AMI Large Cap Growth Equity Quarterly Update

Growth Through Stability

Q4 ▪ 2024

Strategy Overview

In Q4, the AMI Large Cap Growth strategy returned 2.94% (2.69% on a net basis) versus the S&P 500 index which returned 2.41%. Stock selection was the driver of relative performance, with asset allocation a drag on performance. Outperforming stock picks in Health Care and Information Technology were partially offset by underperforming picks in Consumer Staples and Consumer Discretionary. Being overweight Health Care and Consumer Staples was a headwind to performance, which was partially offset by being underweight Real Estate, Utilities, and Energy.

As seen in the table below, the top contributors to Q4 were Netflix, Broadcom, Salesforce, Amazon.com, and Alphabet. The bottom contributors to Q4 were Constellation Brands, Adobe, Ball Corp, Eli Lilly, and Zoetis.

Top Contributors in Q4		
Company	**Avg. Weight**	**Contribution**
Netflix	3.83%	0.87%
Broadcom	2.49%	0.79%
Salesforce	4.01%	0.79%
Amazon	4.54%	0.74%
Alphabet	5.14%	0.69%

**Please see last page for important disclosures.

Bottom Contributors in Q4		
Company	**Avg. Weight**	**Contribution**
Constellation Brands	2.10%	-0.32%
Adobe	2.29%	-0.33%
Ball Corp.	1.74%	-0.36%
Eli Lilly	3.08%	-0.43%
Zoetis	3.28%	-0.60%

**Please see last page for important disclosures.

Top Contributors

Netflix delivered a strong Q4 performance, exceeding subscriber growth estimates and improving key financial metrics. The company added 5.1 million paid subscribers, driven by its growing ad-supported tiers and effective pricing strategies, boosting total memberships to nearly 283 million. Average revenue per member rose 5%, and operating margins climbed to 30%, reflecting better profitability. With a robust content slate for FY25, including live sports and ongoing ad business momentum, Netflix expects further growth in both membership and revenue.

Broadcom delivered a strong quarter, driven by surging AI-related revenues, which grew 220% for the year, and consistent performance across its semiconductor and infrastructure software businesses. The company's Q1 guidance indicates continued growth, with AI demand expected to remain robust and non-AI revenues showing signs of stabilization. The sharp rise in the stock occurred when CEO Hock Tan highlighted the long-term opportunity in custom AI chips, projecting a $60B-$90B market by 2027, where Broadcom is poised to secure a leading share. Strong cash flow supported an 11% dividend hike, and VMware's performance added further stability to the overall business, balancing the unevenness in non-AI segments.

Salesforce's stock rose on growing excitement around its new AI initiative, Agentforce (autonomous AI agents or bots which can streamline certain business processes), which management highlighted as a major future growth driver. While the quarter showed steady or accelerating growth across core business lines and improving margins, the market is particularly bullish on Agentforce's potential to transform customer service operations using AI. Management noted a robust pipeline for this offering, underscoring the early success of their AI investments. With raised cash flow guidance and ongoing momentum in AI-driven products, Salesforce is positioning itself well for sustained long-term growth.

Amazon's stock gained on strong Q3 results, driven by improving profitability and optimism around its AI investments, particularly in AWS which serves the cloud and AI computing areas. The cloud segment grew 19%, matching estimates, with notable improvement in operating margins, which boosted overall operating income and free cash flow. Investors were also encouraged by the upbeat Q4 guidance and efficient cost management. Beyond AWS, Amazon saw healthy gains across subscription services, advertising, and Prime Day success, while its popular Thursday Night Football broadcasts are further driving engagement and subscription growth.

Alphabet (Google) delivered a strong quarter, easing concerns about AI-driven share loss in Search and rising costs at hyperscalers given investments in AI. Search and YouTube both exceeded expectations, while Google Cloud saw a massive 35% revenue acceleration with significant margin improvement. Notably, the company highlighted that its Gemini AI infrastructure has drastically lowered the cost per query by over 80%, addressing investor worries about the cost of AI. This operational efficiency, combined with strong advertising growth and improving Cloud profitability, drove meaningful margin expansion across the business, reinforcing confidence in Alphabet's AI strategy and future growth trajectory.

Bottom Contributors

Constellation Brands reported a decent quarter in early October, with Beer depletions accelerating following a category slowdown over the summer. However, the stock came under pressure following the election due to the prospect of tariffs on products imported from Mexico, where Constellation brews its entire beer portfolio. There are multiple ways for Constellation to mitigate any tariffs should they occur, and we also believe that the company could be granted a tariff waiver, given they are legally required to brew in Mexico and didn't move production out of the United States for cost reasons.

Pinterest's Q2 earnings and revenue exceeded estimates, showing solid user growth across all regions. However, the stock lagged following Q3 guidance, which indicated a slight growth slowdown compared to Q2, partly due to tough comparisons and the ramp-up of new ad tools and partnerships. Despite this, we remain optimistic about the company's prospects, as it boasts best-in-class user growth while starting to monetize more of its platform and expanding margins.

Adobe's stock dipped as its FY25 outlook disappointed investors hoping for a stronger boost from AI-driven products. While the quarter itself was solid — with Digital Media revenue up 12% and ARR growth above guidance — the 8-9% top-line growth forecast fell short of expectations. Management highlighted new user and product growth as key drivers, but the slower pace suggests that generative AI adoption hasn't provided the expected tailwind. There is also concern about potential share loss in the non-professional segment as new entrants emerge, creating a disconnect between management's AI excitement and actual growth rates. While margins remain healthy and some conservatism is likely baked into the guide, investors want clearer signs of AI-driven momentum to reignite enthusiasm.

Ball Corp. has been battling the softness in aluminum beverage can volume driven by lower carbonated soft drink and beer sales. Aluminum container companies scaled their businesses too rapidly during the pandemic and as the stay-home restrictions eased, demand fell. The company has also faced headwinds from the abrupt sale of its profitable business in Russia after the invasion of Ukraine, and the boycott of Bud Light. Since then, Ball, like most other container manufacturers, downsized its business and took steps to improve its operations. However, some dark clouds began forming on the horizon with RFK weighing on Americans' dietary choices, weakness in the Brazilian economy, and aluminum prices inflecting upwards. The sum of it casts some doubt on management's ability to deliver their long-term targets. We will continue to watch it closely.

Eli Lilly reported a disappointing Q3 despite growing revenue 20% as distributors adjusted inventories of Mounjaro/Zepbound now that supply has finally caught up to demand. Management also lowered the top end of FY24 revenue guidance. Mounjaro/Zepbound have been the primary drivers of growth throughout 2024 which is expected to continue, so any weakness will be disappointing. However, we believe this is a temporary issue associated with the supply chain shortages finally resolving and we believe growth will resume in 2025 as weight loss drugs have just scratched the surface of a huge market opportunity.

Zoetis' Q3 was good but concerns over its new osteoarthritis drug for dogs popped up again in Q4. Librela for dogs is expected to be a nice growth driver in 2025 as there are no good drug treatments for osteoarthritis. However, there were reports earlier in 2024 that the drug caused excess deaths in dogs, raising concerns over the competitiveness of Librela. These concerns popped up again in Q4 after reports of dog deaths and this weighed on the stock. Management pointed out that these are typically older dogs with other health issues, however, this growth contributor to 2025 is at higher risk. Nevertheless, Zoetis is well diversified, and we believe investors are too focused on one product.

Portfolio Additions & Deletions

In Q4, we added Taiwan Semiconductor.

TSMC is the leader in advanced semiconductor manufacturing, playing a critical role in powering AI innovation. As one of the only foundries capable of producing cutting-edge chips at 3nm and beyond, it remains the main supplier for NVIDIA's high-performance AI chips and a key partner for major players like Apple. With demand for AI, IoT, and electric vehicles surging, TSMC's technological leadership makes it the go-to fab for the most advanced semiconductors. The company is investing heavily in expanding capacity and building new fabs in the U.S. and Europe to meet demand, reinforcing its dominance in the global supply chain for next-generation chips.

Disclosures

* Performance Disclosures: AMI Asset Management (AMI) is an independent investment management firm registered with the Securities and Exchange Commission since 1994. Registration does not imply a certain level of skill or training. AMI provides discretionary asset management services to institutional and individual clients through separately managed accounts using seven equity and fixed income strategies. The Domestic Large Cap Growth Composite includes all fully discretionary, fee-paying and non-fee-paying, taxable and nontaxable households with at least $400,000 in equities on the last day of the previous quarter. Beginning January 1, 2006, the composite was constructed using client households, as defined, whereas previously the composite was constructed at the account level. The composite was modified beginning January 1, 2006, to reflect the increase in our minimum equity balance per household from $100,000 to $400,000. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns are presented before management fees but after all trading expenses. Net returns are calculated by deducting 1/4th of the highest applicable annual fee of 1.00% from the gross composite returns on a quarterly basis. Clients should not assume that managed accounts will attain similar investment performance in the future. All accounts are individually managed; therefore, returns for separate accounts may be higher or lower than the average performance stated above. The benchmarks we use are the Standard & Poor's 500® Total Return and the Russell 1000® Growth Index. The Standard & Poor's 500® Total Return is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. It includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500® Total Return focuses on the large cap segment of the market with over 80% coverage of U.S. equities. The Russell 1000® Growth Index measures the large-capitalization growth sector of the U.S. equity market. It is a subset of the Russell 1000® Index. The Index is capitalization-weighted and consists of those companies, or portion of a company, with higher price-to-book ratios and higher forecasted growth within the Russell 1000® Index. Index performance is provided as a point of reference only and does not imply that a Strategy will achieve returns, volatility, or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns. Indices are unmanaged, and one cannot invest directly in an index.

** Source: AMI and Bloomberg. The top five and bottom five contributors information is based on a representative account taken from the AMI Large Cap Growth composite. The representative account was selected because it closely reflects the AMI Large Cap Growth investment strategy. Due to factors such as portfolio size, specific investment guidelines and inception dates of individual accounts, there will be dispersion between the weight, returns, and contributions of this account and other accounts in the composite. The Contribution is calculated by multiplying the weight (i.e., percentage of the total account) invested in each holding times the rate of return for that holding during the measurement period. The holdings identified do not represent all of the securities purchased, sold or recommended for AMI's clients. Actual client holdings and characteristics may vary and holdings are subject to change. The reader should not assume that (1) an investment in the securities identified was or will be profitable or (2) that the AMI Large Cap Growth Strategy will hold these stocks in the future. References to specific securities are not intended as representative of past recommendations by AMI. The securities shown should not be considered recommendations or solicitations and may not have been, or in the future be, profitable. Nothing presented herein is or is intended to constitute investment advice, and no investment decision should be made based on any information provided herein. Past performance is not an indication of future returns. There is a risk of loss from an investment in securities, including the risk of loss of principal.

To obtain free of charge (1) a complete list of composite descriptions, (2) the calculation's methodology and a list showing every holding's contribution to the overall account's performance during the measurement period, and/or (3) a complete list of all buy and sell recommendations for this strategy within the last 12 months, please contact Katharine Kim at (424) 320-4003 or katharine@amiassetmanagement.com.

AMI
ASSET MANAGEMENT