West Pharmaceutical Services (WST) is a good example and was a strong performer during the quarter. West is the global leader of packaging components and delivery systems for injectable medical products, producing over forty billion components annually. They are widely regarded as the industry leader and often a strategic partner for pharmaceutical and biotech companies around the world. The company experienced a difficult 2022, as COVID-related revenues declined sharply, and experienced challenges as they transitioned machinery for non-COVID products. Those problems are now behind them, however, and the company is executing well above their long-term revenue growth and margin expansion plans.

The portfolio's Information Technology holdings also contributed to relative performance. NVIDIA Corporation (NVDA) surged during the quarter amidst the enthusiasm for ChatGPT and other artificial intelligence applications. NVIDIA's graphics processing units (GPUs) provide the underlying computational power for the massively parallelized processing used in AI. Salesforce, Inc. (CRM) also rebounded from a challenging 2022 thanks to a strong earnings report, management issuing promising margin expansion guidance, and the involvement of several activist investors. Salesforce remains the dominant player in what we believe to be the most important piece of enterprise software, and they continue to expand their addressable market through acquisitions and new product development.

Stock selection in Consumer Discretionary, meanwhile, detracted from relative performance. Though the portfolio holds Tesla (TSLA), it does so at an underweight position against the benchmark. Tesla's stock surged during the first quarter, which detracted from relative performance. Our position in Starbucks (SBUX) also failed to keep pace with the strong performance of the index's Consumer Discretionary constituents. Though the company reported strong comp growth in the United States and most international markets, the continued challenges in China with respect to COVID uncertainty weighed on overall results. Management reported that 1,800 out of 6,000 China stores were closed for some portion of December 2022 due to infections. With that said, Starbucks continues to invest in the mobile experience and expanded delivery capabilities to remain close to its customers and is projecting a more normalized environment as 2023 unfolds.

TRANSACTION COMMENTARY

We sold two portfolio companies during the quarter, GoDaddy (GDDY) and PayPal (PYPL), and increased positions in which we retain higher conviction, namely West Pharmaceutical Services (WST), Paycom (PAYC), and Veeva Systems (VEEV). GoDaddy was used as a source of funds, while PayPal is in the midst of both a leadership transition and a significant restructuring of its business, leaving us with lower conviction in the management team and the opportunity ahead. West, Paycom, and Veeva, on the other hand, are all experiencing strong momentum and continued execution in their core businesses while continuing to make investments into emerging opportunities.

OUTLOOK

The Federal Reserve remains at the forefront of investors' minds. Forecasting the Fed's actions is nearly impossible. At its core, the Fed may feel it needs to continue increasing interest rates to combat inflation; ending their rate hike cycle prematurely risks reigniting inflationary pressures. However, the rapid pace of increases over the past year is primarily responsible for the ongoing banking sector tumult, and the Fed may not desire to exacerbate an already tenuous situation. These competing factors make it exceedingly difficult for the central bank to chart a predictable path forward with respect to interest rates, the size of its balance sheet, and the provision of liquidity to banks.

As our clients are aware, Riverbridge invests only in companies we believe possess the ability to internally finance their growth, meaning they are not forced to borrow money to grow their businesses. This investment discipline is of paramount importance during these types of economic environments. Should borrowing costs remain high and access to capital restricted, we will sleep well at night knowing our companies will be minimally impacted. The same cannot be said for companies that are more economically sensitive, carry significant debt on their balance sheets, or must borrow to finance their operations. In short, internally financed companies control more of their own destiny, which generally reduces investor risk.

While the rest of 2023 remains uncertain from a macro perspective, we are encouraged about the prospects of our portfolio companies. We believe they have abundant opportunities to compound their earnings power without the reliance on debt. Furthermore, should the economic landscape deteriorate, our portfolio companies should be relatively well positioned as they tend to be less economically sensitive.

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LARGE CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	S&P 500® Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	S&P 500® 3-Year Ex-Post Std. Dev.	Composite Assets ($ Millions)	Ttl Firm Assets ($ Millions)	Advisory Only ($Millions)	Ttl Firm Assets & Advisory Only ($Millions)
2022	-12.77	-13.45	-18.11	25	0.23	18.83	20.87	52.0	6,279.5	3,892.8	10,172.3
2021	21.09	20.18	28.71	23	0.41	15.45	17.17	56.0	9,408.0	6,149.6	15,557.6
2020	22.05	21.13	18.40	27	0.51	16.39	18.53	60.0	8,478.1	4,896.5	13,374.6
2019	25.24	24.30	31.49	30	0.37	10.69	11.93	56.8	5,378.3	2,633.2	8,011.5
2018	1.50	0.61	-4.38	28	0.35	10.08	10.80	40.2	4,737.1	1,842.0	6,579.1
2017	19.10	18.12	21.83	27	0.27	8.73	9.92	30.7	5,047.9	1,791.1	6,839.0
2016	16.93	15.99	11.96	32	0.22	9.63	10.59	46.4	4,686.7	1,546.6	6,233.3
2015	-1.42	-2.23	1.38	31	0.19	10.32	10.48	40.3	5,030.8	1,202.4	6,233.2
2014	8.74	7.84	13.69	28	0.44	8.69	8.97	37.3	5,523.2	1,215.6	6,738.8
2013	35.64	34.44	32.39	21	0.66	10.79	11.94	25.4	5,718.3	1,085.7	6,804.0

Firm Information: Riverbridge Partners, LLC is a Minnesota based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The firm provides investment management services to institutional and individual investors. The company offers growth and income oriented investment services which it believes will provide high returns over the long term. The firm's standard fee schedule is an annual 1%.

Composite Characteristics: The Growth & Income Composite was created in January 2003 and its inception date was 12/31/2002. It is a diversified stock portfolio invested in higher yielding medium to large sized growth companies. A complete list and description of all firm composites, including broad and limited distribution pooled funds, is available upon request. The composite benchmark is the S&P 500® Index which was changed from the Russell 1000® Growth in 2010 due to client request. The S&P 500® Index includes 500 industry leading companies measuring the performance of the large-cap U.S. equity universe. The benchmark returns are gross of all fees and taxes. The composite minimum value is $100,000.

Material risks of the strategy include stock market, business and economic development, liquidity, and foreign security risk. Leverage, derivatives, short positions and illiquid investments are not used in the strategy. As with any investment, an investor may lose money, and the strategy can underperform its benchmark. Investment in strategies is not insured by the FDIC or any other government agency.

Calculation Methodology: Individual portfolios are revalued daily starting 1/1/2009. Prior to that, individual portfolios were revalued monthly and intra-month when large cash flows (defined at 10%) occurred. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. Until 12/31/2007, net performance was calculated by applying the maximum annual management fee of 1% to gross performance on a monthly basis. Starting 1/1/2008, net-of-fee returns are calculated net of actual investment management fees. Both gross-of-fee and net-of-fee returns are calculated gross of all withholding taxes on foreign dividends. Accruals are included in calculations. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. Dispersion and Ex-Post standard deviation is calculated using gross-of-fees returns. Policies for valuing investments, calculating performance, and preparing GIPS® Reports are available upon request.

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