

The **Davenport Core Leaders Portfolio** seeks to invest in industry leading companies with wide competitive moats and above average growth prospects. At the heart of our investment process is a fundamental commitment towards research that is focused on maximizing performance while minimizing downside risk. Although our efforts are built upon a bottom-up investment approach, our framework also incorporates identifying themes that are represented in durable growth engines that we believe can power growth over the long-term. Thematic investing involves identifying companies benefiting from transformative change across industries that have potential to drive above average secular growth.



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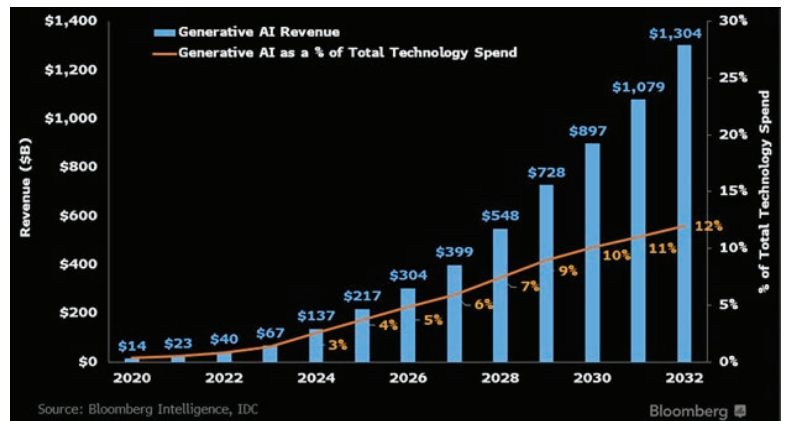
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Below, we identify the durable growth engines present in the Davenport Core Leaders Portfolio, and dive into the details on our reasoning behind why we feel these themes will be durable in the long-term.

1. Artificial Intelligence (AI):

The share of overall technology spending allocated to generative AI is expected to increase from less than 1% today to about 12% by 2032 per Bloomberg estimates. This growth should come as AI platforms are integrated across the broader technology industry’s hardware and software spending. Revenue from Generative AI platforms is projected to reach \$1.3 trillion by 2032, growing at a 42% compound annual growth rate (CAGR) through the time frame as seen in the chart to the right.

Growth of Generative AI Revenue Potential, 2020-2032

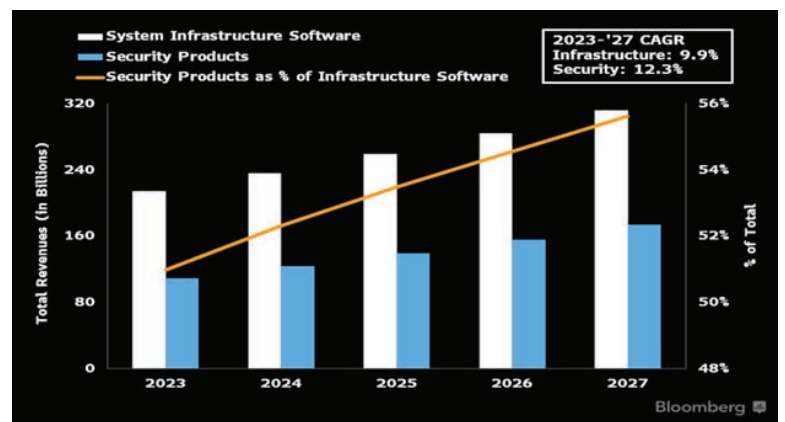


Source: Bloomberg Index Services Limited.

2. Cybersecurity:

The secular growth opportunity in Cybersecurity appears robust as the threat environment expands fueled by factors ranging from the pace of technology advancements to geopolitics. As companies have transitioned workloads to the cloud, the need for robust security has expanded under frequent assault from ever changing and evolving threats. This dynamic was accelerated through the pandemic as did the scale of cyber-attacks. Bloomberg estimates that overall security spending could approach \$320 billion by 2027 with increased cloud security adoption. The chart to the right demonstrates how security spending appears poised to become a larger portion of technology spending in coming years.

Growth of Security Products Spending Potential, 2023-2027

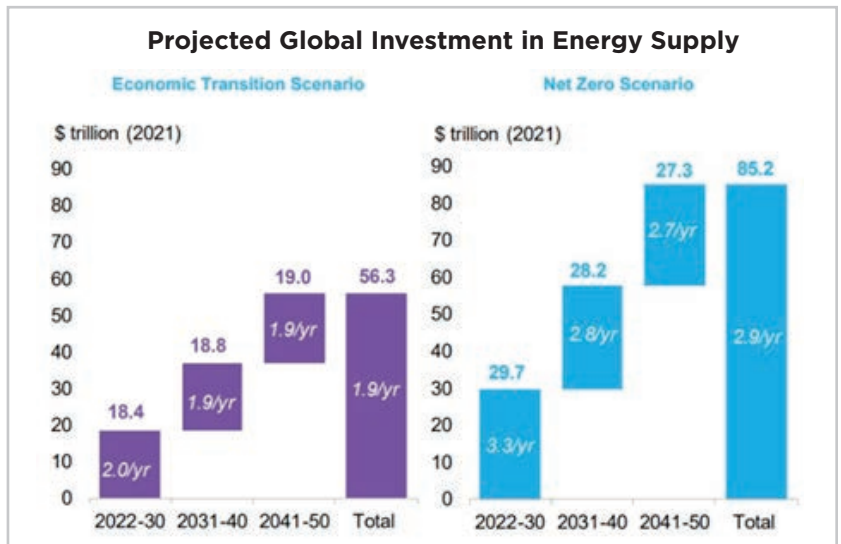


Source: Bloomberg Index Services Limited.

3. Clean Energy Transition:

The desire to de-carbonize and achieve a low-carbon global economy is fueling the clean energy transition and driving emerging spending in new infrastructure. With the rise of clean energy and efforts to reduce carbon emissions, infrastructure centered on lower emissions that are powered by green energy, including green hydrogen, appear positioned for significant secular growth. Companies with a focus on sustainable development and low carbon energy sources should see tailwinds from global infrastructure investments that increase commitment the clean energy transition.

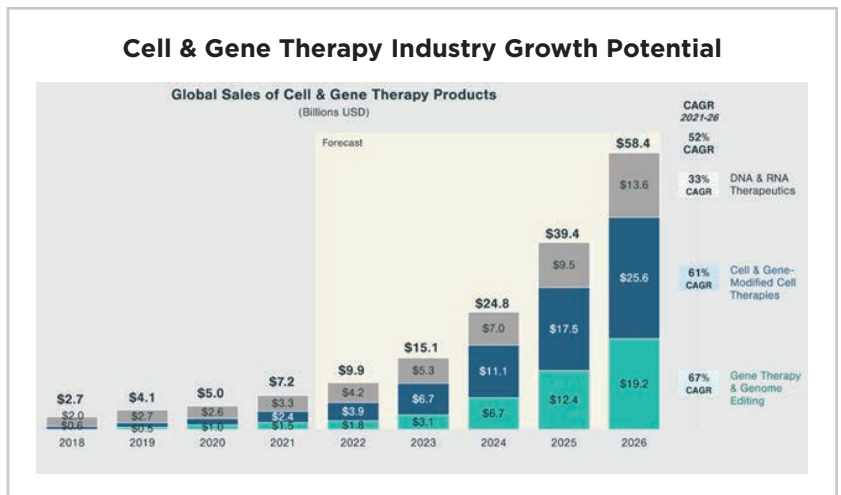
The projected global investment in energy supply to achieve Net Zero emissions by 2050 amounts to \$85.2 trillion, or \$3 trillion annually, per Bloomberg. The global infrastructure investment is supported by corporate demand for de-carbonization and cost effective sustainability, as well as the 2022 Inflation Reduction Act, which incentivizes clean energy investments.



Source: BloombergNEF. Note: The numbers inside the bars show the annual investment in each decade. The numbers above the bars show the total investment in each decade.

4. Cell & Gene Therapy:

Healthcare innovation in drug development includes the highly specialized area of biotechnology where firms are creating cell and gene therapies to address a wide range of diseases. The utilization of next generation technologies that can edit and modulate genes can allow for targeted therapies providing potential cures to previously incurable diseases. The significant growth potential ahead for the cell & gene therapy industry is presented in the chart to the right.



Source: Kx analysis of Evaluate Pharma

New growth themes often coincide with inflection points that can present opportunities as they are often underestimated or misunderstood by the investment community. We believe that in the long-term, as companies deliver on results and grow above expectations, investment performance through multiple expansion and higher returns on capital can be achieved.

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