Sands Capital Management, LLC — Why We Own

Sands Capital Management is pleased to present its best ideas portfolio of the companies within the Fund that are considered dominant businesses in their respective industries and are believed to have above average potential for growth over the long term.

Note: Information in this report is current as of December 31, 2024. The views expressed represent the opinions of Sands Capital Management and are not intended as a forecast, a guarantee of future results, investment recommendations or an offer to buy or sell any security. There is no assurance that the securities discussed will remain in the portfolio or that securities sold have not been repurchased. You should not assume that any investment is or will be profitable.

Touchstone Sands Capital International Growth Equity Fund	
TPYAX	A Shares
TPYCX	C Shares
TPYYX	Y Shares
TPYIX	INST Shares
TPYRX	R6 Shares

INDUSTRIALS

Addtech is a collection of over 140 niche industrial businesses focused on sustainable, technically complex solutions. Our investment case for Addtech is based on a structural acceleration in organic sales, the company's ability to identify and acquire attractively priced acquisition targets, and the successful integration of those targets into the broader Addtech platform. The company is pivoting toward businesses within faster-growing, sustainability-focused end markets, including batteries, renewables, and recycling, which should organically raise its overall growth profile. Addtech aims to acquire and integrate between 15 and 20 businesses annually, and we estimate that there are enough targets to enable Addtech to do so for at least the next 10 years. Addtech typically targets the market-share leaders in niches that are characterized by low customer pricing sensitivity, given the mission-critical nature of supplied components. The acquisition targets also typically feature low disruption risk, due to their small sizes. Addtech's merger and acquisition platform has over 20 years of integration experience, and its overall decentralized operating nature reduces the integration risk often inherent in M&A-heavy business models.

FINANCIALS

Adyen operates a worldwide payment platform that is a novel piece of commerce infrastructure powering the global internet economy. The company simplifies the operational burden of cross-border transactions by offering a single point of integration for retailers to get paid anywhere in the world, across any channel—effectively serving as a bridge between retailers and payment networks/methods. Cross-border ecommerce is a massive and growing market, and Adyen's platform is a key enabler and accelerant of its growth. We believe the value proposition is clear for retailers—better conversion results in more revenue, and less fraud and increased localization results in lower costs—and Adyen takes a small toll on every transaction. The business' technology—in addition to its regulatory/operational infrastructure and partner ecosystem—provides a wide competitive moat, in our view, which is strengthened by the virtuous cycle of share gains, more data, and better risk decisions and performance. Over our investment horizon, we expect Adyen's commission-based revenue model and largely fixed cost structure will enable it to benefit from growing market volumes while delivering healthy profitability.

CONSUMER STAPLES

Ajinomoto is the world's largest producer of amino acids by market share. Although best known as the creator of monosodium glutamate (MSG), Ajinomoto's amino acids address a variety of use cases beyond seasonings, including IV drips, vitamins, feedstock, semiconductors, and regenerative medicines. Ajinomoto is a strong fit for our criteria, with market leadership, economies of scale, a sticky customer base that designs in Ajinomoto solutions, and low-cost but mission-critical products. Ajinomoto uses its huge library of amino acids science, research and development, and execution ability to create segments with diverse earnings drivers. Ajinomoto Build-up Film (ABF)—an essential material for leading-edge semiconductor manufacturing—is a key driver of Ajinomoto's growth trajectory, in our view. Ajinomoto has a near-monopolistic position in ABF production and should benefit from growing semiconductor demand and the need for more computing power in consumer devices. Over the longer term, biopharmaceutical use cases could provide upside to our growth and margin estimates. Ajinomoto is the global market-share leader in high-end medical-use amino acids, which are critical to growing fields such as gene therapy.

INFORMATION TECHNOLOGY

ASML Holding is the world's largest vendor of semiconductor production equipment by revenue. It is a global market-leading supplier of lithography equipment, which uses concentrated light to imprint circuit patterns onto silicon wafers. Extreme ultraviolet (EUV) lithography systems—a critical manufacturing component for the world's most advanced, or leading-edge, microchips—are ASML's primary product by revenue and what we expect to be its biggest growth driver. EUV systems print the most intricate layers on microchips using a wavelength of just 13.5 nanometers, and ASML is the world's sole provider of this technology. We expect unit and pricing growth of ASML's EUV systems to be driven by the increased manufacturing complexity of semiconductors, given the growing computing power demanded by data centers, connected devices, personal computers, and other use cases. We view ASML as a toll taker on an open-ended growth opportunity, as the proliferation of artificial intelligence drives demand for chips that require ASML's exclusive technology.

FINANCIALS

Bajaj Finance is a leading Indian nonbank financial services company. Over the past decade, Bajaj has leveraged its position as India's largest consumer durables lender to become a diversified provider of financial services for over 70 million customers. We believe the key growth drivers for Bajaj over the medium to long term are 1) growing its customer base and distribution footprint deeper into India, 2) expanding the range of financial products and services it offers, and 3) digitally transforming the business' operations. We view India's financial services industry as one of the most attractive secular growth opportunities globally. The country's massive, young, and increasingly urbanized and affluent population remains underserved relative to other emerging markets. The Indian government has recognized this need and has built a more digitalized financial system to encourage financial inclusion. Bajaj Finance is among the best-positioned businesses, in our view, to benefit from the digitalization of finance in India, given the digital evolution of its business model. Looking ahead, we expect its digital capabilities to continue to drive engagement and distribution across its product suite, which includes payments, personal loans, mortgages, investments, and insurance.

INFORMATION TECHNOLOGY

Constellation Software is a leading acquirer and operator of vertical software businesses. We believe vertical-focused software is structurally attractive, with the potential for high profitability and cash flow generation. Constellation's acquisition-led strategy solves the category's main shortcoming for growth investors: limited runway within a niche. Constellation targets businesses that are typically well-entrenched as mission-critical solutions, serving end-markets that are often too small to attract new entrants. Products are also usually built on vertical-specific knowledge that constitutes a barrier to entry. Constellation runs these businesses for optimal cash flow and redeploys that internally generated cash to acquire more of them, achieving above-average inorganic growth at the portfolio level. Operating this strategy, Constellation has earned a return on invested capital of approximately 30% over the last decade. We believe its decentralized management and acquisition process is scalable and Constellation has enough runway remaining to continue realizing above-average growth and healthy returns on invested capital for years to come.

COMMUNICATION SERVICES

CTS Eventim is the largest event ticketing business in Europe by market share. We see the business as a monopolistic marketplace connecting fragmented buyers and sellers within a secularly growing consumer category (live entertainment), seeded with some first-party inventory (internal concert promotion). Eventim's share is as high as 80% in its core central European markets, sustained by what we view as a competitive advantage built on two-sided network effects. Promoters list their event tickets with Eventim to access consumer demand density and, in turn, Eventim's supply density reinforces its strong consumer position. Live entertainment remains a secular growth category, in our view, driven by both volume and pricing. Demand for live events has demonstrated its durability post-pandemic, and ticket prices continue to rise as promoters look to make up for lost pandemic revenue and to pass on the impact of inflation. In addition to benefiting directly from category growth, Eventim's unit economics should further improve with the ongoing shift to online and mobile tickets.

CONSUMER STAPLES

Dino Polska SA is a leading Polish supermarket chain. We expect Dino to benefit from the continued consolidation and formalization of Poland's retail food industry. The business is the third-largest food retailer in Poland by market share, and it sets itself apart by its rural store footprint, vertical integration, and focus on fresh and locally sourced food. Dino's vertically integrated business model has enabled the business to scale to 2,000 stores across rural Poland while maintaining a consistent customer experience and product quality. For example, our research indicates that Dino's locally sourced fresh meat counter is a key traffic driver and is recognized nationally for its quality and value. The company owns its stores' land and operates its own construction company, which helps avoid delays and quality issues. Land ownership also eliminates rental costs, resulting in higher store operating margins than for its peers. Over our investment horizon, we expect Dino to nearly double its store count, with scale gains gradually improving its overall profitability

CONSUMER DISCRETIONARY

Dollarama is Canada's largest small-box discount retailer by revenue. The company sells general merchandise, consumables, and seasonal/novelty items at prices ranging from $1 to $5. Discount retailing is a resilient growth niche, in our view, given its relative insulation from the economic cycle and from ecommerce disruption. We view Canada's market backdrop as especially appealing, given the lack of competition from large U.S.-based retailers, favorable population growth dynamics, and less income disparity than in the United States, making discount retail formats relevant to more of the population. Within this attractive space, Dollarama features many of what we view as the ideal attributes of other discount models we admire globally, including logistics capabilities, scale buying, low fixed price points, direct sourcing, private label, no-frills store formats, and a "treasure hunt" buyer experience. We expect these attributes to enable Dollarama to grow its share of overall Canadian retail spending while continuing to generate industry-leading margins.

CONSUMER DISCRETIONARY

Ferrari is the iconic producer of high-performance luxury cars. Eighty percent of its revenue is derived from car sales, with the balance attributable to aftermarket parts and service, Formula One revenue sharing, and the company's "lifestyle" business (e.g., merchandise, licensing, etc.). We view the business as a duration grower with limited recession-driven earnings risk, given its focus on high and ultra-high-net-worth customers. Over our investment horizon, we expect steady single-digit volume and pricing growth, with modest margin expansion driven by pricing, mix (e.g., more electric vehicles and special models), and operating leverage at higher production volumes. Ferrari has embraced the transition to electrification, creating several critically acclaimed models that use powertrain electrification to boost driver experience and performance beyond what's possible with internal combustion engines alone. By 2030, Ferrari expects EVs and hybrids to account for more than 50% of its sales volumes. We expect the company to deliver low- to mid-teens annual earnings growth if it can preserve its brand power amid a profitable transition to hybrid and EVs while exerting capital discipline.

CONSUMER DISCRETIONARY

Flutter Entertainment is the world's leading sports-betting and gaming business by revenue. The business operates a multichannel global portfolio of 15 brands in the sports and gaming industries. Our research indicates that iGaming—which includes online sports betting and casino games—is a secular growth industry capable of producing mid-teens annualized growth over the next five years. The United States is the largest growth opportunity, and we believe Flutter's U.S. operation, FanDuel, should primarily drive earnings growth as the industry grows and rationalizes. After four years of investment and expansion in the United States, FanDuel finally became profitable in 2023. We believe this will act as an inflection point for the business' margins, with expanding contributions from the state operations where FanDuel began operating earliest. Importantly, we believe profitability is sustainable and that FanDuel will remain the market leader. High fixed and regulatory costs create significant hurdles for new entrants and Flutter's scale allows it to absorb costs, thus defending margins. We expect Flutter's scale, deep brand portfolio, and product innovation will cement its leadership as sports-betting legalization continues to expand within the United States.

COMMUNICATION SERVICES

Formula One holds exclusive commercial rights to the FIA World Championship, a premier international auto racing league. In our view, the business is essentially a licensing stream on the Formula One brand and is the most direct way to invest in the secular growth of sports rights. Formula One is an extremely durable asset, in our view, with a 70-year track record and more than 400 million fans globally. The business is asset light and highly cash generative, with host cities paying for rights and all infrastructure and operational expenses. Liberty Media acquired the business in 2017 and is in the process of making several operational changes. We view Formula One as an undermonetized asset today. Our investment case hinges on three key improvement opportunities: 1) expanding media rights and fan base monetization to be in line with other sports leagues, 2) growing sponsorship relationships and opportunities, and 3) enhancing the fan experience through rule changes to make races more competitive.

FINANCIALS

HDFC Bank is India's largest private-sector bank, with a customer base of appoximately 40 million. Spanning every Indian geography, HDFC Bank's retail footprint of nearly 5,000 branches has contributed to its leading position in every major retail-lending segment, including auto loans, credit cards, and personal loans. Corporate lending accounts for approximately half of HDFC Bank's loan book, and most loans are made to high-quality blue chip and middle-market companies. Outside of lending activities, the bank is a major distributor and provider of other financial products and services, such as insurance, asset management, and corporate finance. Growth is further supported by what we believe is a secular shift underway in India; while state-owned banks have historically dominated the corporate-lending market, they are becoming increasingly burdened by impaired assets. We expect private-sector banks to double their loan market share at the expense of public-sector banks over the next decade, and believe that HDFC Bank is positioned well to benefit from this shift.

INFORMATION TECHNOLOGY

Hexagon is a leading provider of integrated hardware and software tools that create digital reality solutions. The company's hardware captures the physical world and its software transforms the data into digital formats that can boost efficiency, productivity, quality, and safety. The applicability of Hexagon's tools is widespread, with use cases including manufacturing intelligence, asset lifecycle intelligence, geosystems, autonomous solutions, and safety infrastructure. A growing proportion of its sales is derived from recurring revenue, and its continued transition to more software and services could drive higher recurring revenue and improved earnings quality. Switching costs for Hexagon's solutions are high, further entrenching the company among its customer base. Importantly, its growth relies more on productivity and quality improvements than it does on end-market growth or capacity expansion, which we believe relatively insulates the business from cyclical downturns. Beyond organic growth, M&A activity is another driver for Hexagon, with an average of 10 transactions completed annually from 2014 to 2023.

INDUSTRIALS

IMCD is the world's largest distributor of specialty chemical formulations. The company sells more than 50,000 compounds—from mucoadhesives for nasal sprays to stainproof coatings for sneakers—to over 60,000 customers globally. IMCD assists clients by developing customized formulations, securing supply from manufacturers, mixing chemical inputs into a finished product, handling distribution, and ensuring ongoing customer support via a network of 70 research and development labs across more than 50 countries. IMCD is the market-share leader—at merely 3%—within the highly fragmented $125 billion specialty chemical industry. Beyond organic sales growth underpinned by continued secular demand for specialty chemicals, industry consolidation is another tenet of our investment case. IMCD has completed over 80 acquisitions since 1995, and we expect its continued consolidation of the industry to be a key growth driver. Over the next decade, we expect IMCD's earnings growth to outpace sales growth, with margin expansion driven by cross-selling into newly acquired franchises, growth-led operating leverage, and the increased sale of higher-margin bespoke formulations.

INFORMATION TECHNOLOGY

Keyence is a leading designer of high-end factory automation sensors and sensor systems. Based in Japan, Keyence sells to more than 300,000 customers in over 110 countries through direct sales. The company's products allow businesses to automate their manufacturing processes, resulting in cheaper, faster, and more accurate production. Although automation has historically been limited to the automotive and consumer electronics industries, we expect it will expand to any industry requiring complex processes and/or inspection. This expansion will likely be enabled by next-generation automation technologies, including 3D vision and machine learning. Within this massive and rapidly growing market, Keyence is viewed as a leader, due to its highly trained direct salesforce, diverse product line, innovative R&D efforts, and product quality. We expect the company to maintain its leadership position as it expands into new industries, solutions, and applications over the next decade, resulting in sustained above-average earnings growth.

HEALTH CARE

Lonza is a leading integrated solutions provider to the leading pharmaceutical, biotechnology, and specialty ingredients markets. The Basel-based company is the world's largest contract development and manufacturing organization (CDMO) for both large- and small-molecule drugs, based on market share. Lonza also has leading positions elsewhere in its portfolio, including consumer health and nutrition, where it offers a variety of ingredients for consumer goods (e.g., water sanitizers, nutraceuticals, dandruff agents). Given rising R&D costs, product complexity, and regulation, pharmaceutical and biotechnology companies are increasingly outsourcing non-core activities to CDMOs. We expect Lonza to be a key beneficiary—resulting in sustainable above-average earnings growth—given its end-to-end service capabilities and leading position in the biologics outsourcing market. Longer term, the company's investments in cell and gene therapies could provide additional upside.

CONSUMER DISCRETIONARY

MercadoLibre operates the largest ecommerce and payments platforms in Latin America, based on market share. Ecommerce penetration in Latin America significantly lags other regions, and we expect MercadoLibre to be the primary beneficiary of this secular growth opportunity. The business has built a large lead in the region's five largest countries, and we believe that its proprietary logistics network will further bolster its competitive advantage. Logistics has been the main impediment to ecommerce adoption in Latin America, with unreliable carrier networks and high delivery costs. MercadoLibre has made significant investment since 2017 in its proprietary logistics network to deliver goods more cheaply and more quickly, which has improved the value proposition for both buyers and sellers. Beyond ecommerce, we expect MercadoLibre to leverage its data and user base to enable value-added digital financial services, similar to the leading Chinese internet platforms. In addition to a payment service that facilitates digital transactions, MercadoLibre now offers asset management, credit, insurance, and offline payment processing. We expect meaningful adoption of these opportunities over our investment horizon.

CONSUMER DISCRETIONARY

Pandora is the world's largest jewelry manufacturer by volume. The company has material advantages relative to other jewelry brands, in our view, which stem from its scale and vertical integration. Pandora directly sources, designs, manufactures, and sells most of its products. The company's vertical integration leads to high gross margins and a highly scalable operating model, as new products can be manufactured at existing facilities and sold through the current store footprint with minimal added costs. Manufacturing capacity isn't a constraint; the company is currently expanding capacity by 50% for what amounts to less than 5% of its annual revenue. Jewelry is one of the most fragmented consumer categories but is consolidating around large companies with scale advantages. Meanwhile, the industry continues to grow faster than other consumer categories due to secular trends such as upward mobility and increasing female purchasing power. New leadership, installed in 2019, has set the business on what we view as a new course, with a renewed focus on building the brand, enhancing its marketing, integrating data into decision-making, and implementing better systems and processes.

INDUSTRIALS

Recruit is a leading global human resources (HR) technology business. Headquartered in Japan, Recruit operates through three segments—HR technology, Staffing, and Media & Solutions. The combination of these segments provides the company an advantageous blend of stable, highly profitable businesses with a faster-growing profile, in our view. Within the HR technology segment, Recruit operates Indeed.com (Indeed), the leading search engine for jobs and the primary driver of the company's growth. As the world's largest aggregator of job postings, Indeed is a one-stop-shop for job seekers. Its growing user base attracts recruiters, which then pay to advertise their job postings. As Indeed grows its candidate and recruiter user base, we believe it is creating a flywheel effect that should drive revenue growth and margin expansion. Supporting Indeed's fast-growing business are Recruit's Staffing and Media & Solutions businesses. These businesses generate cash flow, are growing modestly faster than their peers, and are relatively stable given their established positions.

COMMUNICATION SERVICES

Sea is an internet business in Southeast Asia that operates leading platforms for video games, ecommerce, and digital financial services. Sea's core geographic market benefits from several secular trends—including above-average economic growth, young demographics, and low digital adoption levels—that we believe will underpin strong growth for its core businesses. The Garena gaming franchise is the region's top game publisher in terms of revenue and users and is also a leading esports promoter. We expect profits generated from Garena will support Sea's future growth engines of ecommerce (Shopee) and digital financial services (SeaMoney). Shopee is the leading ecommerce platform in Southeast Asia and Taiwan by market share, and is one of the most-downloaded shopping apps globally. We expect continued penetration of retail sales in Southeast Asia, expansion into new geographies such as Latin America, and higher monetization to be key growth drivers. Shopee's integration with SeaMoney—which provides services such as payment processing, installment loans, and seller loans—can further monetize Sea's massive and growing user base.

INFORMATION TECHNOLOGY

Shopify is the leading global ecommerce platform enabling the next generation of retail. Shopify, which is used by merchants in more than 175 countries, is 20 times larger than its next-largest competitor in terms of customers and revenue. The company has built what it calls a retail operating system that provides its merchant customers with tools to manage their everyday businesses, such as distributing marketing materials, designing digital storefronts, accepting payments, managing inventory, fulfilling orders, and providing easy access to financing. These tools are complemented by an ecosystem of more than 30,000 partners, which has enabled even the smallest direct-to-consumer brands to compete with the largest online players. This has helped democratize ecommerce. We believe this novel model has created a powerful "flywheel effect" where Shopify has been able to continually increase sales volumes flowing through the platform, which has enabled rapid platform innovation that attracts more merchants and ultimately increases sales volumes further.

MATERIALS

Sika is the leading global producer of construction chemicals by market share. The Swiss company provides value-added solutions—such as adhesives, industrial coatings, and plastics—to improve infrastructure durability, strength, and safety. These solutions often account for a small percentage of a project's total cost, but provide value and have a high cost of failure. With a global brand, supply chain, and distribution footprint, we believe that Sika is uniquely positioned to benefit from the secular shift toward cheaper, greener, and safer construction. Sika's business is diversified across customer types, geographies, and sales channels. Nearly 40% of sales derive from renovation and refurbishment, which we believe reduces the business' cyclicality. We expect Sika to deliver above-average revenue growth from market share gains and strategic M&A, with margin expansion driven by automation, cost synergies, and scale.

INDUSTRIALS

SMC is the global leader by market share in pneumatic motion control equipment, crucial for robotics and factory automation. As the global labor supply pool shrinks, particularly in China, where the working-age population is expected to decline by 200 million by 2050, we believe automation deployments will continue to grow. We expect this dynamic will drive outsized earnings growth for SMC. With well over 700,000 products, suiting a variety of applications, SMC has become a scale partner of choice by factory automators. Its pneumatic motion control equipment is mission-critical to automation yet relatively inexpensive to overall automation project costs. SMC systems typically represent 5-15% of factory automation costs and are highly complex and specialized. This enables relatively inelastic pricing. While SMC derives nearly 80% of its sales from traditional automation, we expect the business to also benefit from emerging technologies such as collaborative robots and AI, expanding its addressable market over time.

COMMUNICATION SERVICES

Spotify is the world's largest subscription streaming audio service by market share. Recorded music has seen significant distribution shifts—from vinyl to cassette to CDs—over the past 50 years. Today, streaming accounts for the bulk of industry revenue, and we view streaming as the natural end-state, given the consumer value proposition and balance of power between artists and labels. Within streaming, Spotify has outsized market share and user engagement. This has resulted in relatively inelastic demand and, in turn, pricing power. We ultimately view the addressable market as anyone with internet access globally. Unlike with video streaming, consumers tend to subscribe to only a single audio streaming service. Spotify's leadership position has become further entrenched with music labels' growing dependence on streaming revenue. Over our five-year horizon, we expect gross margin improvement from advertising and partnership agreements with labels, with operating margin improvement also driven by cost discipline.

HEALTH CARE

Stevanato is a leading provider of injectable drug containment and delivery solutions to biopharmaceutical manufacturers. Over the past few decades, Stevanato has transformed itself from a domestically focused specialty glassware manufacturer into a global provider of biologic primary packaging solutions. This is an oligopolistic industry characterized by high regulatory, technical, and financial barriers to entry. As the market-share leader in the high-value ready-to-use (RTU) injectables packaging market, Stevanato benefits from several secular tailwinds, including 1) the shift from chemical/oral to biologic/injectable drugs; 2) the uptake of RTU technologies with improved convenience, safety, and regulatory compliance; 3) growing drug complexity driving the need for better efficiency, cost, and speed to market; and 4) the adoption of new biologic drug classes using RTU technology (e.g., obesity, diabetes, mRNA, biosimilars, Alzheimer's). Stevanato is in a capacity expansion cycle that it expects to taper in the coming years, which should help drive sustained margin expansion, free-cash-flow generation, and return on invested capital as capacity utilization increases and its product mix shifts toward high-margin RTU solutions.

INFORMATION TECHNOLOGY

Taiwan Semiconductor is the world's largest outsourced semiconductor foundry for logic chips, based on production capacity. Its customers include vertically integrated original-equipment manufacturers, as well as fabless semiconductor companies that outsource their chip production. TSMC is the only large-scale, customer-dedicated foundry capable of producing leading-edge chips, which are the most advanced chips available in terms of the computing power. We believe TSMC is well positioned within the leading-edge market and poised to take share over the long term due to its high-quality manufacturing process, ongoing investments in innovation, collaborative relationship with a wide ecosystem of partners, and position as the sole foundry at scale that does not compete with its customers by manufacturing its own designs. Furthermore, we believe that TSMC's growth duration is supported by its exposure to what we view as some of the most important technology trends, including the internet of things, 5G, artificial intelligence, and autonomous vehicles.

CONSUMER DISCRETIONARY

Titan is India's largest specialty-jewelry retailer, by store count and market share. The company sells jewelry, watches, and eyewear at branded stores catering to both high-end and mass-market consumers. India's jewelry market is massive—with the country accounting for roughly one-quarter of global gold demand—and remains highly fragmented. We expect organized players to increasingly take share from informal operators, given shifting consumer preferences and growing regulatory pressures. Titan will be a beneficiary, in our view, given its nationwide footprint of over 1,900 stores and its highly visible brand. In addition to Tanishq, India's leading jewelry brand, Titan also owns Sonata, India's best-selling watch brand. Weddings provide an additional growth opportunity for Titan, given the importance of traditional gold jewelry gifting, and the country's young and increasingly wealthy population.

INDUSTRIALS

VAT Group is the dominant provider of vacuum valves for semiconductor and industrial manufacturing processes. It has over 70% market share and is the sole supplier to the top three semiconductor manufacturers. Vacuum valves are a mission-critical component of the semiconductor manufacturing process as they control the flow of gas onto wafers, and tend to be specifically designed into new manufacturing equipment. In addition to the economies of scale enabled by VAT's global capabilities, the company also possesses the industry's largest research and development (R&D) team. As manufacturing processes become more sophisticated, we believe R&D capabilities will become even more important, which should further entrench VAT's existing leadership position. We expect continued strong demand for memory and logic chips and for semi-equipment manufacturing tools as emerging technology trends proliferate and as chip complexity continues to increase.

INDUSTRIALS

WEG is one of the world's largest manufacturers of electric equipment. The Brazil-based business' vision is to provide complete and efficient solutions for the entire electrification value chain, from power generation to consumption. The business is highly diversified, with over half of its revenue derived outside Brazil. Its product base spans industrial equipment, green energy, commercial motors, and paints/varnishes. Demand for WEG's products is underpinned by several secular trends—including energy efficiency, electric mobility, and industry automation—and its diversification across geographies and end markets should continue to enable durable growth. Vertical integration is a key competitive advantage, in our view, driving cost advantages and quality control. Its brand reputation and maintenance network are also key selling points. Historically, 50% of WEG's sales came from products that didn't exist five years earlier, and we expect continued innovation across a diversified product and customer base will continue to drive sustainable, above-average growth over the next decade.

CONSUMER DISCRETIONARY

zalando

Zalando is the largest ecommerce apparel retailer in Europe, based on market share. The company focuses on selling full-priced, in-season merchandise from leading apparel brands, and operates in 23 countries. We believe that apparel shopping will continue to move online in Europe, and that Zalando will be the primary beneficiary. The company is increasingly focused on building its Partner Program, which provides a marketplace for partnering brands, and includes services such as analytics, logistics, and marketing. The Partner Program, which currently has several thousand leading brands, should allow Zalando to access a broader assortment of merchandise from brands in an inventory-light manner, increasing consumer selection. As the leading online apparel retailer in Europe, Zalando can provide value added services such as fulfillment and marketing to its brand partners and as these scale, we expect margins will expand. The combination of broad product assortment offered via the Partner Program and a robust fulfillment footprint that allows for fast and efficient delivery to consumers has solidified Zalando's status as the go-to online apparel mall for European consumers.