

Q3 2022

Performance

The U.S. Focused portfolio returned -6.9% (gross) and -7.1% (net) in Q3 versus -3.6% for the Russell 1000 Growth Index.

Continued Pressure on Long Duration Assets

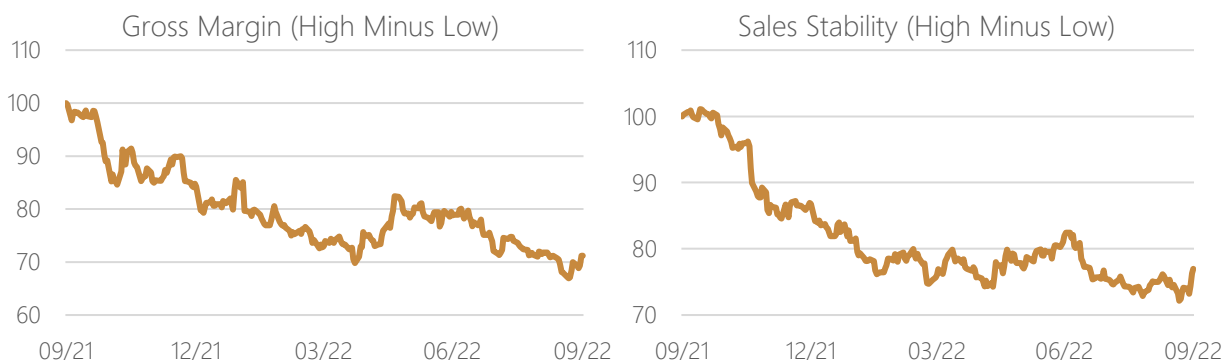
Through September 30, 2022, U.S. stocks were on track for their worst performing year since 2008 with the S&P 500 returning -23.9% and the Russell 1000 Growth Index returning -30.7%. In Q3, following a period of optimism over a possible Fed pivot toward less restrictive monetary policies, market returns weakened as the Fed made it clear they would continue to pursue more restrictive monetary policies to achieve price stability despite rising economic pain. This followed reports in July and August indicating some easing in inflation, although the Consumer Price Index remained elevated at +8.3% in August. In response, the S&P 500 declined -16.5% off intra-quarter highs concurrent with a significant sell-off in bonds as the interest rate on 10-year U.S. Treasuries reached levels not seen in decades. This rise in bond yields placed additional pressure on 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.

Despite the weakness in stock prices, the high business quality characteristics of portfolio companies such as high gross margins, recurring revenues (sales stability), and low levels of leverage were penalized by investors. This was partially due to continued strength in the Energy sector as well as stocks perceived to be safe havens by many investors such as Apple and others.

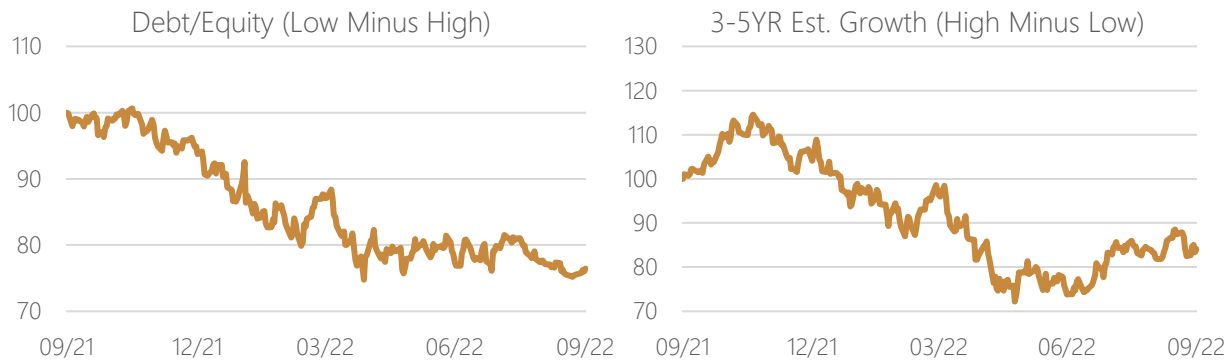
Highlights

- Portfolio returned -6.9% (gross) and -7.1% (net) versus -3.6% for the Russell 1000 Growth Index as sharply rising interest rates negatively impacted longer duration growth companies in August and September
- Higher business quality characteristics that SGA portfolio companies possess such as high margins, sales growth stability, and low debt underperformed for the quarter
- Strong performances by Apple and Tesla, which were not owned in the portfolio, cost about 1.3% in relative return
- UnitedHealth was sold due to forced attrition after being a strong contributor to the portfolio since its purchase in December 2020 to make room for a new position in Intuitive where we took advantage of market volatility to purchase the leader in robotic surgery at an attractive valuation
- Higher interest rates are likely 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 Russell 1000 Growth 2-Year EPS % Change chart on Page 2)

Quality Not Rewarded in The Last Twelve Months



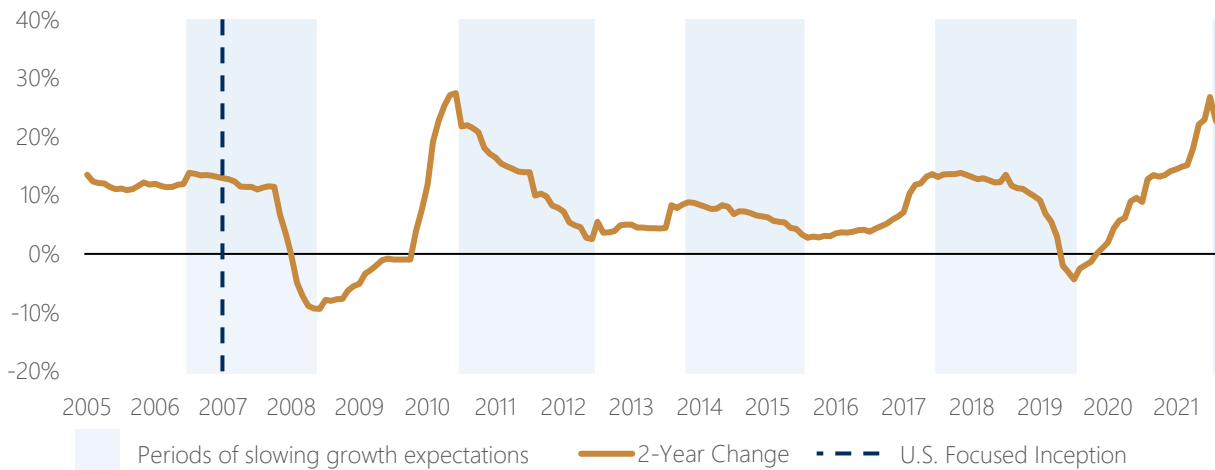
U.S. Focused Commentary



Source: FactSet, Russell

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.

Russell 1000 Growth 2-Year EPS % Change



	SGA U.S. Focused (Gross)	SGA U.S. Focused (Net)	Russell 1000 Growth	Relative (Gross)	Relative (Net)	Peer Rank
Dec 07 – May 09	-15.6%	-16.4%	-22.9%	+7.3%	+6.5%	5 th
Jun 09 – May 11	19.4%	18.4%	25.4%	-6.0%	-7.0%	92 nd
Jun 11 – May 13	14.3%	13.4%	11.5%	+2.8%	+1.9%	7 th
Jun 13 – Oct 14	15.4%	14.5%	20.2%	-4.8%	-5.7%	93 rd
Nov 14 – Jun 16	10.9%	10.0%	5.5%	+5.4%	+4.5%	1 st
Jul 16 – May 18	22.6%	21.6%	21.9%	+0.7%	-0.3%	44 th
Jun 18 – Jun 20	23.3%	22.2%	17.1%	+6.2%	+5.1%	4 th
Jul 20 – Jun 22	-1.1%	-2.0%	7.6%	-8.7%	-9.6%	88 th

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

Key Contributors

Workday was the largest contributor to performance during the quarter after reporting better than expected Q2 results with subscription revenues increasing 23% year-over-year and Professional Services revenues up 15% year-over-year. The company raised its fiscal 2023 non-GAAP operating margin guidance to 19%, reflecting management's confidence in the scalability of Workday's business model and the company's commitment to long-term margin expansion given the momentum in its business and the "mission-critical" nature of its solutions to clients. Importantly, backlog growth, which had disappointed last quarter by coming in at 21% versus a guide of 22%, recovered this quarter hitting 22% versus management's guide of 20%. The company did not see any meaningful softness in its business during the quarter but reiterated that deal cycles will likely lengthen in the second half of the year given the slowing macro-economic environment. Client retention at Workday remains strong at an industry leading 98% annually. The company recently maintained its 3-year targets for 20% annual revenue growth and high-20%'s earnings and cash flow growth which implies an excess of \$10/share in free cash flow in 2025. With 14 of its 22 products for sale having been launched in the last four years, Workday remains early in the penetration of its markets, particularly in the mid-market segment, which could be beneficial in an economic slowdown. The company also has now secured the necessary security approvals to begin marketing its products to the Federal government which should be a positive source of business looking forward.

Autodesk was the second largest contributor to performance with its shares benefiting from a rebound in growth stocks early in the quarter. The company reported better than expected organic revenue growth for fiscal Q3 given continued strong Pro-user demand while facing incremental FX headwinds. In the Pro segment, Autodesk continues to benefit from a significant backlog for its systems. Manufacturing revenues increased 16% year-over-year. We continue to see Autodesk as being well-positioned to capitalize on the rising adoption of computer-aided-design software products in the architecture, engineering, construction, and manufacturing end markets. We expect this to support low-teens revenue and earnings growth over the next three years with improving free cash flow generation after fiscal 2024, despite a weaker macro-economic outlook. The company's transition to a subscription-based business model in recent years has improved predictability and repeatability of revenues while its dominant position and the highly embedded nature of its products in customer workflows provides strong pricing power.

Amazon was the third largest contributor to performance during the period. 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 with operating profits of \$3.3B in Q2 exceeding company guidance. FX headwinds weighed on reported results for their international retail business, but underlying demand remained healthy. Most importantly, the results demonstrated signs of stabilization from tough e-commerce comps as well as a benefit from some of their efforts to recover profitability. We were pleased with the results in Q2 and continue to view Amazon's longer-term growth prospects favorably, though we also recognize that near-term results can be volatile.

UnitedHealth and **MSCI** were the fourth and fifth largest contributors to performance in Q3.

Key Detractors

Match was the largest detractor from returns in the quarter after the company's guidance for the second half of 2022 fell short of expectations and following significant changes in the management team of Tinder, the company's largest unit. Specifically, Match forecasted a sharp slowdown in FX-adjusted sales growth in Q3 with limited improvement expected in Q4 given an expectation that Tinder's sales growth would decline from +20% year-over-year to "low-teens" growth in the second half of the year. The basis for the expected slowing in Tinder's growth is a delay in multiple new monetization features following the management changes due to "disappointing execution on new product initiatives", according to the new CEO. While management turnover has been disappointing, we do expect the changes to be implemented and positively enhance ongoing growth. The episode, however, has impacted market confidence in the company's management strength. Match's Q2 results were in line with consensus expectations with 19% Q2 sales growth year-over-year and a 36% operating margin. Tinder grew its direct revenue 20% on a year-over-year basis, adjusted for FX driven by 14% payer growth, while its non-Tinder businesses grew sales by 12% year-over-year.

U.S. Focused Commentary

Five members of the Investment Committee met with new CEO Bernard Kim as well as Match's CFO/COO to better understand Kim's vision for the company and dig into key questions further. That meeting provided improved understanding and confidence in a return to growth.

Ball Corporation was the second largest detractor from performance in Q3 after it reported earnings that fell short of the average analyst estimate. Comparable earnings per share declined 5% year-over-year, falling short of consensus expectations for a 6% increase. Sales increased +20% year-over-year buoyed by stronger than expected sales in the EMEA region and South America, while North American sales were generally in line. Management reduced its outlook for volume growth given an expectation for reduced consumer spending due to rising inflation. Input cost inflation also impacted earnings during the period, but we expect the impact to wane as contract escalators kick in by early 2023. Longer-term, management's 5-year volume expectations remain largely unchanged. We expect the company's capex spending to decline meaningfully in 2023-2025 given that newly constructed plants are scalable for the next 3-4 years. This, together with help from contract escalators and improving volumes, should allow for high-single digit operating profit growth and improving free cash flow conversion over our 3-5-year investment horizon.

FleetCor was the third largest detractor during the period. The company reported strong operating results with revenue growth of 29% and organic revenue growth of 17% as new sales continued to be robust with the company signing key new accounts in its Fuel Card, Corporate Payment, and Lodging businesses. Earnings per share rose 32% on a year-over-year basis as the company benefited from ongoing share buybacks. FleetCor raised its Q3 and full year guidance for revenues and earnings. While FleetCor's operating results were attractive, softening energy prices and concerns around the impact to FleetCor's small to medium size business customer base from weakening macro conditions continued to weigh on its shares. While a weakening macro backdrop may impact its smaller customers to some extent, we see the business overall being quite resilient. Additionally, the company continues to see solid adoption within emerging solutions tied to electric vehicles and secular growth opportunities within its corporate and cross-border payments segment.

Salesforce and **Alphabet** were the fourth and fifth largest detractors from performance in Q3.

Portfolio Activity

Early in the quarter, the portfolio's position in **UnitedHealth** was sold due to forced attrition given the stock's relative strength in this year's market sell-off and the potential for possible adverse changes on the regulatory front (which recently had been relatively positive for the company). The position was sold to fund a new purchase in **Intuitive**.

Purchases

We initiated a new position in **Intuitive**, the technology leader in robotic surgery, given the stock's relative weakness in the market sell-off, our high conviction in the franchise's strong ecosystem, and the potential for its new Ion product to generate faster growth. The company develops and sells the leading robotic surgery system (da Vinci) and associated instruments and consumables, helping surgeons achieve better outcomes for patients. We believe robotic assisted minimally invasive surgeries will continue to grow at the expense of open surgeries as it leads to less blood loss, fewer side effects, faster recovery, and shorter hospital stays. While adoption is still limited to less than 5% of overall surgeries, continued innovation on the platform will enable more surgeries to be performed in a minimally invasive way using Intuitive's technology. We acknowledge that Intuitive will face more competition in the future; however, with a large installed base of over 5,000 systems, many trained surgeons, and a 20-year lead in technology, we see the company as being well positioned to continue to grow and maintain its market leadership despite ceding some share to new entrants. Additionally, we are impressed with the launch of a new robotic diagnostic platform called Ion, and we see Intuitive continuing to expand the platform beyond the initial lung biopsies to other diagnostic applications over time.

The company offers the key business quality criteria we seek with about 75% of its revenues being recurring due to the demand for services and instruments associated with the procedures. Additionally, Intuitive has attractive pricing power given its leadership in the space, despite having to price within the existing reimbursement schemes. Finally, we believe that the robotic assisted minimally invasive surgeries market will continue to grow based on new innovation. The da Vinci SP and Ion procedures offer meaningful additional growth opportunities over our 3-5-year investment horizon. Management has

U.S. Focused Commentary

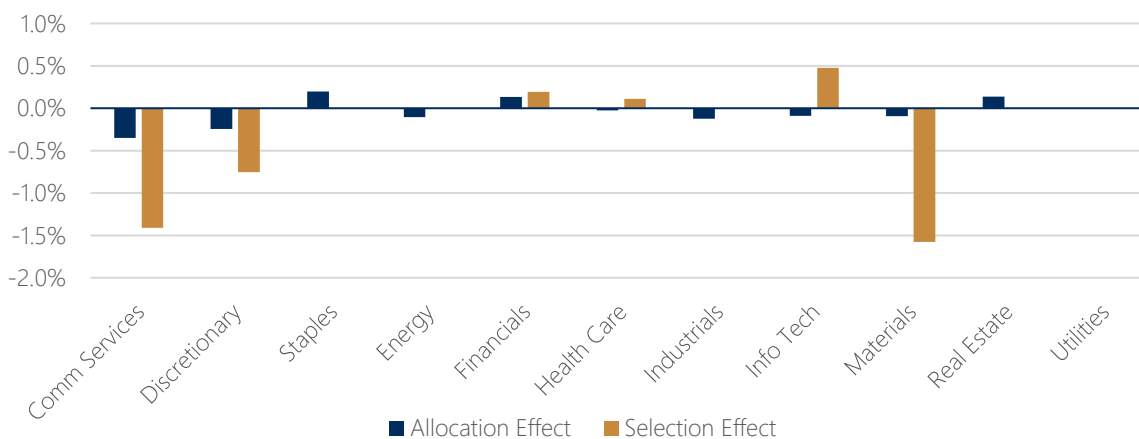
proven its ability to guide the firm effectively with strong execution, while the business generates significant cash flow, and the company's balance sheet includes no leverage.

Among the key risks we will be monitoring with the position is the current weak capital sales cycle in the U.S. which drove the recent stock weakness. We expect, however, that capital sales will recover in 12-18 months as procedures continue to grow. Also, we are watching the effectiveness of competition from well capitalized companies and their willingness to lower prices. We also note that the company is reliant on reimbursement for specific procedures and could face pressure with changes to reimbursement processes. Finally, product quality issues are also always a risk with such businesses; however, Intuitive has a strong record in managing such issues.

Portfolio Attribution

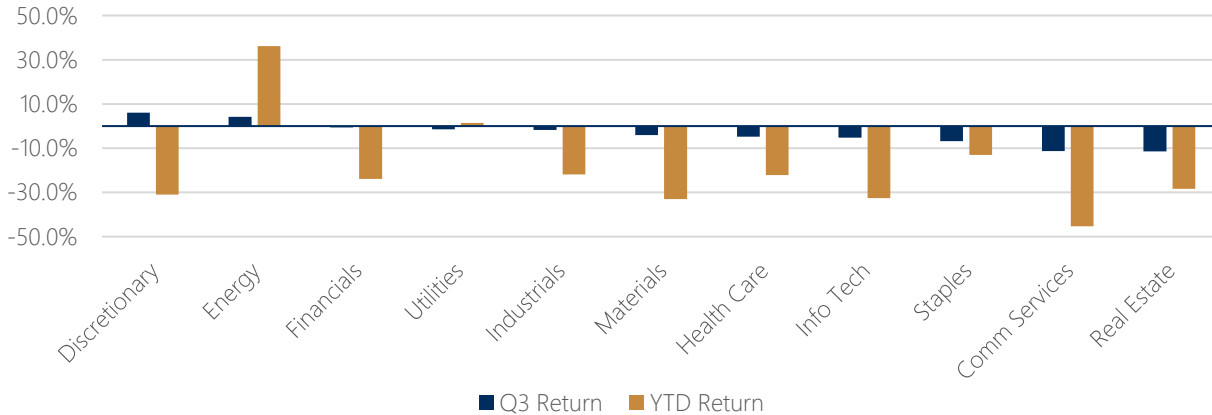
The portfolio's relative performance was negatively impacted primarily by stock selection and residual allocation effects as smaller caps outperformed larger caps, and characteristics associated with higher business quality were penalized. Given our focus on larger cap companies and those with key higher business quality characteristics, this presented a headwind for the quarter. Companies in the Real Estate, Communication Services, and Consumer Staples sectors of the Russell 1000 Growth Index performed the worst during the quarter while stocks in the Consumer Discretionary and Energy sectors performed the best. Weak selection in the Materials and Communication Services sectors, due primarily to positions in Ball Corporation and Match, detracted from portfolio performance most. Selection in the Consumer Discretionary sector also detracted, while positive selection in the Information Technology, Financials, and Health Care sectors mitigated some of the weakness. Residual sector weights also detracted, but to a much smaller degree. An overweight exposure to Communication Services and an underweight exposure to Consumer Discretionary detracted most from relative results. This was partially offset by the portfolio's lack of exposure to the weakly performing Consumer Staples sector. In addition to the headwinds associated with high inflation, strong performance by key index companies not owned in the portfolio negatively impacted relative returns. Specifically, not owning Apple and Tesla which comprised 16.4% of the Russell 1000 Growth Index and returned +1.2% and +18.2% respectively, cost the portfolio about 1.3% in relative return.

Q3 2022 SGA U.S. Focused Attribution vs Russell 1000 Growth



Source: FactSet, Russell

Russell 1000 Growth – Q3 and YTD Sector Returns



Source: FactSet, Russell

Outlook

With interest rates hitting multi-decade highs, markets are just beginning to anticipate the repercussions of aggressive monetary policy on future economic growth. Expectations that weakening profits this year will be offset in 2023 have insulated consensus earnings expectations thus far. But we expect the reduction of expectations for growth in 2023 to continue to intensify in future quarters. 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 Russell 1000 Growth 2-Year EPS % Change chart on Page 2 illustrates how our investment approach has historically benefited most in periods of declining consensus earnings estimates and slowing economic growth, which we expect to see over the coming months.

Portfolio companies continue to generate superior earnings growth together with better gross margins and free cash flow, less debt and more sustainable sales stability. Given sharp hikes in interest rates this year combined with reductions in oil prices, we expect the rate of inflation to begin to moderate in 2023, leading to less aggressive monetary policy and a more conducive environment for longer duration growth companies. The impact of significant relative earnings growth and resiliency combined with the abating of pressure on long duration assets should provide a tailwind to relative performance in the coming quarters.

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

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Results are presented gross and net of management fees and include the reinvestment of all income (including dividends, interest and other earnings). 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 U.S. Focused equity 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 U.S. Focused 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 U.S. Focused (Gross)	-6.9%	-33.4%	-31.2%	3.1%	10.9%	12.7%	12.5%	10.5%
SGA U.S. Focused (Net)	-7.1%	-33.8%	-31.8%	2.3%	9.9%	11.7%	11.5%	9.5%
Russell 1000 Growth	-3.6%	-30.7%	-22.6%	10.7%	12.2%	13.7%	13.7%	10.3%

Period	Total Return				Number of Portfolios	Composite Dispersion	3 Year Standard Deviation			Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of Wrap Assets
	Before Fees	After Fees	Russell 1000 Growth Index	S&P 500 Index			SGA Composite	Russell 1000 Growth Index	S&P 500 Index			
Dec. 1 - Dec. 31, 2007	-0.52%	-0.59%	-0.36%	-0.69%	Five or Fewer	N/A				29	2,920	0%
2008	-30.36%	-30.97%	-38.44%	-37.00%	Five or Fewer	N/A				36	1,360	0%
2009	37.39%	36.26%	37.21%	26.46%	Five or Fewer	N/A				74	1,711	0%
2010	6.74%	5.84%	16.71%	15.06%	Five or Fewer	N/A	21.46%	22.11%	21.85%	92	1,600	0%
2011	6.50%	5.60%	2.64%	2.11%	Five or Fewer	N/A	19.84%	17.76%	18.71%	57	2,686	0%
2012	21.68%	20.67%	15.26%	16.00%	Five or Fewer	N/A	17.29%	15.66%	15.09%	0.099	4,278	100%
2013	26.92%	25.86%	33.48%	32.39%	Five or Fewer	N/A	12.70%	12.18%	11.94%	44	5,611	0%
2014	8.49%	7.58%	13.05%	13.69%	Five or Fewer	N/A	10.15%	9.59%	8.97%	48	5,332	0%
2015	15.67%	14.70%	5.67%	1.38%	Five or Fewer	N/A	11.63%	10.70%	10.47%	55	5,318	0%
2016	3.81%	2.94%	7.08%	11.96%	Five or Fewer	N/A	12.56%	11.15%	10.59%	57	5,672	0%
2017	30.57%	29.49%	30.21%	21.83%	Five or Fewer	N/A	11.93%	10.54%	9.92%	45	9,971	0%
2018	12.23%	11.29%	-1.51%	-4.38%	Five or Fewer	N/A	11.54%	12.13%	10.80%	74	9,096	0%
2019	32.06%	30.97%	36.39%	31.49%	Five or Fewer	N/A	11.30%	13.07%	11.93%	98	12,347	0%
2020	34.88%	33.76%	38.49%	18.40%	Five or Fewer	N/A	18.01%	19.64%	18.53%	150	18,780	0%
2021	15.41%	14.45%	27.60%	28.71%	Five or Fewer	N/A	17.87%	18.17%	17.17%	637	22,899	0%
Since Inception (Dec. 1, 2007)	14.29%	13.33%	13.74%	10.91%			16.08%*	16.26%*	15.59%*			

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

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 and an affiliate of Virtus Investment Partners. The SGA U.S. Focused Composite was created in January 1, 2011. Effective March 31, 2016, SGA changed the name from SGA Focus Composite to SGA Focused U.S. Composite. Effective June 30, 2016, SGA changed the name of this composite to SGA U.S. Focused Composite. The name change titles the composite more closely to the strategy it represents. 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.

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SGA U.S. Focused Composite contains fee-paying highly concentrated, usually no more than 15 security positions, large cap growth equity portfolios under full discretionary management of the firm. Under normal circumstances, SGA defines large cap equity as a company having a market capitalization of \$2 billion or more. However, there may be instances when SGA may invest in a company with a market capitalization of under \$2 billion. For comparison purposes the composite is measured against the S&P 500 and Russell 1000 Growth indices.

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. This composite contains a wrap fee account for the period December 31, 2012 through November 30, 2013. Gross returns for wrap accounts are net of the wrap fee, which include consulting and custodial services; portfolio monitoring and trading cost, and does not include the investment advisory fee. Gross returns for non-wrap accounts have been reduced by transaction costs. 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 U.S. Focused strategy during the period under consideration. Actual fees charged to clients may vary depending on, among other things, the applicable fee schedule and portfolio size. SGA's fees are available upon request and also may be found in Part 2A of its Form ADV. All-inclusive Wrap fee accounts pay a fee based on a percentage of assets under management. Wrap/bundle fee include consulting and custodial services; portfolio monitoring and trading cost. Wrap fee schedules are provided by the independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the reinvestment of all income. For interest and capital gains, SGA does not withhold taxes. However, for dividends SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. 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, 0.60% on the next \$75 million and 0.45% on the balance over \$100 million. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

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 CO₂e/\$M Invested

t CO₂e / \$M Sales

t CO₂e / \$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.