

## MARKET SUMMARY

U.S. equity markets rallied strongly in the second quarter, recovering from steep declines in February and March. Helping to support stock gains was increased optimism that the economic recession may not last as long as originally feared, as declining COVID-19 infection rates in the U.S. and other parts of the world led to the reopening of economies.

In the U.S., consumer confidence rebounded and spending surged, resulting in a record monthly increase in retail sales in May on the heels of the largest-recorded drop in monthly sales in April. Other positive data included a better-than-expected jobs report, which showed that employment rose by 2.5 million in May and a further 4.8 million improvement in June. These and other signals gave investors hope that a v-shaped economic recovery may be taking shape. Also helping to restore investor confidence was an unprecedented \$3 trillion in fiscal and monetary response as well as optimism that a vaccine to protect against the virus may be developed sooner than originally projected.

Against this backdrop, small-cap stocks outperformed both large-caps and mid-caps, as measured by the Russell family of U.S. indices. In addition, growth stocks continued to outperform value stocks by a wide margin across the capitalization spectrum.

## FUND PERFORMANCE

For the quarter ended June 30, 2020, the Meridian Growth Fund (“the Fund”) returned 32.96% (net), slightly outperforming its benchmark, the Russell 2500 Growth Index, which returned 32.87%.

Our investment process prioritizes the management of risk over the opportunity for return. We look to build an enduring fund that can mitigate capital losses during turbulent bear market environments and, secondarily, participate on the upside during strong market environments. During the period, volatility remained elevated. In fact, there were 10 days in which the index dropped 2% or more. Performance was mixed during these down days, as growth outperformed value the majority of the time, a surprising development which provided a headwind to performance due to the Fund’s more valuation-sensitive approach.

During the quarter, positive stock selection within the industrials, healthcare, and consumer discretionary sectors aided the Fund’s relative results. In addition, an overweight position in the consumer discretionary sector also proved

## TOP 10 HOLDINGS (% OF PORTFOLIO)

Holding <sup>1</sup> (subject to change)	Weighting
TriNet Group, Inc.	3.31%
ON Semiconductor Corp.	2.65%
Skechers USA, Inc.	2.63%
Hanesbrands, Inc.	2.53%
Sally Beauty Holdings, Inc.	2.50%
Pinterest, Inc.	2.43%
Merit Medical Systems, Inc.	2.29%
2U, Inc.	2.26%
Quidel Corp.	2.23%
Steris Plc	2.16%

beneficial, as the sector appreciated 47% during the period. Alternately, stock selection and an underweight position in the information technology sector limited relative gains, as the sector outperformed the overall index.

Several of the factors that worked against us in recent periods reversed during the second quarter, providing a tailwind to Fund performance. Most notable was the outperformance of lower momentum stocks. In fact, the lowest momentum companies in the index were up 63% during the quarter, versus the top quintile which appreciated only 31%.

Conversely, a persistent headwind to the Fund’s performance was the continued outperformance of larger capitalization stocks. During the quarter, there was a significant dispersion of returns between the largest and smallest market cap stocks within the Russell 2500 Growth Index, as larger market cap companies dramatically outperformed their smaller cap peers. For example, in the Russell 2500 Growth Index, the top quintile market cap of the index appreciated 50%, versus a 25% advance for the lowest quintile. Against this backdrop, our valuation discipline and fundamental research have led us to more attractive investment opportunities within the smaller market cap segment of our investment universe. The end result of this is a weighted

*The Fund’s performance data represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data shown. The investment return and principal value of an investment will fluctuate so that you may have a gain or loss upon sale. You can obtain performance data current to the most recent month-end at [www.meridianfund.com](http://www.meridianfund.com). Short term performance may not be indicative of long term results.*

average market cap in our strategy that is, on average, lower than that of the Russell 2500 Growth Index. In addition, investors' bias toward lower-quality stocks continued to detract from performance. Notably, companies with no earnings were up an average of 50% during the second quarter. Given our continued focus on companies with predictable and consistent earnings, this trend worked against us.

At a broad index level, the divergence of performance between growth and value stocks continued for a third consecutive year. The Russell 2500 Growth Index appreciated 32.87% during the quarter, versus the Russell 2500 Value Index which advanced 20.60%, resulting in growth outperforming value by 1,227 basis points. The Russell 2500 Growth Index has now outperformed the Russell 2500 Value Index over the trailing quarter, 1-year, 3-year, 5-year, and 10-year periods.

#### TOP THREE CONTRIBUTORS

Contributors to the Fund's performance during the period were **TriNet Group, Inc.**, **Quidel Corp.**, and **Immunomedics, Inc.**

**TriNet Group, Inc.** is a cloud-based professional employer organization (PEO) servicing small and medium-sized businesses in the U.S. We believe the company's significant investments in technology and new products will allow it to continue to differentiate itself within the marketplace and increase its market share. Despite the challenging economic backdrop during the period, TriNet reported growth in earnings and worksite employees – something it had not consistently accomplished since 2016. Having recently completed the retooling of its technology and products, the company is once again focused on growing the business, as evidenced by its quarterly results. Another notable development supporting stock gains was the COVID-19-related decline in elective medical procedures which resulted in lower costs and higher margins for TriNet's health insurance segment. Although TriNet may see a near-term decline in worksite employee growth as client companies reduce their workforces, we believe TriNet will see continued strength in its insurance business and, subsequently, maintained our position in the stock during the quarter.

**Quidel Corp.** is a developer of rapid diagnostic testing solutions which generates most of its revenue from point-of-care flu tests. Its QuickVue flu tests allow for the fast, qualitative detection of influenza type A and type B, and streptococcus. Since receiving the Food and Drug Administration's (FDA) Emergency Use Authorization for its COVID-19 detection test in the first quarter, Quidel has seen strong demand for the test, leading to better-than-expected quarterly revenue and profits. News that the company is

ramping up to one million tests per week fueled share strength during the period. At this pace, Quidel could see an incremental \$700 million to \$1 billion in revenue on a trailing 12-month basis, essentially doubling its revenue. We continue to see strong potential growth for revenue and profits going forward and, subsequently, maintained our position in the stock.

**Immunomedics, Inc.** is a biopharmaceutical company focused on developing targeted treatments for cancer, autoimmune disorders, and other serious diseases. Our initial investment in Immunomedics was motivated by positive clinical trial data for the company's experimental treatment for an aggressive type of metastatic triple-negative breast cancer. In April, the FDA approved the drug, known as Trodelvy. Given the unmet clinical need in this patient population, we believe the market opportunity for Trodelvy is significant, which should lead to a strong commercial launch. During the period, we trimmed our position based on our valuation discipline as the stock appreciated.

#### BOTTOM THREE DETRACTORS

Detractors from the Fund's performance during the period were **J2 Global, Inc.**, **Belden, Inc.**, and **AxoGen, Inc.**

**J2 Global, Inc.** is a leading internet and information services company, operating through two segments: business cloud services and digital media. Its cloud services business which provides niche products to small and mid-sized businesses enjoys a high percentage of recurring revenues, low churn, and high margins. J2's digital media business generates revenue through subscriptions to websites it owns, including tech, entertainment, and culture site Mashable, and through advertising on those sites. J2's advertising business model is unique in that it is almost entirely performance-based, as opposed to other sites that rely heavily on banner advertisements. Part of our initial attraction to J2 was its successful track record of acquiring undermanaged companies and restructuring them to significantly increase profitability. While we believe fundamentals at the company remain strong, the stock underperformed as a result of concerns about how J2's digital media business will perform in the current economic downturn. Also worrisome to investors are J2's balance sheet, which is levered at 2x EBITDA, and a short report critiquing J2's acquisition strategy. We believe the company's history of strong returns (27 consecutive years of revenue growth, 40% EBITDA margins, and 14% return on invested capital), speaks to the success of its acquisition strategy and, despite any near-term hiccups, we remain confident in the long-term prospects of this company. During the quarter, we maintained our position.

**Belden, Inc.** is a diversified supplier of specialty network solutions to the enterprise and industrial markets. Belden's

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products are mission critical and are expected to perform in highly complex environments. The company has repositioned the product portfolio to focus on higher growth end markets like industrial automation, smart buildings, cybersecurity, and broadband and 5G. While still a small percentage of sales today, the company is making strides to increase the percentage of recurring and repeating revenues. Management has divested slower growing, lower margin divisions and taken aggressive restructuring actions with the goal of accelerating revenue growth to 5-7%, improving EBITDA margins to 20-22%, and delivering a return on invested capital of 13-15%. Belden's focus on these initiatives gives us confidence in the company's ability to increase revenues despite near-term headwinds.

**AxoGen, Inc.** offers surgical solutions for peripheral nerve injuries. This company's attributes include solid margins and stable growth. Furthermore, it has limited competition and its products serve a large addressable market. After enjoying strong revenue growth earlier in the year, including a 20% increase in February, growth slowed dramatically as hospitals curtailed elective surgeries amid the COVID-19 outbreak. Notably, in April, AxoGen's volumes were down 70% causing the stock to decline. More recently, the company reported better-than-expected quarterly results. Although we believe COVID-19-related headwinds may impact AxoGen's revenues through the remainder of the year, our long-term outlook for the company remains positive. Contributing to our confidence are solid business fundamentals and a healthy balance sheet. During the quarter, we maintained our position in the company.

### OUTLOOK

In the final days of the quarter, COVID-19 infection rates began to spike in certain parts of the country, suggesting the v-shaped economic recovery that investors had hoped for may be elusive and raising the question about whether additional fiscal and monetary stimulus may be needed. Given expectations that the current stimulus package will have fully worked its way into the economy by September, the course of economic growth should be clearer at that point. Our approach in this uncertain environment remains unchanged: as we continue to focus on businesses with predictable and recurring revenue streams, improving margins, strong competitive advantages, and growing market opportunities.

Now more than ever, we maintain strong conviction in the companies we own. Our focus remains on companies that can not only weather the recent market volatility but also emerge even stronger once the recessionary clouds clear. The market's correction and subsequent rebound has presented us with opportunities to continue to upgrade the quality of the Fund while maintaining our strict valuation

discipline. Although recent economic events are unprecedented, we remain confident that staying disciplined to our investment process is the best approach to achieve the strategy's long-term investment objectives.

Thank you for your continued trust and confidence.

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### FUND TOTAL PERFORMANCE (As of 6/30/2020)

Share Class <sup>2</sup>	Ticker	Gross Expense Ratio	Net Expense Ratio	Inception Date	1 Month	3 Month	1 Year	3 Year <sup>4</sup>	5 Year <sup>4</sup>	10 Year <sup>4</sup>	Since Inception <sup>4,5</sup>
Class A Shares - No Load	MRAGX	1.15%	1.15%	11/15/13	1.92%	32.86%	-1.75%	6.52%	7.51%	11.74%	11.39%
Class A Shares – With Load	MRAGX	1.15%	1.15%	11/15/13	-3.93%	25.23%	-7.40%	4.43%	6.24%	11.08%	11.21%
Class C Shares	MRCGX	1.87%	1.87%	7/1/15	1.88%	32.65%	-2.42%	5.76%	6.78%	11.06%	10.76%
Investor Class Shares	MRIGX	0.87%	0.87%	11/15/13	1.96%	32.96%	-1.45%	6.81%	7.83%	12.07%	11.68%
Legacy Class Shares	MERDX	0.85%	0.85%	8/1/84	1.96%	32.96%	-1.43%	6.85%	7.89%	12.30%	12.07%
Russell 2500 Growth Index <sup>3</sup>	-	-	-	-	3.68%	32.87%	9.21%	12.09%	9.56%	14.44%	n/a

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<sup>1</sup>Listed holdings are presented to illustrate examples of the securities the Fund has bought and do not represent all of the Fund's holdings or future investments. Information about the Fund's holdings should not be considered investment advice. There is no guarantee that the Fund will continue to hold any one particular security or stay invested in any one particular sector. Holdings are subject to change at any time and are as of the date shown above.

<sup>2</sup>Closed to new investors.

<sup>3</sup>The Fund's Index, the Russell 2500™ Growth Index, measure the performance of the small-cap growth segment of the U.S. equity universe. It include those Russell 2500 Index companies with higher price-to-value ratios and higher forecasted growth values. One cannot invest directly in an index.

<sup>4</sup>Performance is annualized.

<sup>5</sup>Since Inception returns are calculated using the Fund's Legacy class inception date of 8/1/84.

A Class: Prior to 7/1/15, the A Class was named Advisor Class. The historical performance shown for periods prior to inception on 11/15/13 was calculated using historical Legacy class performance as adjusted for estimated class-specific expenses, for distribution, shareholder servicing and sub-transfer agency fees, without consideration to any expense limitation or waivers. The annual gross expense ratio is 1.15% as of 10/31/19. The net expense ratio is 1.15% as of 10/31/19. If the class had been offered prior to 11/15/13, the actual performance and expenses may have differed from the amounts shown. Performance shown for class A shares with load includes the Fund's maximum sales charge of 5.75%. C Class: The historical performance shown for periods prior to inception on 7/1/15 was calculated using historical Legacy class performance as adjusted for estimated class-specific expenses, for distribution, shareholder servicing and sub-transfer agency fees, without consideration to any expense limitation or waivers. The annual gross expense ratio is 1.87% as of 10/31/19. The net expense ratio is 1.87% as of 10/31/19. If the class had been offered prior to 7/1/15, the actual performance and expenses may have differed from the amounts shown. Investor Class: The historical performance shown for periods prior to inception on 11/15/13 was calculated using historical Legacy class performance as adjusted for estimated class-specific expenses for shareholder servicing and sub-transfer agency fees without consideration to any expense limitation or waivers. The annual gross expense ratio is 0.87% as of 10/31/19. The annual net expense ratio is 0.87% as of 10/31/19. Legacy Class: The annual gross expense ratio is 0.85% as of 10/31/19. The annual net expense ratio is 0.85% as of 10/31/19. Legacy class shares of the Fund are no longer available for purchase by new investors, except under certain limited circumstances which are described in the Statement of Additional Information.

*Investors should consider the investment objective and policies, risk considerations, charges and ongoing expenses of an investment carefully before investing. The prospectus contains this and other information relevant to an investment in the fund. Please read the prospectus carefully before you invest or send money. To obtain a prospectus, please contact your investment representative or access the website at [meridianfund.com](http://meridianfund.com).*

### **Principal Investment Risks**

There are risks involved with any investment. The principal risks associated with an investment in the Fund, which could adversely affect its net asset value, yield and return, are set forth below. Please see the section "Further Information About Principal Risks" in the Prospectus for a more detailed discussion of these risks and other factors you should carefully consider before deciding to invest in the Fund. *An investment in the Fund may lose money and is not a deposit of a bank or insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.* **Investment Strategy Risk:** The Investment Adviser uses the Fund's principal investment strategies and other investment strategies to seek to achieve the Fund's investment objective of long-term growth of capital. There is no assurance that the Investment Adviser's investment strategies or securities selection method will achieve that investment objective. **Equity Securities Risk:** Equity securities fluctuate in price and value in response to many factors including historical and prospective earnings of the issuer and its financial condition, the value of its assets, general economic conditions, interest rates, investors' perceptions and market liquidity. **Market Risk:** The value of the Fund's investments will fluctuate in response to the activities of individual companies and general stock market and economic conditions. As a result, the value of your investment in the Fund may be more or less than your purchase price. **Growth Securities Risk:** Because growth securities typically trade at a higher multiple of earnings than other types of securities, the market values of growth securities may be more sensitive to changes in current or expected earnings than the market values of other types of securities. In addition, growth securities, at times, may not perform as well as value securities or the stock market in general, and may be out of favor with investors for varying periods of time. **Small Company Risk:** Generally, the smaller the capitalization of a company, the greater the risk associated with an investment in the company. The stock prices of small capitalization and newer companies tend to fluctuate more than those of larger capitalized and/or more established companies and generally have a smaller market for their shares than do large capitalization companies. **Foreign Securities Risk:** Investments in foreign securities may be subject to more risks than those associated with U.S. investments, including currency fluctuations, political and economic instability and differences in accounting, auditing and financial reporting standards. Foreign securities may be less liquid than domestic securities so that the Fund may, at times, be unable to sell foreign securities at desirable times or prices. In addition, emerging market securities involve greater risk and more volatility than those of companies in more developed markets. Significant levels of foreign taxes are also a risk related to foreign investments. **Glossary: Earnings Per Share:** A company's profit divided by its number of common shares outstanding. **EBITDA:** Earnings before interest, taxes, depreciation & amortization. **Free Cash Flow:** A measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. **Price-to-earnings:** A valuation ratio of current share price compared to its per-share operating earnings over the previous four quarters. **Return On Invested Capital (ROIC):** A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. **Russell 2500™ Value Index:** An index that measures the performance of the small to mid-cap value segment of the US equity universe. It includes those Russell 2500™ companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. One cannot invest directly into an index.

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