

MEET THE TEAM



SGA Investment Team: (l-r) standing: Luying Wang, James Li, Gordon Marchand, Rob Rohn, Julian Cochran, George Fraise, Jon Richter; seated: Kishore Rao, HK Gupta, Tucker Brown, Alexandra Lee.



Sustainable Growth Advisers Committed To Cognitive Diversity

Sustainable Growth Advisers (SGA) was formed in 2003 by three portfolio managers from vastly different backgrounds who shared a common vision for the investment firm they wanted to build and the legacy they wanted to create for generations of employees and clients to come.

Rob Rohn, a true analyst's analyst and the architect of SGA's research process, brings a competitive focus to the team, informed by experience managing financial industry firms in the business and a pastime passion for hockey. When playing defense, whether on the ice or at the office, he values protecting the lead for his team.

George Fraise grew up in Madagascar riding motorcycles and running bare-foot in the sand before moving to New York for years of secondary education. After graduation, he sold frozen food door-to-door before joining Drexel Burnham Lambert in 1987. From there, skydiving and car racing hobbies took a back seat to his investment career and raising a family.

In contrast, Gordon Marchand is an accountant by trade, was schooled at

Georgetown and the University of Oxford, and holds multiple professional designations (CFA®, CIC, CPA). Although of French descent, unlike George, Gordon's native tongue is English, he's never had a speeding ticket and he prefers his feet firmly on the ground.

BUILDING A CULTURE OF DIVERSITY

From the start, SGA's co-founders set out to create a firm that fosters stability and keeps talented people highly motivated. Rather than name the business after themselves, they chose a name that embodies both the process they believe in and an aspirational organizational structure. The goal has always been to transfer firm equity and management responsibility over multiple generations. Toward that end, the founders have built a talented, cognitively diverse team of individuals from varied backgrounds (cultural, educational, and professional) with demonstrated excellence across multiple fields, capable of investing like

business owners.

Compensation at SGA is based on a non-subjective model, which encourages healthy dissent among all employees. Specific to the investment team, each member's equity ownership is driven entirely by metrics related to their contributions to client performance. This approach has had the desired effect. Today, equity ownership is broad and deep, not limited to the investment team, and no individual owns more than 5% of the firm. The highest paid employees are non-founding members of the research team. When SGA's long-tenured receptionist retired a couple of years ago, her equity stake was "life-changing" and secured a comfortable future for her.

Behavioral finance has always been a focus of SGA's and is a shaping force of the firm's research process. The belief that diversity can structurally enhance the effectiveness of decision-making has guided the careful selection of research team members. Mike Mauboussin, a successful strategist, and author, has spoken to the team in the past about the role of cognitive diversity in creating the ideal asset management team. His views, as summarized in a 2019 CNBC article, are that "people should go beyond the typical social category diversity when creating a team. Social category diversity reflects differences in race, ethnicity, gender, age, etc. Cognitive diversity also includes differences in education, training, experience, expertise and personality, which is key to problem-solving."

Diversity is a foundational principle at SGA for two reasons: cognitive diversity enhances the probability of investment success, and diversity is the clearest sign of meritocracy. Seven of SGA's investment committee (IC) members were born and raised outside the United States, eight speak a second language fluently, and eight studied abroad. As one might expect, every member of SGA's research team has an MBA. Perhaps less expected, six of the firm's analysts hold Bachelor of Science degrees. Of note, three firm principals did not start out on a typical business path: Alexandra Lee earned an M.D. from Yonsei University and was a practicing physician in Korea; Luying Wang holds an M.S. in industrial and operations engineering and a bachelor's degree in automation from Tsinghua University in China; and HK Gupta, a native of India, received a bachelor's degree in computer science from Indian Institute of Technology in Bombay (one of the world's most prestigious schools in the field) and an M.S. in computer science from the University of California.

EMPHASIS ON REAL-WORLD EXPERIENCE

It takes more than impressive academics to qualify for SGA's investment team. Individuals must also often have business experience to earn a seat at the table and participate in discussions on which companies are worthy of clients' capital.

Take Kishore Rao, for example. Kishore grew

up in Pittsburgh and earned a degree in industrial management from Carnegie Mellon University and an MBA from Harvard Business School. What most impressed SGA's founders was his real-world business experience. He began his career as a management consultant and buy-side analyst. When the worldwide web phenomenon was making waves in the late 1990s, he saw a big disconnect in the way public companies were communicating their quarterly financials and the need of investors for on-demand information. He founded an internet company that addressed this need, which he later sold, then joined the venture capital firm that seeded his business. During that time, he witnessed the devastating effects of the dot-com bubble, and came to appreciate the value of real cash flow—a valuable perspective he brings to his work as an SGA analyst and portfolio manager. In his words, "As long-term owners of businesses – rather than mere renters of shares – SGA seeks companies that generate, compound, and return copious cash flows. That cash flow is a true arbiter of economic wealth creation over the long run. Cash flow is also an important indicator of quality, more so than earnings, which can be manipulated by and are subject to subjective accounting interpretations and treatments. Cash flow discipline is one of the key drivers of the firm's predictable performance pattern, namely strong relative performance and downside protection in volatile markets."

HK Gupta also has an interesting employment background story. Prior to joining SGA in 2014, he had worked for three of the 25-35 companies held at the time in client portfolios. The most recent of these was Amazon, where he led the launch of the company's Japanese and German merchant platforms. HK was instrumental in the IC's decision to reintroduce Amazon into client portfolios shortly after he joined. His work experience shed unique light on the dynamic benefits the newly emerging Amazon Web Services could offer investors, at a time when most analysts on the Street, including many on SGA's own investment team, were skeptical of the costs associated with the developing platform.

SGA has always been opportunistic about the people it welcomes to the firm. The hiring process is not viewed as a need to address a coverage deficiency, but rather as an opportunity to enhance the team. Case in point: Julian Cochran, SGA's latest team hire. Julian has 18 years of investment experience, most recently as a senior equity analyst at First Investors, where he covered the healthcare industry for seven years. Due to an acquisition, the entire team had turned over, and SGA had the unusual opportunity to speak with a number of his colleagues who had worked with Julian for his entire tenure at that firm. Their feedback was exceedingly positive and consistent with the internal views

held at SGA. It turns out that Julian was the best performing analyst in recent years and was held in the highest regard in terms of his intelligence, work ethic, and character. He joined the team in 2019.

PASSION BEYOND INVESTING

One final point: the personal pursuits that motivate and drive SGA's team members are also indicative of the diversity of the group. For instance, before Jon Richter came on board as an analyst last year, he attended Peking University as a Fulbright Fellow. While there, he founded the Association of Students Against Poverty (ASAP), an organization committed to rural economic development that helps students find internships and organizes trips to rural China to learn about poverty alleviation methods.

From its founding, SGA has always given back to the community, donating 5% of all pre-tax profits to charitable causes. In recent years, responsibility for the firm's philanthropic efforts have shifted to its employees so they can support the initiatives they feel strongest about. SGA's team is proud to support a number of causes that reflect a wide range of interests. These include organizations that help those less fortunate (Domestic Violence Center of Connecticut, Stamford Homeless Shelter, SOS Children's Villages, The Open Door Shelter, Wounded Warriors, and Americare), educational programs (Workspace Education and the Ethel Walker School, which empowers girls to lead), and environmental initiatives (The Nature Conservatory and The Audubon Society). Indeed, in 2019, SGA Investment Committee members contributed the equivalent of more than 10% of SGA total profits to philanthropic causes.

ABOUT SGA

Sustainable Growth Advisers LP is a research-driven, institutional equity manager singularly focused on a high-conviction, quality growth investment strategy. The historical performance pattern of the portfolios includes superior alpha generation during high volatility, strong absolute returns during low volatility, and higher risk-adjusted returns relative to their benchmarks with a lower risk profile.

In addition to being available in separate accounts, the flagship U.S. Growth, Global Growth, Global ex-US Growth, and Emerging Markets Growth equity portfolios have multiple commingled investment vehicles including mutual funds, collective investment trusts, UCITs, and an Australian Pooled Fund Trust (Global strategy).

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