U.S. Focused Commentary

Q1 2023

SGA
Sustainable Growth Advisers

Performance

SGA's U.S. Focused portfolio returned 13.1% (Gross) and 12.8% (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

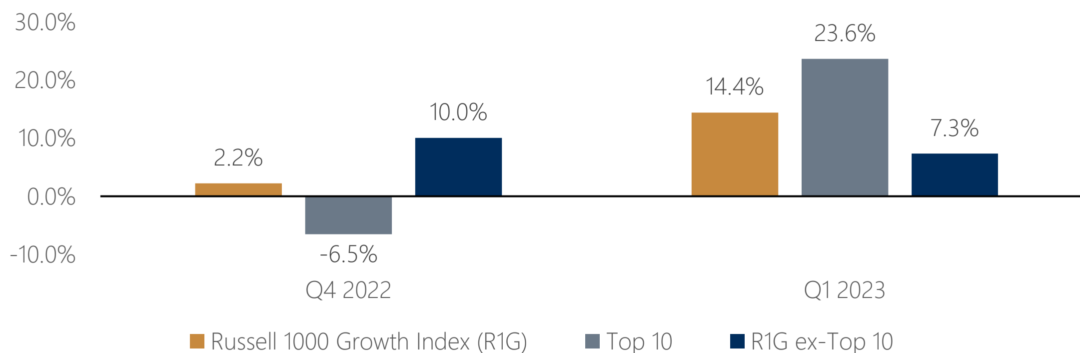
- Portfolio trailed the Russell 1000 Growth Index as optimism for a possible Fed pivot and soft landing resurfaced amid signs of moderating inflation, falling interest rates with continued strong employment
- Surges in Index heavy weights Apple, NVIDIA, and Tesla posed a stiff headwind for our approach 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 new positions in ratings, benchmarks and data analytics provider S&P Global and sanitation technology and service provider Ecolab; to make room in the portfolio, Match and Ball Corporation were 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

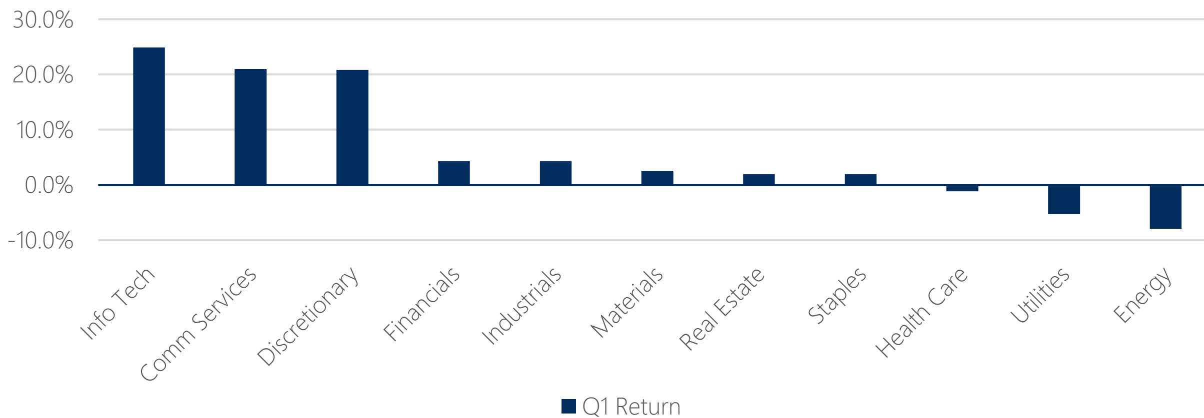
A reduction in investor concerns given signs of progress on inflation, continued strong employment, a lifting of China's Covid lockdowns, and a hope that perhaps the economy would see a soft landing boosted smaller cap, higher beta stocks for most of the quarter. However, renewed concern about inflationary 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.

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.

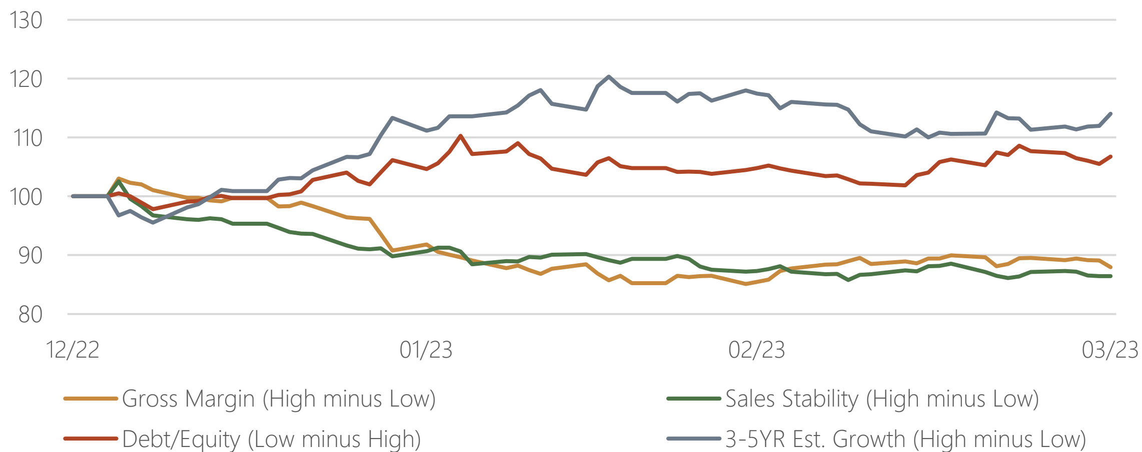


Source: FactSet, Russell



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.

Workday was the second largest contributor to portfolio performance after the company reported strong subscription revenue growth of 22% year-over-year and short-term backlog growth of 21%, exceeding management guidance and our expectations. We were also pleased to see continued progress toward margin improvement and customer retention remaining high at 95%. The company's revenue guidance for calendar year 2023 was tightened with the higher end of the range being reduced marginally which was not too surprising given the macroeconomic backdrop. Management reiterated their intent to return to 20% revenue growth over time although our numbers remain below that. We remain enthusiastic about Workday's long-term opportunity to expand its penetration of corporate human resources and financial planning needs and trimmed the position on relative strength to help fund the portfolio's new position in Ecolab.

MSCI was the portfolio's third largest contributor after it reported strong Q4 results despite a 16% year-over-year decline in ETF assets under management due to market weakness. Revenues grew 7% while earnings per share grew 15% with Index subscription rates showing solid 12% growth. MSCI's Cash/Earnings ratio was highly productive at 110% for the year. Organic ESG and Climate related revenue increased 43%, and MSCI continued to see its ESG linked business grow, reaching almost 20% of the total company. The company raised its dividend another 10% after having raised it by 20% two quarters earlier. While the results were impressive, the company's retention rate slipped to 93% due to a 90% rate in its Analytics business attributed to client events such as firm closures as well as competitive dynamics as some clients reacted to market volatility by pulling back on expenses. We see the thesis as remaining intact with a business model supported by highly recurring revenue streams and long-term growth opportunities. These are fueled by increasing regulation which requires MSCI's reporting as well as ongoing interest in ETF investing and ESG related analytics. We trimmed the position on strength.

The fourth and fifth largest contributors to performance in the quarter were **Amazon** and **Microsoft**.

Largest Detractors

S&P Global was the largest detractor from portfolio performance. While revenues declined 6% year-over-year in Q4 given continued pressure on its Ratings segment, which saw revenues decline 29%, S&P Global's non-ratings businesses continued to deliver solid growth. Operating profits declined 10% with profits for its Ratings business declining 40% while non-ratings profits increased 14%. The Ratings business is expected to begin recovering this year as issuance picks up, driven primarily by debt maturities and some refinancing activity for 2024 maturities. Revenues are expected to grow 6-8% with EPS growth in the mid-teens range. We continue to view S&P Global's longer-term growth opportunity favorably.

Danaher was the portfolio's second 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 stock through the quarter.

After being the largest contributor to performance in Q4, **Intuitive** was the portfolio's third largest detractor in Q1 after the company surprised investors by announcing that it would not be launching its new robotic surgery system in 2023 as anticipated given increased regulatory hurdles requiring more trials and data. However, procedure growth rose 18% for the quarter and year with some slowing in international markets due primarily to continued weakness in China. System sales declined 4% in Q4 and 1% in 2022 mostly driven by a decline in trade-ins of older systems that were being replaced. The company's installed base still grew 12% for the year. We were pleased to note that in the U.S. it now has 321 Ion machines installed versus 129 in 2021 and are now seeking approvals to sell the product outside the U.S. as well. Intuitive expects

12-16% procedure growth in 2023 as procedure trends continue their recovery from the pandemic. The company will be spending less on operating expenses in the new year which should benefit margins but will be incurring increased capital expenditures as it seeks to increase the automation of its manufacturing which will enhance scale, reduce costs, and benefit results over time. We continue to see attractive growth for the business and note that a more difficult regulatory environment in the U.S. should ultimately be beneficial for Intuitive given its commanding position compared to new and small businesses seeking to increase their share of the market.

No other positions detracted during the quarter, the portfolio's smallest contributors were **Ecolab** and **Yum! Brands**.

Portfolio Activity

We liquidated the portfolio's positions in Match and Ball Corporation during Q1 and replaced them with higher confidence, more predictable and sustainable growth businesses at S&P Global and Ecolab. We also trimmed the portfolio's positions in MSCI and Workday on strength as their valuations became less attractive in the short term and redeployed the capital to build the positions in S&P Global and Ecolab.

Purchases

We initiated a new position in **S&P Global** in Q1. The company provides transparent and independent ratings, benchmarks, data analytics, and workflow solutions to the financial services, commodity, and industrial markets worldwide. The Financial Services and Credit Ratings segments generate over 60% of revenues, with about 64% of those coming from the U.S. and 25% from other Developed Markets. In 2022, the company completed its acquisition of IHS Markit, a provider of data across multiple industries, which we owned previously in SGA portfolios. S&P Global has sustained annual 3% price increases in its ratings and data businesses, with data and insights provided by the firm being critical elements within client workflows, and in some cases mission critical.

Approximately 75% of the company's revenues are recurring subscriptions with high renewal rates. This figure was enhanced by the merger with IHS Markit which benefited from 88% recurring revenues. The combined company also has significant recurring revenues due to its volume-based fees. The merger with IHS provided the company with scale benefits, and cost and revenue synergies from new product development as well as more opportunities for cross-selling. The merger with IHS also improved the growth opportunity for S&P Global, enhancing its position in high growth areas beyond its core business such as in ESG data and analytics, in private markets, and in multi-asset indices.

While global bond issuance declined in 2022 due to deteriorating credit conditions and increased market volatility, we expect the impact on Ratings revenue to be temporary because a majority of the bond issuance activity is related to refinancing, which we expect to recover. Meanwhile, increased market volatility should benefit the company in its trade volume linked businesses and enhance the value of its information services products. We also expect the company to maintain its ability to increase prices.

Among the key risks being monitored are the pace of the IHS Markit integration, although management has a strong track record with previous M&A integrations. We are also cognizant of the fact that macro-economic uncertainty and extreme levels of market volatility could temporarily delay the recovery in bond issuance which could impact its Ratings revenues as well as moderately impact the growth of its non-Ratings businesses.

We purchased a new position in **Ecolab**, the global leader in water, cleaning, and sanitation technologies and services used by foodservice, food processing, hospitality, health care, and industrial clients around the world to keep their environments clean and safe. Ecolab's revenues are generated primarily in North America, but it is the only company in its market to be able to follow its multinational companies around the world. Currently it serves customers in 160 countries as part of an integrated service solution aimed at lowering costs. Given the highly fragmented market the company operates within, its scale and ability to provide service broadly across the operations of companies geographically, and the critical element of sanitation in the operations of companies, Ecolab benefits from attractive pricing power that is largely insulated from most macro-economic fluctuations. Products sold by Ecolab literally go down the drain each day and must be replenished regularly leading to a solid highly predictable recurring revenue stream (90%+). With less than 8% of the $152 billion addressable

market, and given its scale, strong brand reputation and the breadth of its solutions, Ecolab is well positioned to also benefit from secular global trends in water conservancy, energy efficiency, and food safety.

Among the key risks we will monitor with Ecolab are its willingness to pass on rising raw materials costs to customers to help maintain margins and weakening macro-economic activity which would affect its industrials customers. Here, the issue will not only be its ability to pass higher costs on but rather its willingness to pass them on and the timing. Over the long-term we do not see a threat. In the past, Ecolab's volume growth has been resilient during periods of recession because its products are considered mission critical, and it serves primarily larger industrial clients who are at less risk of bankruptcy.

Sales

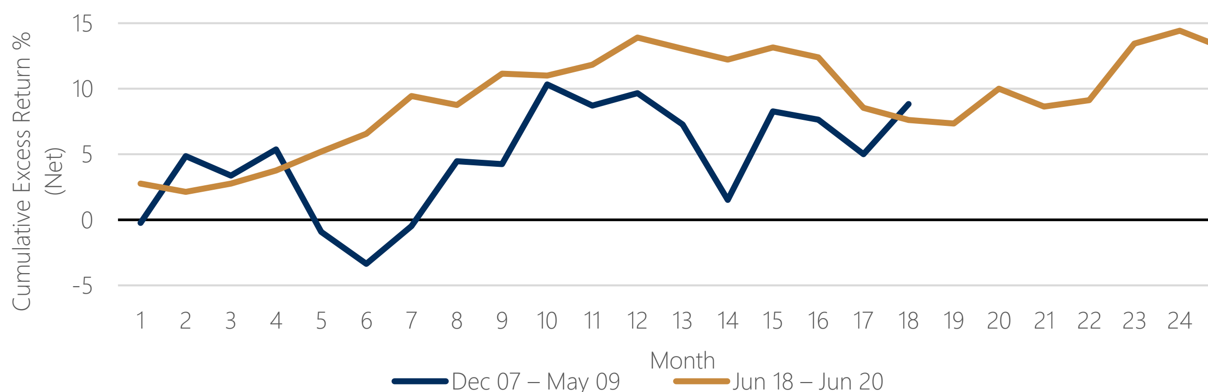
Given our hard cap of 15 companies in the U.S. Focused portfolio, to purchase S&P Global we sold the portfolio's position in **Match**. While the company continues to grow, albeit slower than we had anticipated, and generate high margins and strong cash flows, increased concern over slowing growth at 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.

Ball Corporation was sold due to forced attrition as we sought to purchase a new position in a higher confidence alternative Ecolab. We continue to see attractive growth opportunities for Ball Corporation as the transition from plastics to aluminum cans continues and the company capitalizes on its scale advantages. In the short-term, however, slowing soft beverage volume growth driven by high retail inflation and economic uncertainties and the company's higher level of leverage compared to most companies in the portfolio led us to eliminate the position in favor of Ecolab.

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 December 1, 2007, through May 31, 2009, and June 1, 2018, through June 30, 2020, as earnings growth in the market declined.

SGA U.S. Focused Cumulative Excess Returns (Net)



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

U.S. Focused Commentary

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.

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 0.85% 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	Q1 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.
SGA U.S. Focused (Gross)	13.1%	-12.4%	11.3%	11.4%	13.7%	11.9%	11.2%
SGA U.S. Focused (Net)	12.8%	-13.1%	10.4%	10.4%	12.8%	10.9%	10.3%
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%	9.1%

	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)	Percentage of Wrap Assets
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.

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 U.S. Focused Composite has had a performance examination for the periods December 1, 2007 - December 31, 2021. The verification and performance examination reports are available upon request.

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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.

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.