

Digital Transformation

The global pandemic, labor shortages, supply constraints, rising inflation... these are among the many cross-currents we are navigating as we move forward in 2022. Cutting through these shorter-term challenges is the longer-term, game-changing secular trend of digital transformation.

Characterized as the rapid digitization of activities and processes, digital transformation has changed the way consumers engage with products and services and how businesses interact with customers—for the benefit of both. At the Marsico Funds, we seek to capitalize on this global theme and consider it a compelling catalyst for long-term growth across various industries.



Accelerated, Pandemic-Driven Change

The global pandemic accelerated digital transformation in unprecedented ways. Businesses needed to adapt to survive, particularly during economic lockdowns. Digital transformation and solutions were necessary to compete. According to a recent survey by the Harvard Business Review Analytic Services, 95% of executives surveyed reported the increased importance of a digital transformation strategy within their industry.¹

Employing integrated technology solutions to meet customer needs across multiple channels is now viewed as directly impacting a company's differentiation, speed-to-market, client satisfaction, and profitability. An organization's ability to respond to factors such as supply chain disruptions or rapidly changing customer expectations is enhanced by agile technology applications.

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Virtual Life & Work

The concept of a more digitally-based life also came to the forefront during the pandemic. Social distance parameters resulted in significant behavioral changes. Working, shopping, healthcare, education, and socializing often became more of a digital experience for millions of Americans. They expected these digital experiences to be fast and frictionless. Meanwhile, cloud-based technology platforms, video, and other digital tools enabled remote workers to collaborate with coworkers and customers worldwide.

A Compelling Tailwind for Growth

At the Marsico Funds, we view digital transformation as a thematic secular catalyst and compelling tailwind for long-term growth across various sectors and industries worldwide. Organizations that have proactively integrated innovative digital solutions into how they operate and engage with customers are better equipped to adapt to marketplace changes, leaving less agile competition behind.

In 2022, spending on digital transformation is projected to reach \$1.8 trillion. By 2025, global digital transformation spending is expected to reach \$2.8 trillion.² We applaud this sea change as our investment approach seeks high-quality companies using innovative technology to enhance efficiencies, disrupt traditional business models, and increase market share. The following are examples within the Marsico Funds' portfolios of some market areas and innovative companies leading the digital transformation charge.

E-commerce Platforms Building Scale

U.S. e-commerce sales are expected to reach \$1 trillion for the first time in 2022. Globally, e-commerce sales are expected to reach \$5 trillion over the same period.³ Innovative companies held in certain of the Marsico Funds' portfolios, capitalizing on this growth include leading e-commerce and online cloud computing provider Amazon.com, Inc. as well as Shopify Inc., a Canadian company that provides an e-commerce platform for online stores and retail point-of-sale systems. While Amazon represents nearly 40% of all U.S. e-commerce sales,⁴ there is a long growth runway for both platforms.

Digital & Cognitive Solutions

South American company Globant S.A. is a software engineering firm that leverages the latest technologies to

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help organizations across the world position themselves for a “digital and cognitive” future. This digital consulting firm also designs and implements technology solutions and takes market share from other, less tech-savvy consulting firms.⁵ For example, Globant designed and implemented the Disney FastPass system. We believe this digital innovator has a long runway for growth and should benefit from the digital transformation theme.

The Creator Economy

The creator economy is now worth over \$100 billion, and there are more than 50 million creators around the world marketing their skills, hobbies, and interests online.⁶ From live streaming, creation via cloud-based design programs, and selling via online marketplaces, we believe the opportunities have never been greater.

We, in turn, seek to invest in the tools that enable the content creator to monetize him or herself. Adobe Inc. is such a digital provider—Adobe Creative Cloud offers a range of cloud-based apps to creators for use in photography, video, design, web, and social media creation.

GPUs For Gaming, Ecommerce & Blockchain

Blockchain technology is computer-intensive and requires many GPUs (graphics processing units) to run numerous blockchain ledgers. GPUs can process many pieces of data simultaneously and are useful in blockchain mining due to their speed and efficiency. NVIDIA Corporation, a leading producer of GPUs, has a long, global growth runway before them in this area. We believe the opportunities for NVIDIA to capitalize on other areas of digital transformation, such as, gaming, e-commerce, and artificial intelligence (AI) are ample.

About Us

Founded in 1997, Marsico Capital Management, LLC, the investment advisor to the Marsico Funds, employs a high-conviction approach to the management of a select suite of growth-oriented domestic and international equity portfolios. Headquartered in Denver, Colorado, the firm managed approximately \$3.3 billion in assets as of February 28, 2022. Founder, Tom Marsico, has over 42 years of experience in the investment management industry and is one of the industry’s first managers to successfully implement high-conviction, concentrated portfolios.

¹Analytics Insight, 1/24/22 ²Accelerating Transformation for a Post-Covid-19 World, Harvard Business Review Analytic Services, 2021 ³Insider Intelligence, 1/8/22 ⁴Statista, 10/29/2021 ⁵Globant, Q3 2021 ⁶The Economist, 11/8/21 ⁷McKinsey.com, 2022

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More Digital Transformation To Come

The past two years have accelerated the digital transformation of our world. This game-changing evolution should benefit consumers and businesses in notable ways, including:

- 1 Brand Enhancement** - Firms now have the opportunity to enhance their brands by giving customers choice in how they interact with their brand and products across multiple channels.
- 2 Lower Costs, Greater Scale** - Costs should ultimately be lower and scalability higher for digitally transformed businesses compared with brick-and-mortar only companies.
- 3 Rapid Feedback & Refinement** - Digital tools support continuous improvement and innovation in an ongoing feedback cycle. Real-time client feedback can inform rapid product and service enhancement.

It’s Still A Brave New Frontier

While the digital era is still very much a new frontier, a recent McKinsey article noted that digital transformation demands fundamental change across every part of an organization and must come from the top. “Successful transformations start with the CEO and top leadership reimagining their business in a digital age. These are bold visions to generate transformative value—think new business models, entry into new markets and monetization of data-based assets.”⁷

At the Marsico Funds, the companies we seek to invest in demonstrate such visionary leadership, embracing digital transformation and the boundless opportunity this new frontier affords.