Global Growth Commentary

Q3 2022

Performance

The Global Growth portfolio returned -6.3% (gross) and -6.5% (net) in Q3 versus -6.8% for the MSCI ACWI and -5.9% for the MSCI ACWI Growth Index.

Slowing Global Economic Growth

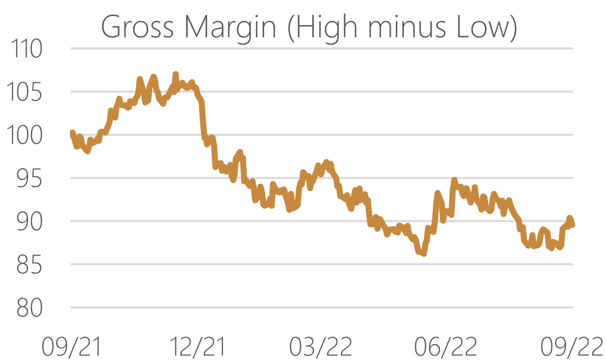
Through September 30, 2022, global stocks were on track for their worst performing year since 2008; European and Chinese stocks were among the worst performing. Weakness in European markets reflected the significant impact of rising fuel prices in the region together with the more direct impact from sanctions on Russia. Emerging markets generated a wide range of returns with Brazil and India posting positive returns of +8.5% and +6.5%, respectively, and Emerging European markets such as Poland and the Czech Republic declining -25.1% and -19.2%, respectively. Chinese equities remained weak in Q3 posting a -22.5% decline as the country's zero-COVID policies continued to negatively impact economic growth despite new stimulus by the government.

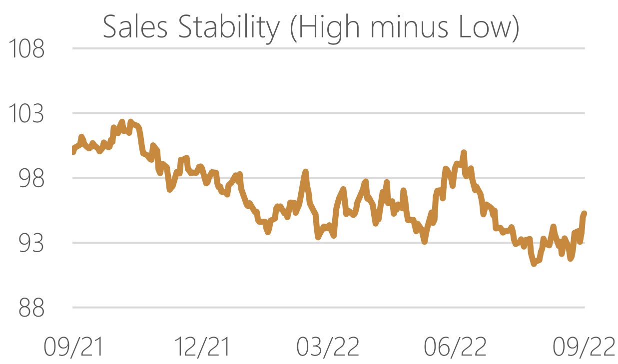
In the U.S., following a period of optimism over a possible Fed pivot toward less restrictive monetary policies, market returns weakened as the Fed made it clear they would continue to pursue more restrictive monetary policies to achieve price stability despite rising pain from unemployment, stock market weakness and possible recession. In response, the broad market declined -16.5% off intra-quarter highs concurrent with a significant sell-off in bonds as the interest rate on the 10-year U.S. Treasury reached levels not seen in over a decade. This particularly pressured the stocks of longer duration growth companies. Meanwhile appreciation in the U.S. Dollar relative to other key currencies put further pressure on already slowing non-U.S. and Emerging Market economies and set the stage for a moderation in U.S. exports. The Dollar Index, a measure of the U.S. Dollar's value against a basket of six major world currencies (the Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, and Swiss Franc), rose +7% in Q3 and is up +17% year-to-date through 9/30 continuing its longest upswing since 1997.

Highlights

- Portfolio outperformed the MSCI All Country World Index (ACWI) in Q3 despite high business quality metrics generally not being rewarded as shown below
- Positions in MercadoLibre, Amazon, and HDFC Bank contributed most positively to performance; positions in AIA Group, Steris, and Mengniu Dairy detracted most
- We sold the position in Walt Disney due to forced attrition and initiated a new position in Steris given the company's strong quality characteristics and attractive growth opportunity
- We also trimmed positions in Amazon, MercadoLibre, Novo Nordisk, HDFC Bank, Danaher and Yum! Brands on strength, and added to positions in CP All, XP, AIA Group, Salesforce, Workday, Adobe, SAP, and FleetCor on weakness
- Higher interest rates are likely largely discounted in current stock prices, but a recession and its impact on corporate earnings is not yet factored into consensus earnings forecasts
- Coming downward earnings revisions for the index and eventual moderation of interest rate pressure should be a powerful tailwind to our relative performance in coming quarters as they have been historically (see MSCI ACWI 2-Year EPS % Change chart on Page 2)

Quality Not Rewarded in The Last Twelve Months





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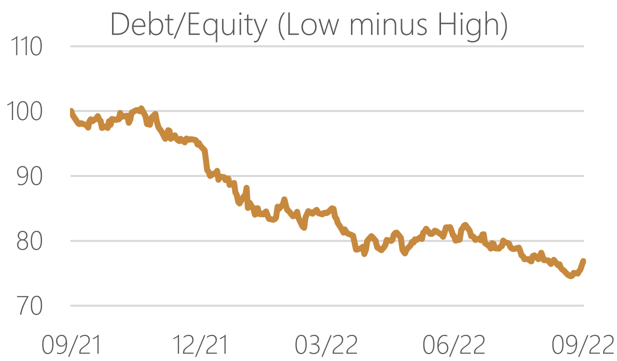
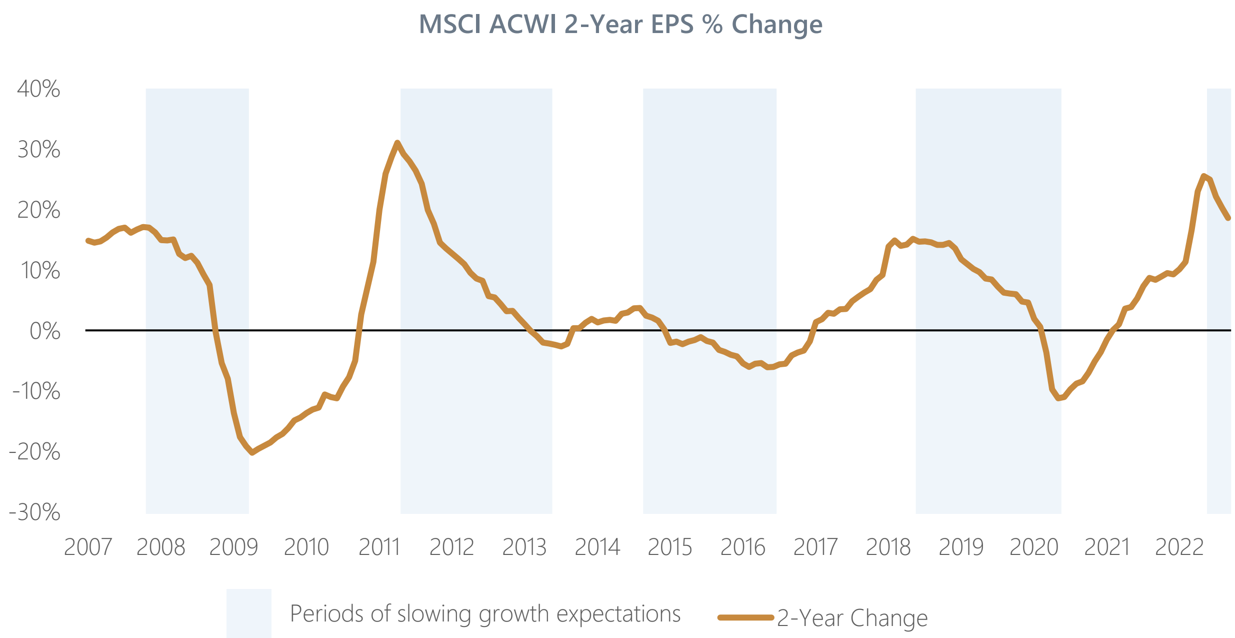


Source: FactSet

While broad-based earnings growth expectations began to moderate towards the end of Q3, we expect consensus earnings growth estimates for the market to compress further given the increasingly challenging economic backdrop. Although we cannot forecast the severity or duration of the impending economic slowdown, we find comfort in the more predictable and resilient growth prospects of the companies in our portfolio. As illustrated in the below graphs, periods of moderating or declining growth expectations have historically been favorable for the portfolio's relative performance as markets increasingly reward the higher-quality and more predictable growth prospects of our companies.



	SGA Global (Gross)	SGA Global (Net)	MSCI ACWI	Relative (Gross)	Relative (Net)	Peer Rank
May 11 – May 13	9.6%	8.6%	3.8%	+5.8%	+4.8%	13th
Jun 13 – Aug 14	11.0%	10.1%	16.1%	-5.1%	-6.0%	89th
Sep 14 – May 16	7.9%	7.0%	-2.0%	+9.9%	+9.0%	4th
Jun 16 – May 18	19.4%	18.4%	14.6%	+4.8%	+3.8%	13th
Jun 18 – May 20	13.4%	12.4%	2.0%	+11.4%	+10.4%	7th
Jun 20 – May 22	5.8%	5.0%	15.0%	-9.2%	-10.0%	92nd

Source: FactSet, MSCI, eVestment. SGA paid a standard fee to eVestment for access to rankings and other services. Peer Rank based on Gross Returns.

Key Contributors

After being one of the portfolio's largest detractors in Q2, **MercadoLibre** was the largest contributor in Q3 as its shares benefited from a strong Q2 report driven by credit growth and provisioning as well as strong gross margins. Revenue growth slowed to 57%, in constant-currency terms, from 67% last quarter; however, margins surprised positively with operating margins staying flat at 9.6% and gross margins improving 500 bps compared to the same period last year. E-commerce growth decelerated, except in Mexico, while deliberate growth in its money-losing 1st-party business helped protect margins. The company also noted that it had reached scale economies in logistics which should further support margins moving forward. Growth in the company's fintech business decelerated slightly but remains strong, driven especially by growth in credit revenues, which now comprise 20% of total revenues. The company's rising credit exposure is an area we are increasingly monitoring given the risk of rising defaults in the wake of further expected economic weakening. While we believe the company is naturally hedged against an Argentine devaluation due to significant operating costs located in that country, we are mindful that consumer behavior may be unpredictable. Despite some near-term risks associated with their growing credit business, we continue to view the longer-term growth opportunity favorably.

Amazon was the second largest contributor to performance during the period after being the largest detractor in Q2. The company benefited from a stronger-than-expected Q2 report as both revenues and operating profits beat consensus expectations. Revenue growth was led by third party retail sales and AWS. Operating profits of $3.3B in Q2 also exceeded company guidance. FX headwinds weighed on reported results for its International retail business, but underlying demand remained healthy. Most importantly, the results demonstrated early signs of stabilization from tough e-commerce comps as well as a benefit from some of its efforts to recover profitability. We were pleased with the results in Q2 and continue to view Amazon's longer-term growth prospects favorably. We maintained an above-average weight position in the portfolio.

HDFC Bank was the third largest contributor to portfolio performance in Q3 following a solid Q2 report showing improved loan growth with net interest margins improving sequentially given the bank's higher retail mix. Other income growth was good excluding the higher mark-to-market losses on bond holdings due to higher interest rates. HDFC Bank continues to benefit from the lifting of a ban on new credit card issuance. Operating expenses increased within expectations given planned investments in retail and technology while provisions as a percent of loans outstanding were lower with credit quality remaining strong. After-tax profit increased 19% year-over-year and, on a normalized basis, increased even more if we exclude the mark to market losses on Treasury holdings. Our thesis for the company remains in-tact; we expect attractive growth as HDFC Bank continues to capitalize on growth in demand from India's rising middle class.

Autodesk and **Workday** were the fourth and fifth largest contributors to performance in Q3.

Key Detractors

AIA Group was the portfolio's largest detractor in Q3 after reporting a 13% decline in the value of new business in the first half of the year among fading optimism surrounding a recovery in China as new COVID restrictions were rolled out in response to rising caseloads. Government officials downplayed the need for significant economic stimulus, which also weighed on sentiment. While new business generation was weak, the company reported stable operational metrics with operating profit up 4%+ and underlying free surplus generation up 5%+. As high-end life insurance sales are complex and generally require in person meetings, AIA Group has had a difficult time closing new sales during COVID shutdowns, which persisted into the first half of 2022. We expect 2H results to improve, as many countries in the ASEAN region are returning to growth, and China also should recover. During this difficult time, the company's healthy balance sheet enabled it to take advantage of its depressed stock price and begin a $3 billion share repurchase program. The company also continued its investments into distribution and technology, which should enable it to perform well over the longer term. We expect AIA Group to continue to benefit from the advantages associated with its in-house sales capability, and secular tailwinds such as favorable demographics for insurance and the further penetration of insurance products across key pan-Asian markets. We maintained an above-average weight, adding to the position on weakness.

Steris was the second largest detractor from performance in Q3 after reporting a weaker 1Q23 quarter (ending 6/30/22). Management revised their FY 2023 guidance lower (from 11% to 10% growth), due to FX headwinds, a shortage of semi-conductor chips which made it difficult to ship some products, as well as continued softness in medical procedures. We saw these issues as temporary and view the company as well positioned to continue to grow double-digit earnings in the medium to long term.

Later in the quarter, one of company's competitors faced an adverse jury verdict, which negatively impacted Steris' stock. Both Steris and Steris' competitor use ethylene oxide (EO), a carcinogen, in their process to sterilize medical devices. The competitor, however, has had ongoing litigation for past practices. Based on our research, Steris has developed best practices including "sustainable EO sterilization services" that enable customers to reduce the use of EO. The use of EO cannot be avoided as it ensures the sterility of many medical devices, and we believe Steris' best practice services are becoming more valuable. While we recognize that Steris may also be subject to related litigation in the future, we believe the EO risk is quite manageable for Steris and may prove to be an opportunity in the long term. We thus added to the position on further weakness.

Mengniu Dairy was the third largest detractor in Q3 as the stock was negatively impacted by weak markets in China during Q3 amid ongoing concerns over recurring COVID lockdowns and the impact the country's zero-tolerance program is having on economic growth. The company reported in-line 1H operating results with 4% topline growth driven by 15% growth in milk products. Sales of outdoor-related product categories such as yogurt and flavored beverages declined 20% due to lockdowns. Input cost inflation showed some moderation allowing the company to largely maintain its full year guidance for double-digit topline growth in the second half of the year together with improving margins. We continue to see an attractive long-term growth opportunity for the company, and we expect COVID restrictions to gradually wane which should allow economic growth to stabilize.

ICON and **Adobe** were the fourth and fifth largest detractors from performance in Q3.

Portfolio Activity

Turnover during the quarter was below-average given our previous steps over the past several months to "harden" the portfolio (i.e., further enhance the predictability of the companies held) given the more difficult macroeconomic environment likely in 2023. We liquidated the position in Walt Disney in order to make room for a higher confidence opportunity in Steris. We also purchased shares in CP All, XP, Salesforce, Workday, Adobe, SAP, AIA Group, and FleetCor on weakness. In contrast, we trimmed positions in Amazon, Novo Nordisk, MercadoLibre, HDFC Bank, Danaher, and Yum! Brands on relative strength.

Purchases

Steris is a provider of services, consumables, and equipment that help sterilize products across multiple healthcare settings. The company was purchased during the quarter given its reliable recurring revenue stream, attractive pricing power, solid global reach, and robust financial position as well as its strong management team. About 75% of the company's revenues are from consumables and repeat services which occur as long as medical procedures, devices, and products require sterilization. The company's products and services comprise a small percentage of the overall costs incurred by its customers while it offers strong reputational comfort and efficiency advantages. Due to strict regulation by the FDA and EPA as well as other agencies around the world, the barriers to enter their markets are high. We have been impressed with the CEO and CFO management team who have been together for the past 13 years and presided over transformational changes which have steered the firm's business to become more predictable and recurring.

Among the key risks we will be monitoring are the approximate 25% of sales that come from capital equipment sales which can be cyclical because they tend to be tied to hospital budgeting. COVID negatively impacted Steris' sales given that medical procedures and demand for sterile items declined, and the pace of rebound could be volatile. A transition toward disposable endoscopes and other disposable instruments would also pose a headwind to Steris' business. Finally, Steris carefully utilizes gases and chemicals that can be toxic, such as EO cited earlier, to sterilize instruments posing a potential environmental and legal risk.

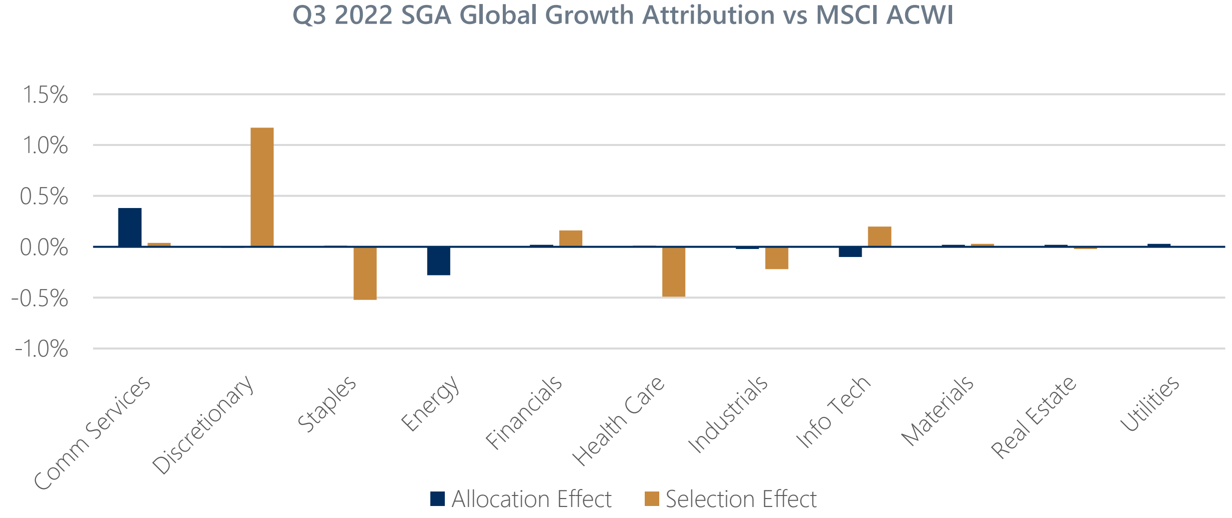
Sales

The position in **Walt Disney** was sold in order to make room for Steris. Disney's theme parks have recovered as we expected and are now vulnerable to an economic slowdown. In addition, ESPN's declining profitability, given secular challenges such as increased competition from new sports licensing rights entrants (such as Apple and Amazon) and its end market maturity, posed concern. We have greater confidence in the opportunity in Steris to recover to peak store volumes and grow predictably over our 3–5-year investment horizon. Disney remains on our Qualified Company List.

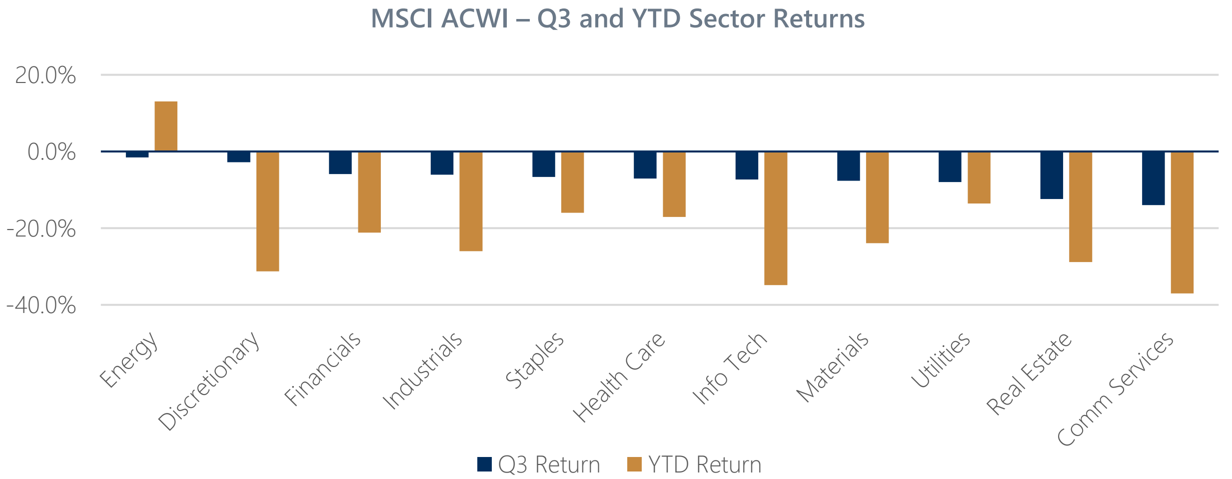
Portfolio Attribution

While all sectors of the ACWI posted negative returns during Q3, the Energy sector was the best performing area declining only -1.6% despite oil prices falling almost 25% over the period. This strength continued to pose a headwind for our approach given our lack of exposure to Energy companies due to their lack of recurring revenues and predictability. Consumer Discretionary stocks, led by the Consumer Services and Specialty Retail industries, was the second-best performing sector of the ACWI. In contrast, Communication Services and Real Estate, two sectors where we had less exposure than the benchmark, were the worst performers for the quarter.

The portfolio's relative performance benefited from both stock selection and sector exposures in Q3 with selection in the Consumer Discretionary sector strongest due to holdings in MercadoLibre and Amazon. Selection in Information Technology and Financials also contributed positively due to positions in Workday, Autodesk, HDFC Bank, and MSCI. Selection in the Consumer Staples and Health Care sectors detracted from relative performance due to weakness in holdings in Mengniu Dairy, Steris, and Alcon.



Source: FactSet, MSCI



Source: FactSet, MSCI

Outlook

With interest rates hitting multi-decade highs, markets have begun anticipating the repercussions of aggressive monetary policy on future global economic growth. High energy prices, continued ramifications of COVID, sustained inflation, and declining consumer sentiment are also likely to impact future growth rates in different countries. While 2022 and 2023 consensus estimates for the benchmark index have come down modestly, we expect this to continue in Q4 and in 2023. As investors become more acutely focused on the effects of higher interest rates and the higher U.S. dollar on economic growth and, in turn, corporate profits, the more sustainable revenue and earnings growth our portfolio companies generate should be rewarded. The MSCI ACWI 2-Year EPS % Change chart on Page 2 illustrates that SGA's best periods of performance historically have been associated with periods of slowing or declining profit growth. In the meantime, portfolio companies continue to generate superior earnings growth together with better gross margins and free cash flow, less debt, and more sustainable sales stability.

We thank you for your continued support and look forward to answering any questions you may have.

The opinions expressed herein reflect the opinions of Sustainable Growth Advisers, LP and are subject to change without notice. Past performance is no guarantee for future results. This information is supplemental and complements a GIPS Report that can be found with composite performance. The securities referenced in the article are not a solicitation or recommendation to buy, sell or hold securities. This commentary is provided only for qualified and sophisticated institutional investors.

Results are presented gross and net of management fees and include the reinvestment of all income. For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based on the deduction of a model fee of 0.85% being the highest applicable fee that may be charged to SGA clients for the Global Growth strategy. Net Returns do not account for custodian and brokerage fees that clients pay to third parties. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. The largest contributors and detractors are determined using a ranking of the absolute contribution to portfolio return by each security held over the period under consideration. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Upon request, free of charge, SGA can provide a list of all portfolio holdings held in SGA's Global Growth portfolio for the past year. SGA's earnings growth forecast data is based upon portfolio companies' non-GAAP operating earnings.

Performance Results	Q3 2022	YTD 2022	1-Year	3-Year	5-Year	7-Year	10-Year	Since Incep.
SGA Global Growth (Gross)	-6.3%	-31.4%	-31.0%	2.4%	7.5%	10.5%	9.7%	10.2%
SGA Global Growth (Net)	-6.5%	-31.9%	-31.6%	1.5%	6.6%	9.6%	8.8%	9.3%
MSCI ACWI Index (Net TR)	-6.8%	-25.6%	-20.7%	3.7%	4.4%	7.4%	7.3%	6.5%
MSCI ACWI Growth Index (Net TR)	-5.9%	-32.2%	-27.5%	5.4%	6.6%	9.1%	8.9%	8.0%

	Total Return						3 Year Standard Deviation				
Period	Before Fees	After Fees	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)
Feb. 1 - Dec. 31, 2011	4.91%	4.10%	-8.78%	-7.85%	Five or Fewer	N/A				1	2,686
2012	17.61%	16.63%	16.13%	16.69%	8	N/A				1,204	4,278
2013	21.77%	20.75%	22.80%	23.17%	10	0.3%				1,482	5,611
2014	2.40%	1.53%	4.16%	5.43%	12	0.3%	11.26%	10.50%	10.53%	1,368	5,332
2015	9.82%	8.89%	-2.36%	1.55%	13	0.2%	11.99%	10.79%	10.73%	949	5,318
2016	4.47%	3.59%	7.86%	3.27%	14	1.0%	12.92%	11.06%	11.28%	1,234	5,672
2017	34.27%	33.16%	23.97%	30.00%	15	0.5%	12.36%	10.36%	10.72%	2,309	9,971
2018	-0.87%	-1.72%	-9.41%	-8.13%	21	0.3%	12.00%	10.48%	11.47%	2,935	9,096
2019	33.42%	32.32%	26.60%	32.72%	24	0.4%	11.58%	11.22%	12.09%	3,727	12,347
2020	31.88%	30.79%	16.25%	33.60%	24	0.8%	16.67%	18.13%	18.16%	6,238	18,780
2021	9.86%	8.93%	18.54%	17.10%	30	0.5%	16.16%	16.84%	16.55%	8,078	22,899
Since Inception (Feb. 1, 2011)	14.87%	13.91%	9.88%	12.54%			13.96%*	13.71%*	13.99%*		

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
The 3 Year Annualized Standard Deviation for years 2011, 2012, and 2013 is not shown as 36 months or returns not available
* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

Global Growth Commentary

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm that and is an affiliate of Virtus Investment Partners. The SGA Global Growth Composite was created in February 2011. The firm maintains a complete list and description of all composites, which is available upon request.

Sustainable Growth Advisers, LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sustainable Growth Advisers, LP has been independently verified for the periods July 1, 2003 – December 31, 2021.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The SGA Global Growth composite has had a performance examination for the periods February 1, 2011 - December 31, 2021. The verification and performance examination reports are available upon request.

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SGA Global Growth Composite contains fee-paying large cap global growth equity portfolios under full discretionary management of the firm. For comparison purposes the composite is measured against the MSCI ACWI Growth TR Index (Net) and MSCI ACWI TR Index (Net).

Effective March 31, 2014 SGA has elected to retroactively change the primary performance benchmarks for the firm's Global Growth equity strategy from the MSCI All Country World Index (ACWI) Gross and MSCI All Country World Growth Index (ACWI Growth Gross) with the MSCI ACWI Growth Net Total Return and MSCI ACWI Net TR as a secondary benchmark. The reason for the change from the gross version of the benchmarks to the net version of the benchmarks is to present a more appropriate comparison benchmark and better align with industry standards in terms of performance calculations and reporting for global equity products. The MSCI ACWI and MSCI ACWI Growth net total return indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The net total return indices are most representative of what a passive investor in the index could expect to achieve taking into account the price level movements, dividends and taxes that are withheld on those dividends.

Effective June 30th, 2013 SGA had elected to change the primary performance benchmark for the firm's Global Growth equity strategy from the MSCI World Growth Index and MSCI World Total Return Index to the MSCI All Country World Index (ACWI) with the MSCI All Country World Growth Index (ACWI Growth) as a secondary benchmark. This change was made in recognition of the fact that SGA's investment team has the ability to invest in emerging market domiciled companies and a benchmark that includes both developed and emerging markets such as the MSCI ACWI most accurately reflects the opportunity set from which client portfolios in the composite are built. It should be noted that SGA is benchmark indifferent in terms of stock selection and portfolio construction and this change was made in order to reflect current industry standards for performance reporting and benchmarking of Global mandates that have the ability to invest in both developed and emerging markets.

The composite calculation has been appropriately weighted for the size of each portfolio on a time-weighted, total return basis. Monthly portfolio returns have been used in the construction of the composite. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

The U.S. Dollar is the currency used to express performance. Results are presented gross and net of management fees and include the reinvestment of all income. For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the Client's custodian. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based upon the highest published fees. The net performance has been calculated by reducing the gross performance by the amount of the highest published fee that may be charged to SGA clients, 0.85%, employing the Global Growth strategy during the period under consideration. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and also may be found in Part 2A of its Form ADV. The annual dispersion presented is an asset-weighted standard deviation calculated using gross returns for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is not indicative of future results.

The standard investment management fee schedule for the firm is 0.85% on the first $25 million and 0.65% on the next $75 million and 0.50% over $100 million. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

Sustainability Report

Q3 2022

Mengniu Dairy

Mengniu is the leading manufacturer and distributor of branded dairy products in China including milk, cheese, and infant formula. Operating in a largely oligopolistic industry, Mengniu's scale and vertical integration places the company in a strategic position to capitalize on the secular growth in consumption of dairy in China.

Mengniu sources milk from 40 facilities across China, with one of these being located in Xinjiang, a region at high risk of modern slavery. We consider this to represent a risk to our long-term growth thesis in the company. While we deem this level of exposure to be immaterial to the company's fundamentals, the potential for headline and regulatory risk stemming from a human rights violation could have a wide-range of impacts to our investment in the company, particularly given the geopolitical sensitivities of the U.S.- China relationship at present. Risks of this nature are very difficult to quantify, in terms of impact and probability, and we have used engagement as a means to learn more about the supply chain:

- Mengniu has a Supplier Code of Conduct that prohibits forced and child labor, consistent with the UN Convention Against Corruption and the UN Convention on Occupational Safety and Health. It also has explicit requirements regarding responsible supply chains that are included in all supplier contracts. All suppliers are certified for compliance, including in Xinjiang, and there is no sourcing outside of the company's certified supply chain. In addition, 100% of the employees of Mengniu's suppliers are subject to labor contracts, which per PRC law guarantees a minimum wage as well as health and work insurance.
- From a monitoring and auditing perspective, Mengniu has a Supplier Management System, where they periodically review supplier operations to ensure compliance with the code. Last year, the company conducted on-site audits at 485 out of 658 total suppliers.
- With regards to senior management accountability, Mengniu has a central business unit (that reports directly into the CEO) responsible for onboarding, certifying, and monitoring compliance of their raw milk suppliers. In addition, the Board has a Sustainability Committee, chaired by the CEO himself, to oversee all ESG related issues. Lastly, ESG-related KPIs, such as carbon reduction and supplier violations of the code of conduct, are tied to senior management compensation.
- Mengniu is commencing a relationship with SEDEX, one of the world's leading ethical trade membership organizations that works with businesses to create more responsible and sustainable business practices. SEDEX assesses risk at each supplier site across four main areas — labor standards, health and safety, business ethics, and environment — and uses a combination of self-assessments and third-party, ethical audits to determine both potential and actual exposure. We are very familiar with SEDEX through our due diligence on YUM! Brands, another portfolio company that collaborates with the organization.

After thorough analysis and engagement, we believe the risk of modern slavery to the Mengniu investment case is satisfactorily mitigated. However, in the interests of stakeholders, we believe there are additional actions the company can take to reduce the risk even further. For example, we encouraged Mengniu to conduct an independent external audit of the plant in Xinjiang and make these results publicly available to investors. We also expressed our opinion that investors would benefit from the publication of annual supplier audits to increase transparency into the company's supply chain. We have expressed our opinions with management on these topics and hope to see positive developments from the company in time.

Stock-Based Compensation

Stock-Based Compensation (SBC) is a common tool utilized by technology companies to attract and retain top talent in a highly competitive field. We believe SBC can be a highly effective incentive scheme for key executives. However, in some instances, the resulting equity dilution from SBC can compound over time to the detriment of existing shareholders if taken too far. We see this prevalent in the software industry where we own a number of companies including Salesforce, Intuit, Autodesk, and Workday. We believe the best practice to mitigate the detrimental impacts to shareholders of SBC is to cap gross share dilution.

ServiceNow, a company on our Qualified Company List, is among the leaders in the practice of capping growth share dilution, and we are seeing more interest from companies in adopting this approach. For example, Workday is considering the merits of this practice, and we recently took the opportunity to raise the subject during a meeting with the management of Intuit, a financial and tax preparation software provider. We explained our preference for a cap to gross share dilution, as opposed to net dilution, as we seek to guard against companies incurring inappropriately high levels of gross share dilution which would then require the diversion of inappropriately high levels of cash flows to fund offsetting share repurchases. Minimizing gross share dilution also potentially allows for more of a company's free cash flow to be returned to shareholders through buybacks and dividends. With buyback taxes likely to rise from here, achieving net dilution may become more expensive over time. Hence, companies should seek to limit gross dilution in the first instance. Furthermore, if inflation becomes more endemic and interest rates remain high, dividends may become more sought after by the investment community. Hence minimizing gross dilution can allow for a higher dividend payout to shareholders and may support the share price over the long term. Intuit management was open to receiving our comments, and we will continue to engage with the company and others under our coverage, on this pertinent topic.

Sherwin-Williams

We engaged with the management of Sherwin-Williams, a leading American paint manufacturer and distributor, for a broad ESG update over the quarter.

On the environmental front, the company has been working on a project to calculate its Scope 3 emissions. Far too few companies report Scope 3 emissions today and given their magnitude relative to Scope 1 & 2 emissions, we believe measurement and reporting is prudent to lower climate risk. For example, in the case of Sherwin-Williams, management noted that Scope 3 emissions are approximately 10 times that of Scope 1 & 2 emissions combined. It has been difficult for management to get a firm grasp of the company's Scope 3 emissions, partly due to reporting deficiencies among its supplier base, but after significant work they now have the confidence in the data and will be publishing to investors later this year. Following on from this, we raised the topic of Science Based Targets (SBTs), and pleasingly management confirmed they are looking to commit to establishing SBTs over the next year now that they have a measure of their complete emissions set. We emphasized the importance we place on emissions disclosure and SBTs and will follow up in the future to make sure they are on track with their commitments.

On physical climate risk, the paint industry's supply chain was largely disrupted in 2021 by hurricanes and winter storms and is a reminder that the company continues to face physical risks related to weather. Management is thinking and acting strategically to mitigate these risks. For example, the recent acquisition of Special Polymers not only added 50 million gallons of capacity to the company's system, but also diversified its supply base away from the Gulf of Mexico which is prone to weather events. It sounds like future acquisitions will also be evaluated through this additional lens and we expressed our support for efforts to diversify the company's supply chain further in the future.

Lastly on compensation, we noted there is a lack of direct links between executive compensation and ESG KPIs. Currently, the senior management team is evaluated on developing and executing the company's ESG strategy. However, the evaluation is qualitative rather than quantitative. The argument the company makes is that it can be difficult to set 12-month targets on longer term goals such as a 30% representation in management by women and minorities. While we see the merits of this argument in certain contexts, we expressed our preference to see the establishment of interim targets to make sure management remains on track with its ESG and D&I agenda.

Danaher

We spoke with management of Cytiva, the largest division of healthcare instrument and consumables company Danaher, over the quarter for an update on its environmental policies. The company is making efforts to reduce its environmental impact on a number of fronts. On product design, it is looking to minimize its usage of plastic. While not an easy task, the company is currently working with customers to design alternative options. On manufacturing, Danaher seeks to be powered with 100% renewable energy by 2025 and is exploring ways to cut its water usage. And lastly in distribution, Danaher has ceased using polyurethane for shipping cold products and is now using more environmentally friendly packaging. We are pleased to see small steps being taken in the right direction and will continue to monitor developments in this space.

Proxy Voting Summary Q3 2022

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	7	6	86%	1	14%	NIL	0%
Global Growth	26	26	100%	NIL	0%	NIL	0%
International Growth	42	42	100%	NIL	0%	NIL	0%
Emerging Markets Growth	3	3	100%	NIL	0%	NIL	0%
Global Mid-Cap Growth	28	28	100%	NIL	0%	NIL	0%

Source: SGA, ISS

Carbon Risks Q3 2022

	Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	17.6	65.9	59.1
MSCI ACWI	105.5	187.6	167.1
SGA Relative Exposure	-83%	-65%	-65%
SGA U.S. Large Cap Growth	6.8	30.7	29.5
Russell 1000 Growth	17.1	67.4	51.7
SGA Relative Exposure	-60%	-54%	-43%
SGA Emerging Markets Growth	26.7	49.5	50.3
MSCI EM	305.4	379.4	345.0
SGA Relative Exposure	-91%	-87%	-85%
SGA International Growth	27.2	76.0	91.2
MSCI ACWI ex-USA	189.5	219.6	200.3
SGA Relative Exposure	-86%	-65%	-54%
SGA Global Mid Cap	20.3	57.3	45.7
MSCI ACWI Mid Cap	208.9	269.9	259.1
SGA Relative Exposure	-90%	-79%	-82%
	t CO_2e/$M Invested	t CO_2e / $M Sales	t CO_2e / $M Sales

Source: SGA, MSCI. Carbon data includes Scope 1 and 2 emissions.

SGA integrates ESG factors, including ESG risks and opportunities, into its investment process. SGA believes environmental, social and governance factors inherently impact a company's brand equity, employee satisfaction, competitive position, financial performance, and ultimately long-term shareholder value. Investments are made with the objective of maximizing risk-adjusted financial returns to its clients. SGA does not place a premium on social returns, nor does SGA allocate its clients' capital based on thematic or top-down views. The opinions expressed herein reflect the opinions of Sustainable Growth Advisers, LP and are subject to change without notice. The securities referenced in the article are not a solicitation or recommendation to buy, sell or hold securities. These materials are provided only for qualified and sophisticated institutional investors.