U.S. Large Cap Growth Commentary

Q1 2023

SGA
Sustainable Growth Advisers

Performance

SGA's U.S. Large Cap Growth portfolio returned 9.9% (Gross) and 9.7% (Net) versus 14.4% for the Russell 1000 Growth Index during Q1 2023. The S&P 500, an index that is much less concentrated, returned 7.5% in Q1.

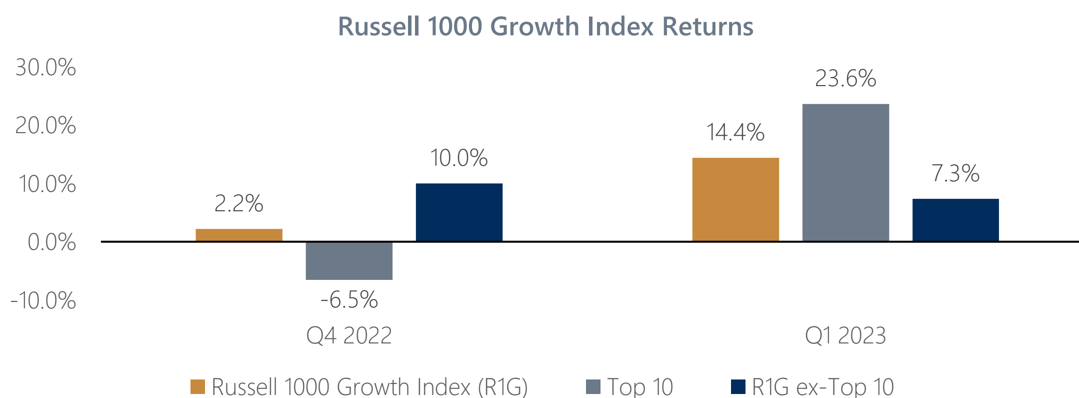
Highlights

- Portfolio trailed the Russell 1000 Growth Index as optimism for a possible Fed pivot and soft landing resurfaced amid signs of moderating inflation and falling interest rates while employment remained strong
- Surges in Index heavy weights Apple, NVIDIA, and Tesla posed a stiff headwind for our approach costing about 4% in relative return
- Portfolio stock selection benefited from a lack of exposure to U.S. banks given the Silicon Valley and Signature Bank failures
- We initiated a new position in software-as-a-service provider ServiceNow; to make room in the portfolio, Match was sold on the basis of forced attrition
- Economic growth and corporate profits continued to slow despite short-term optimism, and we expect that to continue

Equities Continue Their Rebound Despite Rising Uncertainty

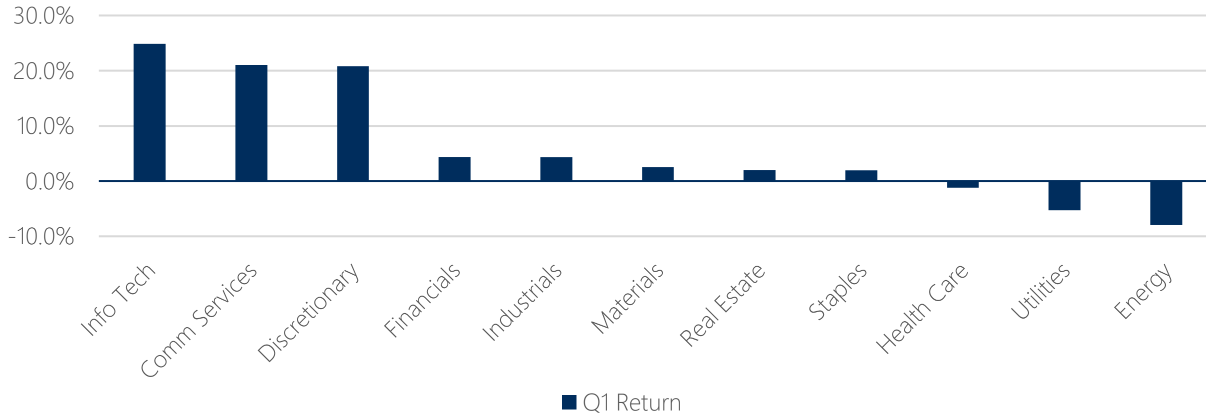
A reduction in investor concerns given signs of progress on inflation, continued strong employment, a lifting of China's Covid lockdowns, and a hope that perhaps the economy would see a soft landing boosted smaller cap, higher beta stocks for most of the quarter. However, renewed concern about inflationary pressures and the negative effect (albeit lagged) of higher interest rates on economic growth and the banking system led to higher business quality measures rebounding in March. Stocks in the Russell 1000 Growth, and particularly those in the Information Technology and related sectors, saw a massive boost in their earnings multiples during the quarter, with only modest earnings support.

The high concentration of the Russell 1000 Growth Index was boosted by outperformance of a highly select group of Technology and related companies including Apple (+27.1%), Microsoft (+20.5%), NVIDIA (+90.1%) and Tesla (+68.4%). Not owning Apple, NVIDIA, or Tesla cost about 4% in relative return.



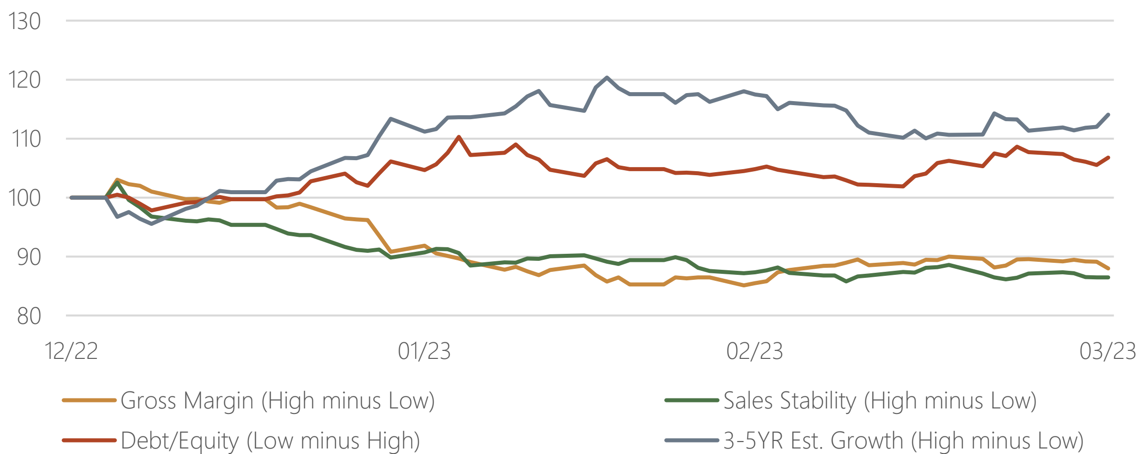
Source: FactSet, Russell

Related sectors including Information Technology, Communications Services and Consumer Discretionary returned +24.9%, 21.0% and +20.8% respectively were the only sectors to outperform the Index in Q1. In contrast, Energy, Utilities, and Health Care were the weakest performers returning -7.9%, -5.3% and -1.2% respectively.



Source: FactSet, Russell

Business quality parameters important to our investment approach, such as strong pricing power (and resulting higher gross margins) and recurring revenue streams (marked by greater sales stability), were not rewarded in Q1. Such fundamental business quality criteria were less of a concern given the market's evolving expectation for a soft landing for the economy. This optimism eventually gave way to a realization that the Fed had not abandoned its quest for price stability despite stress in the banking system precipitated by the failures of Silicon Valley and Signature Banks, and the managed rescue of Credit Suisse. The move toward slower economic growth and the unwinding of serious excesses built up over the past several years due to highly accommodative monetary and fiscal policies is unlikely to occur without volatility.



Source: FactSet, Russell

Largest Contributors

Salesforce was the largest contributor to performance in Q1 after the company reported results exceeding expectations and provided better than expected guidance for the year while accelerating its plans for enhancing operating margins. Its current backlog came in at 13% on a constant currency basis compared to its 10% guide. Revenues showed 10% growth, exceeding our forecast. The company also guided to 30% operating margins in 2025 comparing favorably to a prior target of 25%. In addition, Salesforce doubled its share repurchase authorization from \$10 billion to \$20 billion and took steps to enhance shareholder value in the face of increased pressure from outside activists. We were pleased to see client churn dropped to

its lowest level on record at 7.5%. As the company continues to transition from a high growth to a more moderate, but still above average, growth business we continue to believe it offers attractive opportunity and expect that pressure brought to bear by activist shareholders may expedite the pace with which the company takes steps to enhance shareholder value further. We trimmed our position in the company on the strength seen during the quarter.

Amazon was the second largest contributor to portfolio performance as investors grew cautiously optimistic about improvement in retail margins while digesting the weakness in Amazon Web Services (AWS) growth this year. With new CEO Andy Jassy joining the company's earnings call for the first time, Amazon reported renewed strength in its retail business with operating profits coming in higher than their guide. We expect continued improvement in 2023 with strength from its 3rd party business and improving cash flow productivity, as the company continues to right size its workforce and grow into its expanded fulfilment capacity. AWS, however, disappointed in terms of reported sales and margins as strong efforts toward optimizing efficiencies by new and existing clients overcame healthy new customer sign-ups and onboarding. Long term, the opportunity for AWS is still intact, and when combined with Amazon's right sizing efforts, is expected to enhance results over our 3-5 year investment horizon. We maintained our above average size position in the company and added further to our position.

Microsoft was the third largest contributor to performance as somewhat tepid results were overcome by excitement around the demonstration of its Artificial Intelligence initiatives. We remain constructive on the AI opportunity but will only value what can be measured and therefore, it is a little early for us to be able to assign any incremental value to it. There has been a significant effort by customers to optimize their spend at Microsoft's cloud computing business (Azure). As it has already been 2-3 quarters since the optimizations have been progressing at a higher rate, we expect headwinds from such exercises to taper off over the course of 2023, setting the stage for attractive growth. Beyond Azure, most of its other business segments continue to perform well besides the well understood cyclicality of the consumer business. We trimmed the position on strength during the quarter, but maintained an above-average position, albeit a smaller weighting than the 11.1% weight it has in the benchmark.

The fourth and fifth largest contributors to portfolio performance in Q1 were **Workday** and **MSCI**.

Largest Detractors

UnitedHealth was the largest detractor from performance in Q1 as Health Care stocks underperformed by a wide margin for the quarter after having performed well in 2022 and given some renewed concerns over Medicare reimbursement policies. This was despite the company's adjusted earnings per share for Q4 exceeding the average analyst estimates and being in line with our own. Revenue growth was 12% while operating income grew 24% boosted by strength in its Optum and UnitedHealthcare business segments. The company reiterated its 2023 guidance. In aggregate its medical cost trends in Q4 were in line with expectations, benefiting from a decline in flu incidences which resulted in lower-than-normal inpatient costs. There was some concern in the market that the cost ratio was not as strong as it had been in the prior nine months of 2022. Additionally, the company noted potential favorable shifts following the pandemic which could be beneficial to cost trends including emergency room visits shifting to urgent care visits, and more inpatient care moving to outpatient care. Our thesis for the business remains unchanged as we see UNH benefiting from an increased focus on providing quality health care more economically.

Dollar General was the portfolio's second largest detractor in Q1 after the company reported a mixed quarter with its top line and margin negatively impacted by unfavorable weather in December and continued supply chain bottleneck issues that first emerged in Q3. Q4 sales increased 17.9% on a year-over-year basis with 5.7% comp store sales slightly below the 6% expectation. Operating income grew 9% year-over-year while earnings per share rose 15% year-over-year partially boosted by share repurchases. While an issue in Q4, we were pleased to see supply chain issues improving and inventory levels declining although inventory days remained a bit higher than historical levels. They also reported seeing more frequent trips, an increased share of wallet and increased trade-downs from non-core Dollar General customers. This likely reflects continued market share gains and could also be evidence of slower economic growth due to the increasing size of its value focused customer base. The company continued to innovate by increasing non-consumable offerings including health and wellness products, as well as leveraging the Dollar General Fresh self-distribution initiative to expand perishable and produce offerings. Some investors were concerned by the company's announced plan to deal with increased inflation in its capex spending by reducing share buybacks, as well as the potential catch up on labor wage investments in addition to the already announced

$100 million incremental spending for 2023. Management's guide for increased capex spending in 2023 and a reduction of $500 million in share repurchases will impact our numbers for 2023. However, we view these investments setting a solid foundation for Dollar General to capture future growth opportunities. Given tighter monetary policy and other headwinds, we continue to see Dollar General as being well positioned to thrive in a period of weakening economic growth.

Danaher was the portfolio's third largest detractor given general weakness in Health Care sector returns in Q1 as the market focused heavily on Technology, e-commerce, and communication technology stocks. The company reported solid Q4 results with core revenue growth up 7.5%, revenues up 3% and earnings up over 7% as it benefited more than expected from continued Covid testing. The company's guide for 2023 came in lighter than some had expected with management guiding toward high-single digit sales growth excluding Covid related testing and bioprocessing sales. The company expects testing revenues to decline from about $3.7 billion in 2022 to $1.2 billion in 2023. Vaccine related revenues are also expected to decline to about $150 million in 2023 from $800 million in 2022, and the company is not including any in its guidance for 2024. This is consistent with our expectations. There is also expected to be a negative impact to first half of 2023 sales as Covid vaccine customers draw down their inventories due to lower than expected demand. While sales related to Covid are declining, which we had reflected in our modeling, our 3–5-year investment horizon looks beyond this slowing, and we continue to see attractive growth in the company's underlying life sciences businesses. We maintained the portfolio's position in the company through the quarter.

The portfolio's fourth and fifth largest detractors in Q1 were **Sherwin-Williams** and **Intuitive**.

Portfolio Activity

During the quarter, we liquidated Match and initiated a new position in ServiceNow, which presented a more attractive and visible opportunity for growth. We also increased our positions in Dollar General, Intuitive, Aon, S&P Global, Starbucks, and Amazon while trimming positions in Microsoft, Salesforce, Netflix, Intuit, and MSCI on strength.

Purchases

We initiated a new position in **ServiceNow** during the quarter. The company develops and sells market leading software-as-a-service (SAAS) workflow management software that enables enterprises to digitize and unify work processes and enhance efficiency across far-flung geographically dispersed organizations and teams, helping them to work smarter and faster. In Q4 the company posted $1.8 billion in subscription revenues that grew over 27% on a constant currency basis and served over 7,700 corporate and governmental customers worldwide. Its business offers high organic growth, high margins and is the leader in "mid-office" automation software. Given high switching costs and a very stable customer base with a 98% renewal rate, ServiceNow offers the more predictable and recurring type of revenue growth stream we seek. 20%+ "same store sales" growth in the installed base drives about 80% of the company's growth. Its highly scalable platform, broadening product suite, and impressive innovation provides it with attractive pricing power and long-term growth opportunities. Its resulting high gross margins are consistent with other best-in-class SAAS companies. We particularly like the fact that its "emerging products" and platform sales currently represent about 45% of new bookings, with new greenfield applications focused on automating business tasks previously conducted manually. With corporate earnings growth becoming more challenging in coming years, and more emphasis on companies maintaining margins, we see an attractive opportunity for ServiceNow to further enhance its growth, helping companies across the world operate more effectively. We also are very familiar with CEO Bill McDermott due to our long-held position in SAP, where he had been previously, and especially appreciate his ability to effectively lead global enterprise software organizations.

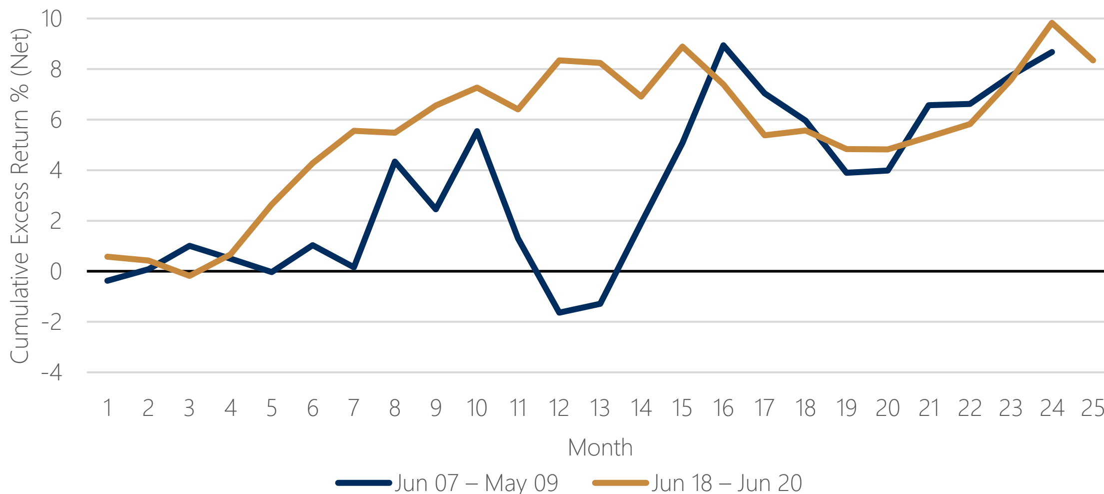
Among the key risks we are monitoring at ServiceNow are potential new product competition, service deficiencies that negatively impact its brand and reputation, management turnover, and small-medium sized businesses opting for simpler help desk oriented software over the company's more expensive software which is more geared to larger clients.

Sales

To fund our purchase of ServiceNow we sold the portfolio's position in **Match**. While the company continues to grow, albeit slower than we had anticipated, and generate high margins and strong cash flows, increased concern over slowing growth at Tinder as well as in the company's older brands relative to our expectations weakened our conviction. Between this and the increased uncertainties relative to turnover in the CEO position of Match and its largest business unit Tinder, we determined that Match was the best source of capital. In retrospect, we misjudged the positive impact of fiscal stimulus on Match's business and underestimated the likely slowing in the company's legacy platforms. We continue to see online dating as a growth business but also believe it is undergoing a fundamental transformation which Match will need to adjust to. Given the risks involved, we believe our clients' capital is better invested in a higher confidence growth thesis.

Outlook

Over time, our investment approach has generally benefited in periods of slowing earnings growth as the more predictable and sustainable growth companies in our portfolios have been able to generate superior revenue and earnings growth compared to the Indices. It is important to also point out, however, that the benefit our portfolios have seen has not been linear with monthly variations in relative performance. Rather, as investor mindsets and the markets transitioned to the expectation that growth will be scarcer there were fits and starts in relative performance. The chart below is one example of that process from the periods June 1, 2007, through May 31, 2009, and June 1, 2018, through June 30, 2020, as earnings growth in the market declined.



Source: FactSet, Russell. Excess Return vs Russell 1000 Growth Index. Please see performance slide included in these materials for the full performance presentation.

While we think it is highly likely that revenue and earnings growth will slow in the coming years given persistent inflationary factors, high interest rates, tighter lending standards, less fiscal stimulus, declining consumer savings and myriad other factors, the market does not yet reflect this shift. Forecasts for 2023 have been cut, but only marginally, while expectations for 2024 have remained stable at levels much higher than we believe are realistic. This has led to volatility in market leadership which will continue as the market gradually transitions to a slower growth expectation. As noted above, we have seen this variability before, and we will undoubtedly see it again. In the meantime, we will remain disciplined in our approach ensuring the portfolio is invested in our highest confidence, most predictable and sustainable growth businesses. This discipline has helped us in the past and we believe will help us again as markets gradually begin to reward more fundamental factors and sustainable growth.

We thank you for your continued support and welcome any questions you may have.

U.S. Large Cap Growth Commentary

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 (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 0.75% being the highest applicable fee that may be charged to SGA clients for the U.S. Large Cap Growth 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. SGA U.S. Large Cap Growth composite inception is 7/1/2003. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. ***It should not be assumed that future results will be reflective of past performance.***

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. Large Cap Growth portfolio for the past year. SGA's earnings growth forecast data is based upon portfolio companies' non-GAAP operating earnings.

Performance Results

Performance Results	Q1 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.*
SGA U.S. LCG (Gross)	9.9%	-11.6%	13.8%	12.4%	12.8%	11.6%	10.1%
SGA U.S. LCG (Net)	9.7%	-12.2%	13.0%	11.5%	11.9%	10.8%	9.3%
Russell 1000 Growth	14.4%	-10.9%	18.6%	13.7%	14.6%	12.1%	11.0%
S&P 500	7.5%	-7.7%	18.6%	11.2%	12.2%	10.1%	9.7%

**SGA U.S. Large Cap Growth Composite inception revised to 7/1/2003 from 4/1/2000 due to SEC New Marketing Rule change relating to use of predecessor performance record.*

	Total Return						3 Year Standard Deviation				
Period	Before Fees	After Fees	Russell 1000 Growth Index	S&P 500 Index	Number of Portfolios	Composite Dispersion	SGA Composite	Russell 1000 Growth Index	S&P 500 Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)
July 1 - Dec. 31, 2003	11.16%	10.75%	14.73%	15.14%	Five or Fewer	N/A				747	777
2004	9.29%	8.48%	6.30%	10.88%	6	0.1%				1,408	1,460
2005	3.42%	2.65%	5.26%	4.91%	13	0.1%				2,661	2,711
2006	2.74%	1.97%	9.07%	15.79%	15	0.1%	8.19%	8.31%	6.82%	3,467	3,512
2007	4.88%	4.10%	11.81%	5.49%	17	0.2%	8.48%	8.54%	7.68%	2,883	2,920
2008	-34.21%	-34.72%	-38.44%	-37.00%	16	0.3%	14.51%	16.40%	15.08%	1,324	1,360
2009	46.25%	45.19%	37.21%	26.46%	16	0.4%	18.19%	19.73%	19.63%	1,589	1,711
2010	13.20%	12.36%	16.71%	15.06%	19	0.3%	21.30%	22.11%	21.85%	1,508	1,600
2011	4.85%	4.07%	2.64%	2.11%	25	0.3%	17.85%	17.76%	18.71%	1,637	2,686
2012	21.09%	20.20%	15.26%	16.00%	41	0.3%	16.06%	15.66%	15.09%	2,819	4,278
2013	27.97%	27.03%	33.48%	32.39%	49	0.4%	11.91%	12.18%	11.94%	3,852	5,611
2014	9.45%	8.63%	13.05%	13.69%	49	0.3%	9.67%	9.59%	8.97%	3,627	5,332
2015	9.38%	8.57%	5.67%	1.38%	49	0.3%	11.42%	10.70%	10.47%	4,033	5,318
2016	1.80%	1.04%	7.08%	11.96%	45	0.2%	12.24%	11.15%	10.59%	3,969	5,672
2017	26.51%	25.59%	30.21%	21.83%	49	0.3%	11.47%	10.54%	9.92%	5,804	9,971
2018	4.71%	3.93%	-1.51%	-4.38%	41	0.2%	11.28%	12.13%	10.80%	4,725	9,096
2019	34.59%	33.61%	36.39%	31.49%	40	0.8%	11.37%	13.07%	11.93%	6,179	12,347
2020	36.97%	35.97%	38.49%	18.40%	39	0.3%	17.50%	19.64%	18.53%	8,929	18,250
2021	20.35%	19.46%	27.60%	28.71%	41	0.0%	17.00%	18.17%	17.17%	11,070	22,899
Since Inception (July 1, 2003)	12.32%	11.49%	13.03%	11.16%			14.22%*	14.81%*	14.13%*		

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 Standard Deviation based on Gross Returns.

U.S. Large Cap 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 and an affiliate of Virtus Investment Partners. The SGA US Large Cap Growth Composite was created in July 2003. Effective February 1, 2015, SGA changed the name of this composite from Sustainable Growth Advisers, LP Client Composite to Sustainable Growth Advisers US Large Cap Growth 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.

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 US Large Cap Growth composite has had a performance examination for the periods July 1, 2003 - December 31, 2021. The verification and performance examination reports are available upon request.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

SGA US Large Cap Growth Composite contains fee-paying large cap growth equity portfolios under full discretionary management of the firm. No alteration of the composite as presented here has occurred because of changes in firm personnel. 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. Results are presented gross and net of management fees and include the reinvestment of all income. Gross returns for certain accounts have not been reduced by transaction costs. As of 12/31/20, the value of these accounts is less than 1% of the composite value. Composite gross returns for the relevant periods are presented as supplemental information to the net returns. 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, 0.75%, employing the U.S. Large Cap 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. 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 0.75% on the first $25 million and 0.50% on the next $75 million and 0.35% over $100 million. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

Sustainability Report

Q1 2023

SGA Sustainable Growth Advisers

CDP 2023 Non-Disclosure Campaign

This quarter we were pleased to further expand our support for CDP, the preeminent global disclosure system for investors, companies and regional governments to manage their environmental impacts. SGA has been a CDP investor signatory since 2020, and we have leveraged our relationship with the organization in several significant ways. For example, we incorporate CDP's scores regarding a companies' disclosure and environment performance into our proprietary ESG scoring system. In addition, for the past two years we have been signatories to the organization's Science Based Targets Letter Campaign to encourage the adoption of SBTs across the globe. This quarter we joined forces with over 280 peer organizations to support CDP's 2023 Non-Disclosure Letter Campaign targeting over 1,600 non-disclosing companies. While the majority of our ESG engagement efforts are focused on direct interaction with companies on our Qualified Company List, we are pleased when we can find opportunities to collaborate with other organizations on important ESG issues.

Alphabet

During the quarter we engaged in a dialogue with Google's parent company, Alphabet, to address pertinent ESG issues. We view the Governance of Alphabet favorably, despite the super voting rights of the founders Larry Page and Sergey Brin who together control a majority of the vote. We are of the view that the co-founders anchor the company with a stable, long-term investment philosophy that is strongly aligned to shareholders. However, we questioned management on the tenure of several long-standing directors and encouraged an acceleration of the refreshment of the Board. Management argued that three new independent directors have joined the Board in the last five years which has supported a balance between long-term understanding of the business and fresh external perspectives. On remuneration, we are pleased to see that executive compensation is evolving from periodic lump sum rewards to annual stock grants. Alphabet will also incorporate ESG metrics into its executive compensation, however the details of which have not yet been disclosed; we encouraged management to provide shareholders transparency into these metrics. We also noted our desire for Alphabet to improve upon its triennial say-on-pay vote by moving to best-in-class, annual voting.

From a Social standpoint, we encouraged management to improve its communication on the actions they are taking to ensure that its Apple iOS exclusivity arrangement is not deemed anti-competitive, as well as to provide some transparency into the litigation risks facing the company. We would also like to know how management is addressing concerns over its treatment of owned-and-operated properties' search listings to ensure this does not involve anti-competitive self-preferencing.

On the Environmental front, we are pleased to see the company is on the path towards validating its carbon targets by the Science-Based Targets Initiative. However, we note that carbon intensity has increased recently per all company measures (e.g., per employee, per revenue dollar, and per megawatt hour of consumption). Management reiterated their goals to achieve net-zero emissions across all of their operations and value chain by 2030. They aim to reduce the majority of emissions (versus a 2019 baseline) before 2030 and plan to invest in nature-based and technology-based carbon removal solutions to neutralize remaining emissions. Realistically, we expect this to be a difficult journey with non-linear progress.

FEMSA (Fomento Economico Mexicano)

We recently met with the management of FEMSA to discuss carbon emissions, supply-chain oversight and environmental data disclosures.

Management is currently working with consultants to develop Science-Based Targets (SBTs) and will shortly begin publishing the company's Scope 3 emissions. We view these as favorable developments in enabling the company to have greater oversight of its carbon risks and allow for more effective targets to be set. We expect the planned divestment of the logistics business to have a positive impact on the company's carbon risks and will be monitoring this, as well as the development and publication of SBTs, closely to track management's progress along on the way. We expressed our support for SBTs and strongly encouraged management to establish targets as soon as possible. The company currently does not participate in the Carbon Disclosure Project's (CDP) climate questionnaire and therefore receives a score of "F" from the organization. We

encouraged management to report climate data via the CDP questionnaire. While they will take our request into consideration, it sounds like we should not expect any near-term changes.

On supply-chain oversight, the company's most material exposure from a working conditions and human rights perspective is its coffee business. OXXO is the largest seller of coffee in Mexico and their coffee is produced by Caffenio. FEMSA own 51% of the business and purchases most of the production. Historically, children worked side-by-side with their families in the production process; however, the company ended this practice a long time ago. It is reassuring that FEMSA's majority ownership of Caffenio gives them control over operations, but we would like to see more details on their oversight policies and protocols. Beyond coffee, the company admitted that overseeing the entire roster of suppliers is a massive task given the number of suppliers. Fortunately, 80%+ of sales comes from large consumer companies with robust practices. For the remaining 15-20%, FEMSA audits activities themselves and also work with advisers. This is an area for further engagement to make sure it is sufficiently mitigating risks in the system.

Proxy Voting Summary Q1 2023

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	42	38	90%	4	10%	NIL	0%
Global Growth	50	49	98%	1	2%	NIL	0%
International Growth	91	89	98%	2	2%	NIL	0%
Emerging Markets Growth	57	56	98%	1	2%	NIL	0%
Global Mid-Cap Growth	65	59	91%	6	9%	NIL	0%

Source: SGA, ISS

Carbon Risks Q1 2023

	Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	15.2	69.5	71.6
MSCI ACWI	94.9	184.4	151.2
SGA Relative Exposure	-84%	-62%	-53%
SGA U.S. Large Cap Growth	6.8	30.3	28.7
Russell 1000 Growth	16.0	65.7	47.4
SGA Relative Exposure	-58%	-54%	-39%
SGA Emerging Markets Growth	18.1	37.8	42.2
MSCI EM	280.5	382.9	320.6
SGA Relative Exposure	-94%	-90%	-87%
SGA International Growth	20.2	75.2	93.0
MSCI ACWI ex-USA	162.4	221.9	184.0
SGA Relative Exposure	-88%	-66%	-49%
SGA Global Mid Cap	14.2	47.0	40.1
MSCI ACWI Mid Cap	195.2	265.7	228.0
SGA Relative Exposure	-93%	-82%	-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.