



## Sands Capital Management LLC

- Manages **global shares** for MLC, since 2009
- Manages a total of \$17 billion, across the company, as of 30 June 2011
- 19-year track record of growth investing
- Based in Arlington, Virginia, USA

Sands Capital's basic philosophy is that over time common stock prices will reflect the earnings power and growth of the underlying businesses.

## Why has MLC chosen Sands Capital?

MLC has chosen Sands Capital because of their disciplined investment philosophy which is focused on finding businesses with sustained, high growth. The cornerstone of their investment strategy is their proprietary research: fundamental, bottom-up, and business-focused. Attribution analysis on their historical track record confirms that security selection driven by their proprietary research has been a significant source of alpha.

This manager's approach can result in more volatile short-term performance. Their market relative performance is expected to be strongest in rising markets. Sands Capital will typically hold around 30-50 stocks in their MLC portfolio and turnover is expected to be low.

Sands Capital Management is an independent, staff-owned firm.

## Philosophy on investing

Their seasoned approach to investing is based upon a belief that over time common stock prices will reflect the earnings power and growth of the underlying businesses. Key characteristics of their fundamental, bottom-up investment approach are: the identification of leading "wealth-creating" businesses, a concentration in their best ideas, and a long-term investment horizon.

As long-term growth investors, Sands Capital believes that wealth creation occurs over time. They seek to own businesses that meet the following six criteria:

1. *Sustainable* above-average earnings growth
2. Leadership position in a promising business space
3. Significant competitive advantages / unique business franchise
4. Clear mission and value-added focus
5. Financial strength
6. Rational valuation relative to the market and business prospects



## Investment process

Fundamental, bottom-up, company-focused research is at the heart of Sands Capital's investment process. All research analyses and conclusions are internally generated using a variety of internal and external data sources. At the core of the Sands Capital research process is the group of eight senior investment professionals. This group is part of and supported by a broader 27-member Investment Team that includes ten Research Analysts and nine Research Associates.

In terms of implementation, investment research originates at the Sector Team level. The six covered sectors are Consumer, Energy, Financial Services, Health Care, Industrials & Communications, and Media & Technology. Each of these Sector Teams is comprised of the sector head plus 2-4 additional research team members with varying research responsibilities. This structure enables vital initial "vetting" conversations to occur in a small group setting, amongst individuals most familiar with the sector's industries and businesses. Once an idea is fully vetted at the Sector Team level it is elevated to the Global Growth Portfolio Management Team, where a final vetting process occurs and an investment decision is made.

Seven qualitative success factors are used to identify the true leader(s) within the most promising sector(s):

1. Creating growth drivers: new products/services and entering new markets
2. Developing and anticipating important industry trends
3. Creating competitive barriers
4. Gaining market share
5. Building financial muscle to weather adverse periods & fund new opportunities
6. Displaying superior management ability
7. Applying technology to add value

The Sector Teams use a variety of sources to make these assessments, including company financial reports, government filings, published reports from industry experts, non-published Sands Capital commissioned reports from industry experts, and direct contact with company managements, suppliers, customers, and industry observers. The entire vetting process can last from several weeks to several months, during which additional questions are asked and answered (if possible), and additional information is gathered. When all key issues have been addressed and resolved, and the business is deemed to successfully meet the six key criteria, the case for potential investment is presented to the Global Growth Portfolio Management Team, where a final determination is made as to portfolio holdings. This double layer of vetting results in more pointed and focused discussions on the merits of the business.

## Portfolio overview

The Sands Capital Global Growth Portfolio is a concentrated, long-only portfolio with the following characteristics:

- No. of Holdings:** This focused portfolio consists of 30-50 businesses.
- Benchmark:** For performance comparison purposes, the benchmark is the MSCI All Country World Index ("ACWI")
- Country Exposure:** Country exposure is a by-product of Sands Capital's fundamental, bottom-up investment process that focuses on owning great businesses independent of where they might be located. Country exposure is viewed primarily by the country of revenue generation. Given Sands Capital's growth-oriented investment philosophy, the portfolio is expected to have




extensive revenue exposure to those geographic regions experiencing strong economic growth.

**Currency:** Currency is not actively managed by Sands Capital.


**Macro Viewpoint:** While Sand's Capital actively monitors the economic, political, cultural, and financial market environments around the globe, this portfolio is ultimately constructed on a bottom-up basis. Macro factors are considered primarily in the context of the impact they will have on the business outcomes of portfolio companies.

**Portfolio Turnover:** Annual portfolio turnover expected to be around 25%, with businesses held for an average of 3-5 years.

### Investment people



**Sunil Thakor**  
Portfolio Manager -  
Financial Services Sector  
Head



**David Levanson**  
Portfolio Manager -  
Industrials &  
Communications Sector  
Head

Sands Capital's Global Growth Portfolio Management Team consists of Sunil H. Thakor, CFA (Portfolio Manager) and David E. Levanson, CFA (Portfolio Manager). This team works in concert with the firm's Chief Investment Officer, Frank Sands Jr., the Sector Heads and the broader research group to create and manage the Global Growth Portfolio. The table below lists the background of each of these individuals.

Name	Title	Experience (yrs)	Firm Tenure (yrs)
Frank Sands, Sr.	Chairman / Founder	42	19
Frank Sands, Jr.	CIO & CEO	17	11
Sunil Thakor	Portfolio Manager - Financial Services Sector Head	11	5
David Levanson	Portfolio Manager - Industrials & Communications Sector Head	21	10
John Freeman	Technology & Media Sector Head	8	5



Thomas Ricketts	Health Care Sector Head	17	17
Michael Sramek	Energy Sector Head	14	10
Perry Williams	Consumer Sector Head	16	6

These key investment professionals are supported by a deep firm infrastructure.

## Stock story - Apple Inc.

In Sands Capital's view, Apple is among the most innovative consumer electronics companies in the world. Since 1977 Apple has pioneered many personal computing innovations such as the GUI (graphical user interface), the point and click mouse, and "drag and drop" file transfers. Apple changed the music industry forever with the introduction of the iPod in 2001, and the iTunes store in 2003. In 2007 the company revolutionized the smart phone industry with the launch of the iPhone, and more than 100 million iPhones have been sold since then. Apple's newest blockbuster product, the iPad, had one of the most successful consumer product launches in history with over 15 million units sold in its first year of availability.

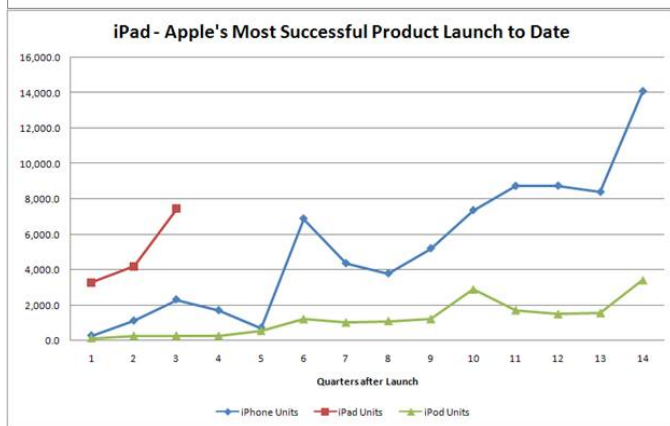
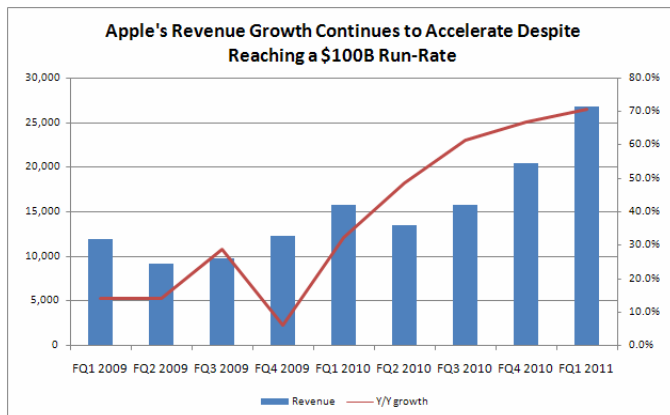
Today Apple has four major product lines: iPhone, iPad, iPod, and Mac. Apple is one of the largest music and digital video retailers in the world through its iTunes store. Apple's total sales are likely to exceed \$90 billion this year. With a market capitalization of more than \$300 billion, Apple is now the second largest company in the world by market capitalization.

Apple's key competitive advantage is its vertical integration, with complete control over its hardware and software. To be successful, a consumer electronics product must combine intuitive software that simplifies complex tasks with well-designed, capable hardware. In our view, no company does this as well as Apple. For example, the iPod and iTunes are great by themselves, but together create incredible simplicity and ease of use. Likewise, Apple's Macintosh computers combine fantastic software with visually appealing, distinguished hardware. And the iPhone, with its touch screen interface combined with its on-board App Store continues to set the bar for the next generation smart phones.

In 2010, Apple re-invented another nascent category, tablet computing. Since the launch of the iPad in April 2010, Apple has sold more than 15 million devices and commands more than 90% market share. The iPad incorporates some of the best features of the iPod Touch and the iPhone into a compact, light and powerful mobile computer with full-on access to the internet. Although in its early days, the iPad has the potential to bring to life the mobile internet, proliferate media and gaming to a wider audience, and has transformed the market for tablet computers.

Another major, underappreciated advantage Apple has is its growing network of retail stores which number over 320 stores in 11 countries plus plans for 40 – 50 new stores globally. These stores allow Apple to provide consumers with an experience and level of service that is unparalleled. In addition to test-driving Apple's products at its retail locations, customers can receive personal, one-on-one training and support. The combination of leading-edge innovation, along with refreshing retail and user experience help to explain the enormous brand loyalty and following Apple has built in the last several years.





Sands Capital owns Apple in its portfolios because they expect Apple to continue to gain market share in the global computing market while also benefiting from the accelerating growth of the smart phone and mobile computing markets. Sands Capital expects Apple to deliver between 15% and 20% EPS growth over the next five years.

***This stock may no longer be included in Sands Capital's portfolio as their view may have changed since this document was prepared.***

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