

FUNDS & PERSONAL FINANCE

MUTUAL FUND PROFILE

Star Manager Tom Marsico's Focus Fund Wins With Flexibility

Brandon Geisler Co-Manages

Portfolio is a mix of healthy growth stocks and stocks amid life-cycle changes

BY PAUL KATZEFF
INVESTOR'S BUSINESS DAILY

A flexible approach to stock picking has made \$866 million Marsico Focus Fund (MFOCX) one of the best mutual funds. With Tom Marsico — one of the fund industry's marquee managers — and Brandon Geisler at its helm, the portfolio mixes core holdings and aggressive growth stocks that are at the top of their game like Google-parent Alphabet (GOOGL) with a small number of stocks that are trying to resurrect their fortunes, like Walt Disney (DIS).

"That flexibility is important," Geisler said. "As the economy slowed in February and March of 2020, we (began a stake in) Square (SQ) and (added to) Tesla (TSLA). We exited Boeing (BA) and Marriott (MAR). Later, we looked at the 2021 market outlook. UPS and Disney became bigger percentages of the portfolio."

That recipe has worked. The fund outperformed the broad market in the form of the S&P 500 over the multiple time periods required to earn a coveted spot as a 2021 IBD Best Mutual Funds Awards winner.

The portfolio includes big, popular technology stocks whose business models are firing on all cylinders. Holdings by co-managers Marsico and Geisler

include Alphabet, chipmaker Nvidia (NVDA) and software titan Microsoft (MSFT).

A smaller part of the portfolio consists of companies working through a life-cycle change. Those include delivery giant United Parcel Service (UPS), Nike (NKE), Starbucks (SBUX) as well as Disney.

UPS has the best of both worlds. It is transitioning. It is also a leader. "They are the dominant shipper of packages," Marsico said. "The change in their business relates to Carol Tome. Before she was CEO of UPS, she was chief financial officer of Home Depot (HD). At UPS, she's reconfiguring their network to make it more productive, and focusing on customers that have better margins. Generally, they are smaller and medium-size businesses. The benefits of this should fully bloom in the next 12 months or so."

Strong Unit Growth

One strategy that made Marsico Focus one of the best mutual funds is its pursuit of companies with strong unit growth. "We focus on companies that are very high quality," Marsico said. "We want companies with conservative balance sheets, that generate lots of cash flow. Our fund wants companies that are large and can scale up. We like companies that dominate markets. We want companies that are asset light, so they don't continuously need new funds to increase business."

And there's one additional trait that makes Marsico and

Marsico Focus



Tom Marsico



Brandon Geisler

■ Load: None
■ Expenses: 1.45%
■ Symbol: MFOCX

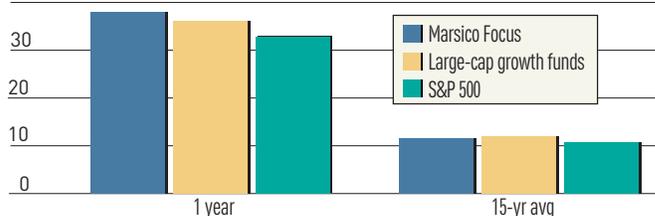
Total returns as of 6/8/21
2020: 50.09% 3-yr. avg.: 22.71%
YTD: 6.53% 5-yr. avg.: 22.09%
10-yr. avg.: 16.46%

Sector weightings

Fund as of 4/30/21, S&P 500 as of 5/31/21

	% of stock assets	% of S&P 500
Cyclical	36.87%	
Basic materials	4.07	2.46
Consumer cyclical	20.71	11.85
Financial services	12.09	14.77
Real estate	0.00	2.55
Economically sensitive	57.84	
Communication svcs	21.08	11.10
Energy	0.00	2.79
Industrials	6.61	9.25
Technology	30.15	23.11
Defensive	5.28	
Consumer defensive	0.00	6.47
Health care	5.28	13.08
Utilities	0.00	2.56

40% Total returns as of 6/8/21



Source: Morningstar Direct

Geisler smile. "We like companies that can continue to grow through softness in a business cycle," Marsico said. "We want companies that don't need to go back to the credit or equity markets for funding."

Recently, UPS sported an IBD Composite Rating of 97. It also had a top-notch IBD SMR Rating (Sales + Profit margins + Return on equity) of A.

UPS' Composite Rating means the company topped 97% of all stocks on a number of technical and fundamental factors, including price performance and

earnings. Generally, CAN SLIM investors consider only stocks with a score of 90 or higher on the 1-to-99 scale.

UPS' SMR Rating shows that UPS is in the top 20% of all publicly traded stocks when it comes to the composite profitability measurement.

More typically, companies going through a transition are struggling to achieve stock leadership. Take Disney. During the coronavirus pandemic, the stock was hurt by closures of Disney theme parks and closures of movie theaters that would have

screened Disney films.

Now, as the world struggles to resume late-pandemic normalcy, Disney is saddled with an abysmal IBD Composite Rating of 29.

That means Disney lags 71% of all stocks on a number of technical and fundamental factors, including price performance and earnings. Generally, CAN SLIM investors consider only stocks with a score of 90 or higher.

But Marsico sees the silver lining. “They’ve moved to delivering their on-screen products on a digital basis, directly to consumers,” Marsico said. “We look for various aspects of mass digitalization of the industries, including entertainment. During the Covid-19 pandemic, the digital transformation has accelerated. In the long run, this will benefit Disney.”

Marsico Focus’ FAANG stock winners certainly show the traits that Marsico and Geisler seek.

Alphabet’s search engine drives advertising revenue. Marsico said, “They also operate a large smartphone operating system, which outstrips Apple’s (AAPL) operating system. They have a large app store. They have the largest video-sharing site, YouTube. Their cloud platform is also large. And so is their gaming site. It’s all rapidly growing.”

In addition, cash flow from those lines funds bets on businesses that Alphabet is developing, like its Waymo autonomous driving line, he says.

Another is its Verily life-sciences research business.

Share Repurchases

On top of those lines, Chief Financial Officer Ruth Porat “has added share repurchases to the whole model,” Marsico said.

Additionally, “Alphabet’s valuation is compelling. It is trading

at a discount to the Russell 1000 Growth Index.”

Marsico and Geisler also like Nvidia. Nvidia’s graphics processing units (GPUs) perform fast math, making them vital to sectors from computer graphics to gaming, artificial intelligence (AI) and data centers.

Marsico’s bullishness starts with Nvidia’s president, CEO and co-founder. “Jensen Huang is one of the most brilliant guys I’ve come across,” Marsico said. “He’s a compelling thinker when it comes to where markets are moving.”

Marsico also likes Nvidia’s software development platform. CUDA allows developers to access libraries of operating code to build and deploy applications. In turn, those applications use Nvidia GPUs. Industrywide, engineering students tend to learn on CUDA-based networks, Marsico says. They keep using CUDA

and Nvidia chips once they embark on careers. They’re unlikely to switch to rival products and platforms, Marsico says.

Whether it is engineers designing automobile factories, military officers engaging in computer-based war games or kids playing video games, “you can see what the power of processing has done,” Marsico said. “Nvidia is the leader by far in these markets.”

Focus Fund became an IBD Best Mutual Funds Awards winner by topping the S&P 500 in 2020 and in the three, five and 10 years ended Dec. 31.

This year going into Wednesday it is lagging the bogey, 6.53% vs. 13.28% and 7.89% for its large-cap growth rivals tracked by Morningstar Direct. Over the past 12 months, the fund is up 38.02% vs. 32.87% for the benchmark and 36.07% for its peer group.

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information about the Fund, click here or call 888-860-8686. Please read the prospectus carefully before investing.

Investments in mutual funds carry risks and investors may lose principal value. Click here for the principal risks of investing in the Funds. Please read the prospectus carefully before investing as it explains the risks associated with investing in the mutual funds. Investments in the mutual funds carry risks and investors may lose principal value. Past performance is no guarantee of future results.

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The Marsico Focus Fund and the stocks and markets in which it invests are subject to general risks that include volatility and instability, periods of cyclical change and decline, that investors may at times avoid investments in equity securities, and that the investment adviser may select investments for the Fund that do not perform as anticipated.

The S&P 500 Index is a registered trademark of S&P and is an unmanaged broadly-based index of the common stock prices of 500 large U.S. companies that includes the reinvestment of dividends.

As of 3/31/21, the Marsico Focus Fund's average annualized returns for the one-year, five-year, ten-year and since inception periods were 68.91%, 21.16%, 14.98% and 10.27%, respectively. The S&P 500 Index's average annualized returns for the one-year, five-year, ten-year and the Focus Fund inception periods were 56.35%, 16.29%, 13.91% and 8.27%, respectively.

Top 5 Holdings as of 4/30/21:	% of Fund
Amazon.com, Inc.	7.57
Microsoft Corporation	6.85
Visa, Inc. - Cl. A	6.20
Alphabet, Inc. - Cl. A	6.11
The Walt Disney Company	5.96

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