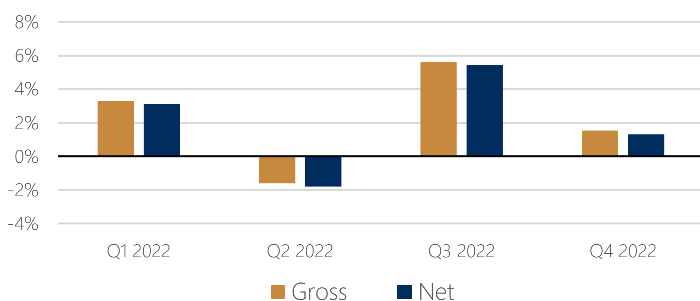
Emerging Markets Commentary

Q4 2022

SGA Sustainable Growth Advisers

Performance

SGA's Emerging Markets Growth portfolio returned +11.2% (gross) and +11.0% (net) in Q4, compared to +9.7% and +9.6% for the MSCI EM and EM Growth Indices, respectively. For the year 2022 the portfolio returned -12.4% (gross) and -13.1% (net) compared to -20.1% and -24.0% for the MSCI EM and EM Growth Indices, respectively.



Highlights

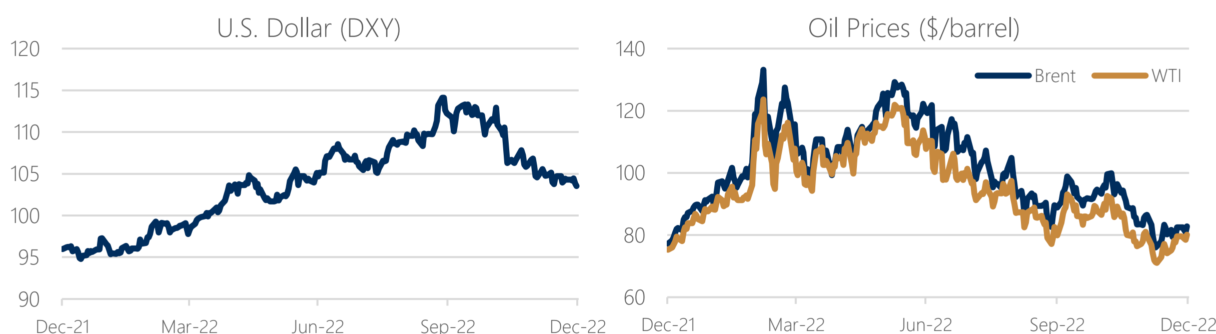
- Portfolio outperformed the MSCI EM and EM Growth Indices in Q4 and for the year 2022
- While companies with higher growth prospects continued to underperform and cyclicals rebounded in Q4, strong performance from a number of portfolio holdings supported relative returns
- CP All, HDFC Bank, and AIA Group contributed most to performance; XP, Asian Paints, and Bank of Central Asia detracted most
- We initiated new positions in L'Oreal and Heineken in Q4, trimmed positions in BBCA, AIA Group, Bud APAC, Mengniu, Shandong Weigao, H World Group, and Yum China, and added to positions in MercadoLibre, WalMex, and XP
- Portfolio remains well positioned to deliver attractive, above-average growth in earnings and cash flows over the coming three years
- We are pleased to announce that Kishore Rao will replace Gordon Marchand on SGA's Executive Committee (the group charged with running SGA's business) effective July 1st, as Gordon retires from SGA

A Weaker U.S. Dollar and China's Zero-Covid Policy Pivot Supported a Q4 Rebound in EM's

The MSCI EM Index bounced back in Q4 following a five-quarter losing streak, the longest on record for the index since its inception in 1988. A weakening U.S. dollar and a strong recovery in Chinese stocks supported broad market returns, offsetting weakness in oil and commodity-exporting countries in the Middle East, Brazil, and Indonesia.

Chinese markets whipsawed during the quarter as investor pessimism in October turned to optimism following the country's decision to exit its zero-Covid policy strategy in response to protests and growing civilian displeasure with its draconian restrictions. The MSCI China Index soared 36% in the final two months of the year after having lost more than 62% cumulatively since its peak in February 2021. The China Index remains nearly 50% below its peak despite its recent rally. China's anticipated economic re-opening also lifted other Asian markets which are expected to benefit from a recovery in Chinese demand, including the Philippines, Malaysia, Thailand, and South Korea. While strength in Chinese stocks had the biggest impact on broader Emerging Market returns in Q4, Emerging Europe was the

Q4 Regional Returns



Source: FactSet

Please see table included in this commentary for full performance presentation.

best-performing region for the quarter as markets in Turkey, Poland, Hungary, and Greece rallied. In contrast, Latin American markets, the best-performing region for the year, lagged in Q4 as declining oil prices and political turmoil weighed on the region. Likewise, oil-exporting countries in the Middle East, including Qatar, Saudi Arabia, and UAE performed poorly, as did Indonesia, another oil and gas exporter given falling energy prices.

Growth expectations, which moderated significantly over the course of 2022, improved in Q4 given rising investor optimism around a cyclical recovery in China. While we view China's re-opening as a positive for growth eventually, the near-term remains murky as new outbreaks and rising Covid infections are likely to challenge hospital systems, pressure supply chains, and disrupt economic activity intermittently. Additionally, with the impact of a historically significant global central bank tightening cycle over the past year still flowing through to global economic activity, we continue to expect a more challenging environment for economic and profit growth ahead. Longer-term, structural issues such as an aging population in China and a more uncertain regulatory landscape given its "common prosperity" goals, along with de-globalization trends are likely to impede global growth potential. Despite such challenges we find comfort in the ability of our sustainable growth companies to compound cash flows at attractive rates over the long-term with greater predictability and resiliency and expect these higher-quality companies to be rewarded by the market over time.

Largest Contributors

CP All was the largest contributor to portfolio performance in Q4 after posting a solid Q3 report as sales continued to benefit from Thailand's reopening and stimulus packages which have boosted economic activity and consumption. Margins continued to improve as the company opened 227 new convenience stores, and its expansion into Cambodia is proceeding more quickly than expected. Makro sales continued to be steady, tempered by some higher costs related to its expansion. While the Lotus/Tesco acquisition had been delayed, it is now poised to make an attractive contribution to company growth. Overall, the company continues to benefit from reopening, and since China is now eliminating quarantine requirements for international travelers earlier than we expected, there is further upside to our expectations. We maintained an above-average weight position in the company.

HDFC Bank was the second largest contributor to performance in Q4. The bank delivered strong fiscal Q2 results with loans and deposits growing 23%+ and 19%, respectively. Net interest income grew nearly 19% and net interest margins improved 10 bps to 4.1%. Net income rose 20%+, including mark-to-market losses on its Treasury holdings, in line with long-term expectations. The merger with parent company HDFC is on track and should support incremental growth opportunities over the long-term through synergies and cross-selling. Overall, we were pleased with the results and growth returning to levels in line with long-term expectations, alleviating investor concerns from earlier in the year. We maintained an above-average weight position given a strong growth outlook and attractive valuation.

AIA Group was the third largest contributor to performance in Q4 as stocks expected to benefit from China's reopening outperformed. The removal of restrictive zero-Covid policies should be beneficial for AIA's ability to generate new business as high-end life insurance sales are complex and typically require in-person meetings to close. AIA's third-quarter business update highlighted positive momentum as value of new business grew 7% in constant currency with growth across all geographies. Annualized new premiums grew 8% and total premiums rose 2%. With China being the company's largest growth driver and the greater likelihood of a more supportive operating environment, we expect new business growth to improve moving forward. Longer-term we see AIA as being well positioned to benefit from key secular growth tailwinds including favorable demographics and rising penetration of insurance products across its key markets in Asia. We maintained an above-average weight during the period, trimming on strength.

FEMSA and **Shandong Weigao** were the fourth and fifth largest contributors to performance.

Largest Detractors

XP was the portfolio's largest detractor in Q4 due to the continued difficult macro environment impacting its growth recovery and investor concerns over the possible impact of newly elected President Lula's fiscal policies on the Brazilian economy and markets. While XP's inflows were within the range of management's guidance during the quarter, some investors might have been disappointed as they are used to seeing the company beat expectations. Also weighing on the stock were ongoing sales from pre-IPO investor, Itau, which is liquidating its position in the company. While the company has increased its share

buyback and also initiated direct purchases of the stock from Itau, it has not been sufficient to offset the temporarily increased selling liquidity. We expect this pressure to wind down over the next 2-3 quarters if the sales proceed at their current pace. With regard to XP's business, we continue to see great opportunity for XP to expand its market share of the developing Brazilian financial markets and the demand for more complex investments from a growing middle class over our 3–5-year investment horizon. We purchased additional shares on weakness during the quarter, maintaining an above-average weight position.

Asian Paints was the second largest detractor from performance during the period. The company delivered solid revenue growth of 19% on 10% volume growth; however, results fell short of investor expectations. While high input cost inflation impacted gross margins, which declined 200 bps from the prior quarter to 36%, management re-iterated its conviction in its ability to return to 40% margins in 2023 given easing raw material inflation. Concerns about rising competition also weighed on the stock as new entrant, Grasim, announced plans to add significant capacity to the Indian decorative paints market. While Grasim is an unproven player lacking the brand and distribution advantages of Asian Paints, we recognize that significant industry capacity buildout could adversely impact growth and margins for Asian Paints moving forward. We are monitoring these developments carefully. In the meantime, Asian Paints is investing in overseas JV's to ensure its ability to secure critical raw materials while also committed to building out domestic manufacturing capacity. We expect these investments to weigh on free cash flow generation over the next 2-3 years, but view the initiatives positively as they will increase the company's scale advantage over smaller peers and allow the company to control its supply chain and lower its costs through backwards integration. Given the increased near-term uncertainty and an elevated cash flow-based valuation we maintained a below-average weight in the company.

Bank of Central Asia (BBCA) was the third largest detractor from performance as weakness in Indonesian markets weighed on its shares. BBCA delivered solid results with operating income for the first three quarters growing 9% year-over-year and 7% quarter-to-quarter in Q3. The bank's net interest margin improved to 5.4% in Q3 from 5.0% in Q2 and ROE increased slightly to 22.7%, a multi-year high. Loan growth remained strong as outstanding loans grew 12.6% year-over-year with continued superior asset quality. We continue to like BBCA's growth opportunity as the bank is well positioned to take advantage of growth in Indonesian banking services given its unique funding advantages and strong market position. Given an elevated valuation we trimmed the position early in the quarter but maintained an above-average weight position.

L'Oreal was the fourth largest detractor from performance and **Sanlam** was the smallest contributor to performance.

Portfolio Activity

Portfolio turnover was slightly above average in Q4. We initiated new positions in Heineken and L'Oreal and added to our positions in MercadoLibre, WalMex, and XP on weakness. We trimmed our positions in BBCA, AIA Group, Bud APAC, Mengniu Dairy, Shandong Weigao, H World Group, and Yum China.

Sold Positions

No positions were sold in the portfolio during the quarter.

New Positions

A new position in **Heineken** was initiated in Q4. Heineken is the second largest global brewer by revenue and the number one international premium beer brand, operating more than 160 brewers across 70+ countries. Under the leadership of CEO Dolf van den Brink, the company has recently pivoted to a more balanced growth model supported by cost savings programs and business investments, which is leading to a more sustainable flywheel of organic sales growth, improved operating efficiencies and reinvestment. Heineken is well positioned to benefit from two of the key secular growth drivers in the global beer category: the premium segment and consumption growth in developing markets where it currently generates more than 50% of its sales. The company is also targeting additional growth opportunities in cider, ready-to-drink cocktails and low/no alcohol products. Having the highest premium beer brand equity globally and the #1 or #2 position in 5 of the top 10 premium markets gives Heineken significant pricing power. While its on-premise business was negatively impacted by lockdowns and social restrictions during the pandemic we have seen a strong recovery as countries have re-opened. We expect the beer industry to resume its relatively stable pattern with regularly recurring consumption patterns across the world

moving forward. Additionally, the company's geographically diverse footprint, with no region representing more than one quarter of profits and no country accounting for more than 15% of volumes, aids overall predictability of revenue generation. The company also has brand diversity with the largest brand representing only 15% of volume.

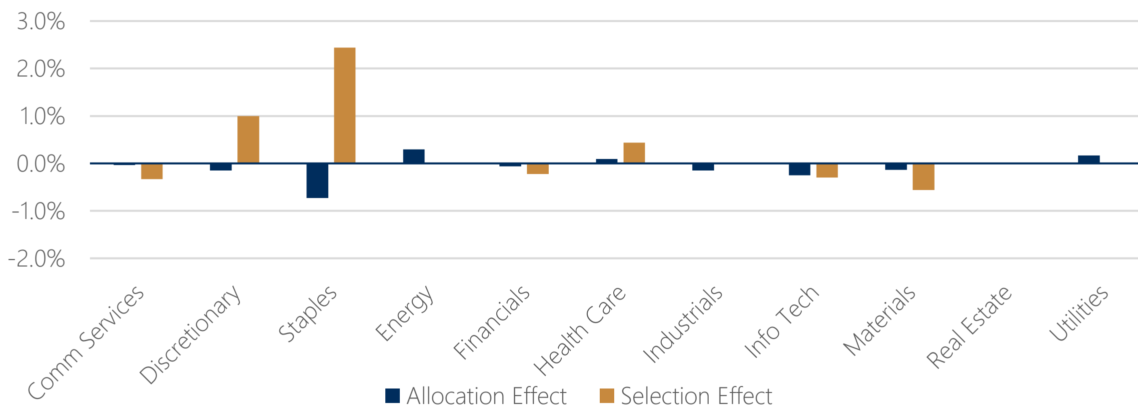
Among the risks we are monitoring are the impact of competition on brand strength and consumer preferences, loss of exclusivity at major Mexican retailer OXXO, and progress on company initiatives focused on driving more balanced top-line and profit growth. We are encouraged by the company's investments in their brands, innovation, and go-to-market resources which should lead to significant gross profit expansion moving forward. The company's premium segment mix, pricing power, and cost savings initiatives should help drive earnings and cash flow growth despite any near-term macroeconomic headwinds. Loss of exclusivity at OXXO should be mitigated by several factors including OXXO's intention to expand total beer shelf space, as well as Heineken's increased freedom to pursue other more profitable commercial opportunities with other retail partners and its own store base.

A new position in **L'Oreal** was initiated in Q4. L'Oréal is a leading global beauty company with a presence in 150 countries, benefiting from secular growth trends in emerging markets where it generates more than 40% of sales today. The company markets over 35 brands in skincare, makeup, haircare, hair color, and fragrances and is present in most channels of beauty including mass, luxury, and professional (hair salons). As the largest player in a steadily growing industry, L'Oréal benefits from growing consumer interest in beauty, which is driven by aging, social media, a rising middle class in developing countries, and rising wealth among women. L'Oréal's strong pricing power is supported by its ability to innovate and capture consumers through aspirational branding. Additionally, L'Oréal benefits from premiumization trends in most categories of cosmetics as women increasingly choose higher priced items with greater benefits. As beauty products are consumed and replaced daily, L'Oréal's generates a high proportion of repeat revenues. The beauty industry has over time been resilient during economic cycles offering relatively steady growth. Given the company's strong innovation pipeline and marketing channels we expect it to maintain its dominant market position moving forward while benefiting from an attractive growth runway, particularly in emerging markets.

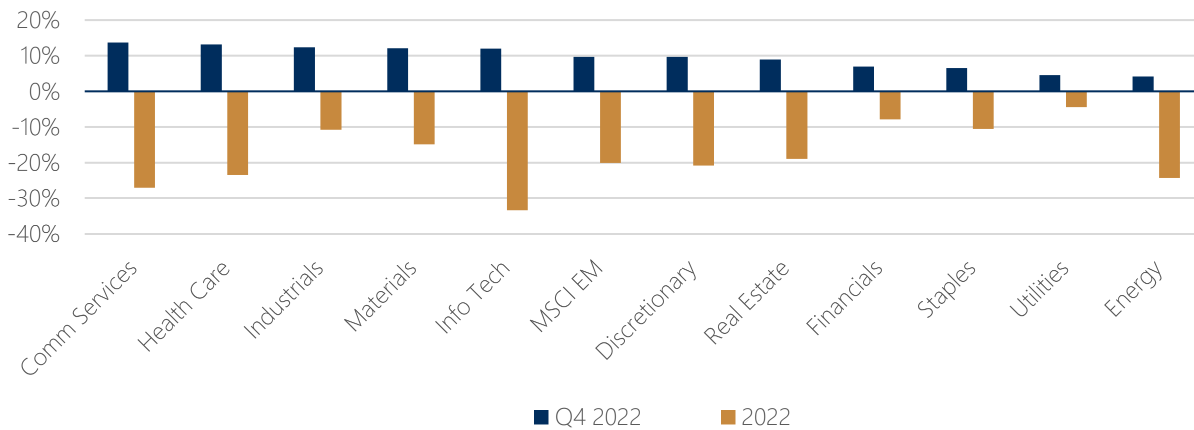
Among the risks we are monitoring for L'Oreal include competition from established as well as newer emerging brands, and its ability to continue acquiring smaller brands and scaling them up on its platform. A significant economic downturn and consumer weakness may lead some customers to trade down from premium products; however, the company's increasingly diversified and balanced category and geographic mix is likely to reduce the impact of near-term macro-driven weakness.

Market and Portfolio Attribution

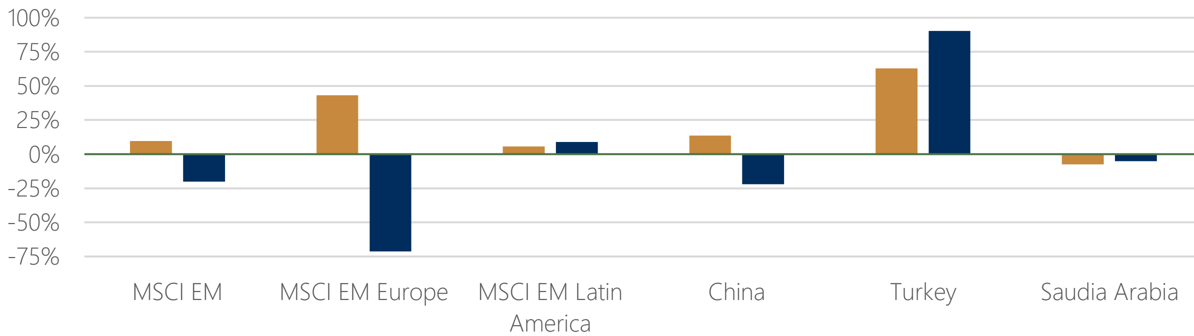
Stock selection effects contributed positively to relative returns in Q4. Selection in the Consumer Staples and Consumer Discretionary sectors contributed most driven primarily by strong performance in CP All, FEMSA, Yum! China, and Fast Retailing. The portfolio's large weight in Consumer Staples stocks, a by-product of our bottom-up process, weighed on relative returns as the sector lagged during the strong market rebound in Q4. A lack of exposure to strongly performing Tech Hardware, Industrials, and Semis stocks also weighed on relative results. Faster-growing companies remained under pressure in Q4, while the reward to higher-quality business metrics was mixed.



Source: FactSet, MSCI



Source: FactSet, MSCI



Source: FactSet, MSCI. Please see table included in this commentary for full performance presentation.

Summary and Outlook

An improving backdrop in China and a weaker U.S. Dollar supported a strong rebound for Emerging Markets in Q4. The Chinese government's decision to swiftly abandon its zero-Covid policy lifted investor sentiment given rising expectations for a strong economic recovery in China. This rise in optimism lifted growth expectations, which had declined significantly over the course of 2022, while supporting a strong rally in cyclicals and markets closely tied to Chinese growth and demand later in the quarter. Although we view China's re-opening as a positive for growth, we believe its longer-term growth potential is likely to be more muted compared to the past 20 years given its aging population, regulatory priorities, and more adversarial relations with the West. This will have significant implications for global growth broadly as China will no longer be the growth engine of the world as it once was. In the near-term there will be fits and starts accompanied with its economic recovery as mass Covid outbreaks are likely to disrupt economic activity intermittently. With the impact of global central bank tightening still feeding through to global economic activity, countering an improving growth backdrop in China, we continue to expect a more challenging growth environment ahead. Investor sentiment and style leadership is likely to remain volatile as a result of these crosscurrents. We are confident that the more predictable, resilient, above-average growth offered by the companies in our portfolio will be rewarded over time.

We thank you for your continued to support, welcome any questions or comments, and wish you a healthy and prosperous 2023.

Organizational Update

As we communicated to you last year, co-founding partner Gordon Marchand will be retiring from Sustainable Growth Advisers on June 30, 2023. Gordon has been a member of the firm's Executive Committee since our inception in 2003. Following Gordon's retirement, we are pleased to announce that Kishore Rao will replace Gordon on the Executive Committee, joining co-founders George Fraise and Rob Rohn.

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 Emerging Markets 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 Emerging Markets Growth portfolio for the past year. SGA earnings growth forecasts are based upon portfolio companies' non-GAAP operating earnings.

Performance Results	Q4 2022	YTD 2022	1-Year	3-Year	5-Year	7-Year	Since Inception
SGA Emerging Markets Growth (Gross)	11.2%	-12.4%	-12.4%	-0.5%	2.8%	6.9%	5.2%
SGA Emerging Markets Growth (Net)	11.0%	-13.1%	-13.1%	-1.3%	1.9%	6.0%	4.3%
MSCI EM (Net TR)	9.7%	-20.1%	-20.1%	-2.7%	-1.4%	5.2%	1.1%
MSCI EM Growth (Net TR)	9.6%	-24.0%	-24.0%	-2.9%	-1.3%	5.7%	2.4%

Emerging Markets Commentary

	Total Return							3 Year Standard Deviation						
Period	Before Fees	After Fees	MSCI EM Net TR Index	MSCI EM Growth Net TR Index	MSCI ACWI with EM Exposure Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI EM Net TR Index	MSCI EM Growth Net TR Index	MSCI ACWI with EM Exposure Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of non-fee paying accounts
Aug. 1 - Dec. 31, 2014	-1.38%	-1.73%	-9.59%	-7.09%	-8.27%	Five or Fewer	N/A					0.193	5,332	100%
2015	-3.00%	-3.82%	-14.92%	-11.34%	-13.45%	Five or Fewer	N/A					0.094	5,318	100%
2016	2.10%	1.24%	11.19%	7.59%	11.73%	Five or Fewer	N/A					0.096	5,672	100%
2017	36.31%	35.19%	37.28%	46.80%	35.10%	Five or Fewer	N/A	12.64%	15.35%	14.69%	14.10%	0.130	9,971	100%
2018	-11.00%	-11.76%	-14.57%	-18.26%	-14.97%	Five or Fewer	N/A	12.87%	14.60%	14.98%	13.30%	0.116	9,096	100%
2019	30.97%	29.88%	18.42%	25.10%	21.30%	Five or Fewer	N/A	13.38%	14.17%	15.41%	13.95%	5	12,347	0%
2020	31.22%	30.13%	18.31%	31.33%	12.21%	Five or Fewer	N/A	18.45%	19.60%	19.96%	18.62%	6	18,780	0%
2021	-14.37%	-15.10%	-2.54%	-8.41%	-10.23%	Five or Fewer	N/A	18.56%	18.33%	18.96%	17.98%	86	22,899	0%
Since Inception (August 1, 2014)	7.79%	6.88%	4.33%	6.55%	3.00%			15.70*	16.74*	16.91*	15.89*			

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
3 Year Standard Deviation is not shown for 2014, 2015, and 2016 as 36 months of returns are not available
* 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 is an affiliate of Virtus Investment Partners. The SGA Emerging Markets Growth Composite was created in January 1, 2015. 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 Emerging Markets Growth composite has had a performance examination for the periods August 1, 2014 - December 31, 2021. The verification and performance examination reports are available upon request.

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The SGA Emerging Markets Growth Composite contains fee paying and non-fee paying discretionary global large cap emerging growth equities that invests in companies around the world that are direct beneficiaries of the rapid emergence of the middle class across many developing economies and its related wealth creation. For comparison purposes the composite is measured against the MSCI ACWI with EM Exposure Net; MSCI Emerging Markets Growth Net and MSCI Emerging Markets Net Total Return Indices. The benchmarks are the most widely followed indices to track emerging market performance. The 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

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. Returns are shown Gross and Net of management fees and include reinvestment of all income. It should be noted that the account in this composite is a proprietary account owned by SGA and in an incubation period to market to current and prospective clients. Therefore, the account is not charged an investment advisory fee. However, for net performance SGA will utilize a model fee of 0.85% which is the highest fee applicable to this strategy. 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 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.

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

Past performance is not indicative of future results.

Sustainability Report

Q4 2022

SGA
Sustainable Growth Advisers

MercadoLibre

Over the quarter, we engaged with Latin American e-commerce and fintech giant MercadoLibre on the risks of modern slavery throughout its merchant network. Specifically, we encouraged management to address the gaps in the oversight of third-party vendors on its platform. With over 10 million vendors in its third-party network, the scale of the platform is a challenge to effective oversight and management is hoping to find a technological solution to the problem. We encouraged the company to begin manual assessments with the top 0.1%, or even .01%, of third-party vendors to minimize the risk of reputational damage related to any potential human rights violations and send a clear signal to the rest of the network. Management asserted they currently conduct assessments for third-party merchants from Mexico and China; however, we have not independently verified this claim.

We also discussed Board independence, noting a joint CEO/Chairperson role and potential nepotism on the Board, and made suggestions for incremental improvements to governance. We encouraged the creation of a lead independent director as an interim step if the separation of the CEO/Chairman position is unlikely to take place in the near-term. We also lent our support towards annual director elections which can enable continuity, while also refreshing the Board with new ideas, energy, and oversight.

MSCI

We recently met with Rob Ashe, MSCI's lead independent director, and members of the company's ESG team for a discussion on corporate developments. We expressed our concerns on the recent, and on-going, turnover in the CFO position raising potential risks around talent retention. MSCI has now had six CFOs in the past 15 years, with an average tenure of just 3 years. Rob addressed the most recent CFO's departure and implied that while she had the requisite financial sophistication for the job, she lacked an intrinsic understanding of the business to add the level of value needed from the position. Rob expressed his confidence in the current CFO, Andy Wiechmann, as strongly aligned to these dual requirements, and he expects him to serve in this role for a long tenure. We will continue to monitor Andy's integration within the organization and broader personnel changes.

On the climate front, MSCI is committed to reaching net-zero GHG emissions across the value chain by 2040 and has enhanced its science-based and net-zero emissions reduction targets, which have been approved by the Science Based Targets initiative (SBTi). Lastly, we discussed executive remuneration and how alignment can be improved with MSCI's new Performance Stock Options (PSOs). Compared to the previous Long-Term Incentives (LTIs) which were based solely on total shareholder return over a 5-year period, PSOs include revenue & EPS growth as key performance indicators and vest over a 3-year period.

Amazon

We met with Amazon over the quarter for an update on the establishment of Science Based Targets (SBTs) and oversight of third-party vendors. Amazon joined the Science Based Targets Initiative in 2020 and planned to establish SBTs by 2022. Alas, this target has not been met and we engaged with Amazon to understand the reasons why. As we understand, the SBTi has experienced technical difficulties benchmarking Amazon to peers and is also working through a large backlog of demand as SBTs have become increasingly popular among the corporate community. The SBTi is continuing to work through Amazon's net zero plans and Amazon hopes to resolve this in the near-term. We also discussed Amazon's ambitious 2040 carbon neutral goals. Management relayed their confidence in reaching these goals with a transition pathway across power, transport, and buildings. In one year alone, Amazon has increased their renewable energy usage from 65% to 85%. In transport and logistics, there is still a long road ahead for the company, and this will be reliant on technological innovations.

We also discussed an update on the company's oversight of third-party vendors. Amazon's supply chain standards apply to all third-party vendors and when there are credible allegations of violations of these policies, Amazon will investigate. When questioned on suppliers from the Xinjiang province in China, Amazon follows their standard 'not guilty until proven' approach, as opposed to an outright banning and 'guilty until proven innocent' system that some have been applying to Xinjiang. We

believe Amazon's response to modern slavery risks remains a work in progress, and we encouraged management to adopt greater responsibility for their third-party networks.

Workday

We continued our dialogue with the management of Workday on recommendations to improve corporate governance. Management reiterated their intention to decrease stock-based compensation (measured as a % of revenues) to mid-high teens levels; however, this will take some time to affect due to the lagging nature of rewards. We reiterated our request for a cap to annual gross share dilution, to redesign short- and long-term compensation plans to be based on objective, performance-based metrics, and to include ESG factors.

Given the recent weakness in the share price, we proposed the idea of initiating a capital return program funded through the free cashflows generated from the business. This would potentially draw in an incremental set of investors, particularly given many of its larger peers are diverting cashflows to fund acquisitions, provide support to the stock price, and enhance its value in employee retention and recruitment, benefitting the company, employees, and shareholders. Pleasingly, whether this is related with our engagement or not, in December the company announced its first ever capital return program, a $500 million share repurchase authorization.

Equinix

Equinix has one of the largest carbon footprints in our portfolios given the heavy energy requirements of its data centers. Equinix currently discloses Scope 1 & 2 emissions and is undertaking a project to calculate Scope 3 emissions which will likely form a significant share of its total carbon footprint. Equinix has established interim SBTs and the findings from its Scope 3 calculation exercise will shape its Net-Zero targets, which we lent our support for. Renewable energy is a key component of Equinix's climate strategy with over 95% of energy currently sourced from renewable or 'clean' sources across 27 countries, which includes the impact of offsets. The procurement of renewable energy involves the trading of long-term energy contracts which have the potential to add volatility to cash flows and is something to be mindful of.

SAP

We met with the management of enterprise software company, SAP, over the quarter to discuss key ESG issues impacting the business. We addressed areas flagged for attention, such as the lack of an annual Say on Pay vote (which we expect to be resolved in the near-term) and the lack of an independent Chairperson. In regards to stock based compensation, we argued that 1.5% gross annual dilution was higher than expected for a company growing in the high single-digits to low double-digits and provided peer reference points to justify our case. We plan to prioritise this matter in future dialogue with management. On climate, management commented on their enthusiasm for capitalizing on the need for Scope 3 emissions and supply chain diversity software solutions, and we encouraged them to disclose the progress of this product segment to increase transparency to shareholders by demonstrating their leadership, commitment, and execution. We also discussed recent ESG controversies such as reports of bribery and alleged sexual abuse at company events, to which management has responded by increasing the number of compliance officers, limiting commissions in public sectors deals, reviewing current policies, and moving its whistle blower function to a third party to ensure independence.

Proxy Voting Summary Q4 2022

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	20	14	70%	6	30%	NIL	0%
Global Growth	41	33	80%	8	20%	NIL	0%
International Growth	32	30	94%	2	6%	NIL	0%
Emerging Markets Growth	17	17	100%	NIL	0%	NIL	0%
Global Mid-Cap Growth	6	4	67%	2	33%	NIL	0%

Source: SGA, ISS

Carbon Risks Q4 2022

	Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	15.6	66.4	63.1
MSCI ACWI	99.8	187.5	161.3
SGA Relative Exposure	-84%	-65%	-61%
SGA U.S. Large Cap Growth	6.7	28.5	28.8
Russell 1000 Growth	18.0	67.2	48.2
SGA Relative Exposure	-63%	-58%	-40%
SGA Emerging Markets Growth	20.5	43.6	44.9
MSCI EM	281.0	385.8	324.3
SGA Relative Exposure	-93%	-89%	-86%
SGA International Growth	22.2	74.9	95.5
MSCI ACWI ex-USA	166.0	223.3	189.3
SGA Relative Exposure	-87%	-66%	-50%
SGA Global Mid Cap	16.7	53.3	45.7
MSCI ACWI Mid Cap	197.3	271.3	242.0
SGA Relative Exposure	-92%	-80%	-81%
	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.