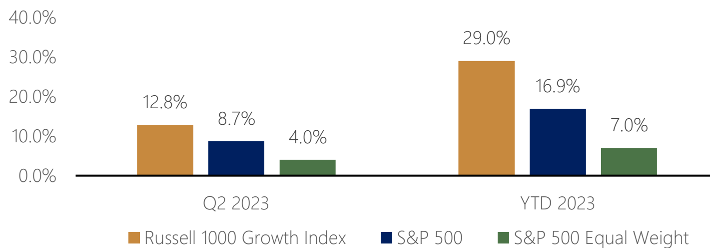
U.S. Large Cap Growth Commentary

Q2 2023

Performance

The U.S. Large Cap Growth portfolio returned 8.2% (Gross) and 8.0% (Net) versus 12.8% for the Russell 1000 Growth Index and 8.7% for the S&P 500 Index in Q2. The S&P 500 Equal Weight Index returned 4.0%, which is a useful measure of average stock performance, as the dollar weighted indices have become increasingly concentrated.

Q2 and YTD Index Returns



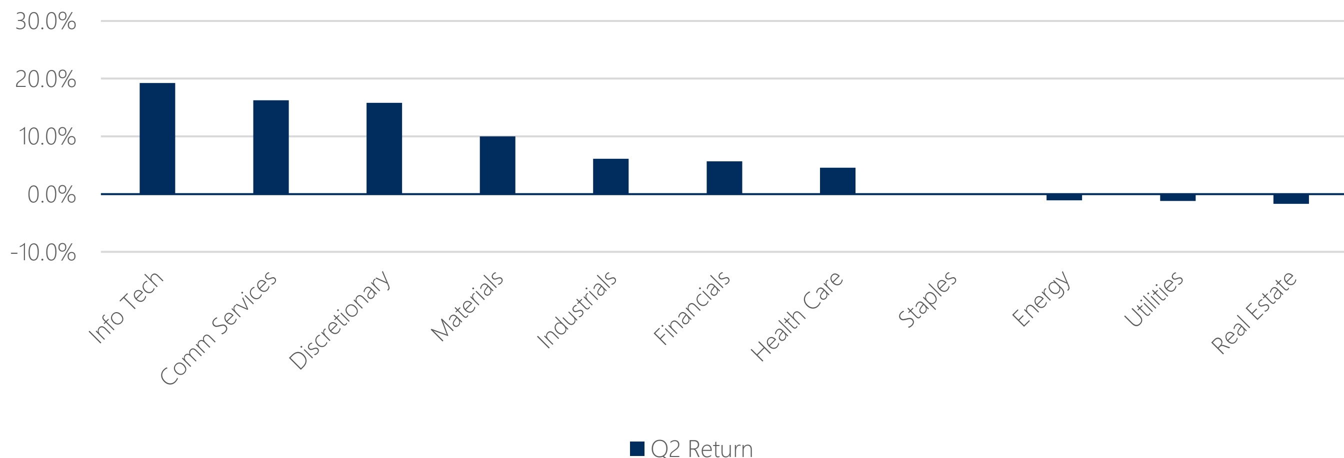
Source: FactSet, Russell

Continuing the same pattern seen in Q1, market leadership remained focused with Information Technology, Communication Services, and Consumer Discretionary sectors performing best by a wide margin. All other sectors underperformed the Russell 1000 Growth Index. Reflecting the strength in Technology and related stocks, the Nasdaq composite closed June with its best performance for the first half of a year since 1983, rising 32% or nearly twice that of the broad S&P 500 Index.

Highlights

- The portfolio returned 8.2% (Gross) in Q2 and 8.0% (Net) versus 12.8% for the Russell 1000 Growth Index and 8.7% for the S&P 500 Index
- Strong performance by the largest seven companies in the index accounted for more than half of the portfolio's relative underperformance
- Higher growth expectations in Technology and related stocks led to higher valuations despite a small increase in bond yields
- We initiated a position in NVIDIA as our earnings estimates rose meaningfully with higher conviction in the likely benefit to the company from the adoption of AI
- Positions in Amazon, Workday, Netflix, ServiceNow, Intuitive, Alphabet, and Adobe were trimmed on strength while positions in Aon, Visa, Thermo Fisher, and Dollar General were added to on weakness
- Portfolio revenues and earnings are expected to grow by 10.8% and 17.5%, respectively, over the next three years versus 5.8% and 12.6% for the Russell 1000 Growth Index as we continue to expect gradual slowing in macroeconomic and profit growth

Russell 1000 Growth – Q2 Sector Returns

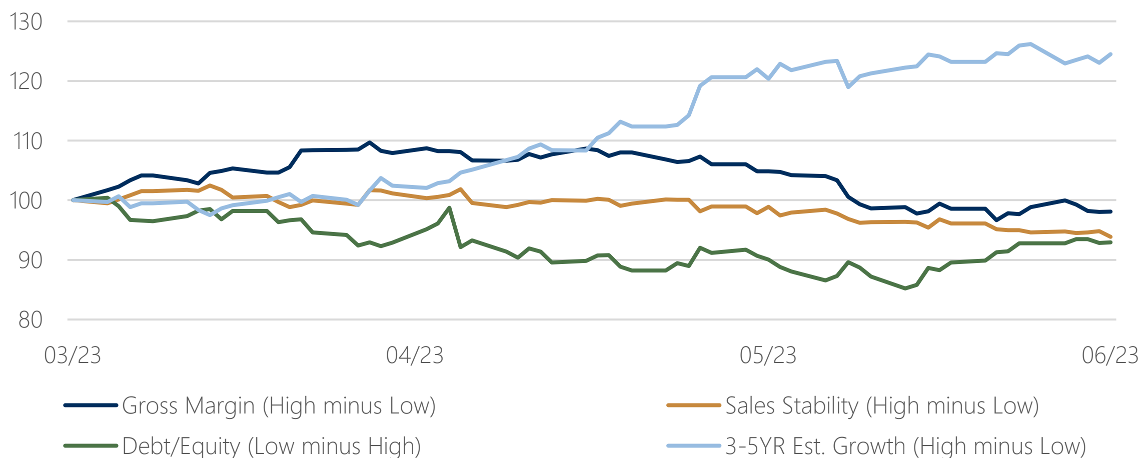


Source: FactSet, Russell

A Highly Concentrated Advance

U.S. equities advanced in Q2 amid signs of moderating inflation as the U.S. economy remained relatively resilient despite higher interest rates. U.S. inflation, as measured by the Consumer Price Index (CPI), declined to 0.1% on a month-over-month basis in May, down from a 0.4% increase in April as oil prices continued to decline while the annual rate remained well above the Federal Reserve's 2% goal. Employment continued to be strong but the unemployment rate increased to 3.7% in May indicating some possible future softening in labor costs. Subsequently, in June the CPI rose 0.2%, up 3% from a year ago, the lowest level since March of 2021 reflecting some progress in the fight to lower inflationary pressures. Debt ceiling debates during the quarter had little impact on investors as Congress ultimately approved legislation in June that included some spending cuts but is not expected to have any material impact on the economy. Investors were further encouraged as the Federal Reserve paused their monetary tightening program in June even though expectations remained for one or two more rate hikes in 2023. Revised Q1 GDP growth figures indicated the economy expanded at a 2% annualized rate compared to previous estimates of 1.3%. Given higher interest rates, inflation pressures, reduced fiscal stimulus, declining consumer savings to fuel consumption, deglobalization, and ongoing trade headwinds, we continue to expect slowing economic and profit growth.

High business quality was not rewarded during the quarter with lower return on equity, higher debt, higher beta, and companies with no earnings performing best. Companies with high gross margins and sales stability continued to be penalized while stronger long-term growth was rewarded over the quarter.



Source: FactSet, Russell

Information Technology stocks and specifically companies deemed to be the primary beneficiaries of the increased application of Artificial Intelligence such as Software and Semiconductor companies generated the strongest returns. Semiconductor and Semiconductor Equipment companies performed especially well, returning more than 28% for the quarter. The U.S. Federal Reserve raised interest rates during the quarter but paused in June given signs of progress in headline inflation readings. Real Estate companies performed worst amid concerns about the recovery in office space demand as well as elevated interest rates, which also pressured costs in the Utilities sector. The more economically sensitive Energy companies also posted negative returns given weak oil prices.

An underweight relative to index leader Microsoft, not owning NVIDIA for most of the quarter, and not owning Apple cost about half the relative return shortfall during the quarter. Given the high weights of Apple (13.4%) and Microsoft (11.7%) in the Index, when those stocks outperform, as we have seen over the past year, it is highly unlikely that the portfolio's return will keep up. Even if we have high conviction in a company, such as we do with Microsoft, we will not own more than 8% based on our internal guidelines and client mandate restrictions. The risk of a reversal in the momentum which has driven this small group of stocks to dominate the Russell 1000 Growth Index over the past year is a risk that needs to be considered by portfolio managers. Seasoned investors will remember the pain of such reversals in the TMT (Technology, Media, and Telecoms) boom to bust cycle 20 years ago. In that period, our style also trailed the index on a relative basis for a period given our attention to business quality and risk. As a guide we can look back at the track record of the John Hancock U.S.

Global Leaders Growth Fund which was launched by one of our co-founders in 1995, and where we have served as a sub-advisor since the inception of SGA in 2003. While the Fund underperformed in the initial periods, as concentration peaked in March 2000 the Fund outperformed the R1000G by +11.7% and +5.2% per year over the following 5 and 10 years*. While frustrating in the short-term, we continue to be disciplined in the execution of our quality growth approach with confidence that our portfolios should be well positioned to protect client capital while generating attractive returns going forward.

Largest Contributors

Amazon was the largest contributor to performance in Q2. The company issued a solid Q1 report, with the company beating expectations across most metrics. Revenues grew 11% year-over-year (excluding the impact from FX) while operating income of $4.8 billion exceeded management's guidance. The company's retail segment came in better than feared while management indicated that Amazon Web Services (AWS) sales growth decelerated as companies continued to evaluate ways to optimize their cloud spending in response to more difficult economic conditions. Despite this, revenues grew 16% year-over-year, slightly faster than consensus expectations with operating margins of 24%, better than those in Q4. We expect that this deceleration due to corporate optimization is a temporary phenomenon in the context of our 3–5-year investment horizon and comps will get easier in the second half of this year. Amazon's advertising business continued to deliver strong results, largely due to the company's machine learning investments that help deliver stronger results for their clients. Continued cost rationalization moves by the company to right-size operations and the market's focus on rewarding companies that should be Artificial Intelligence beneficiaries also helped the stock after the report. We trimmed our position in the company given an increasing valuation but maintained an above-average weight position due to our positive longer-term outlook.

Microsoft was the second largest contributor to performance in Q2 with the company posting a strong FY Q3 report across each of its key business segments and offering more clarity regarding its current Artificial Intelligence clientele and the opportunity it sees moving forward. Microsoft's revenues grew 10% in constant currency terms while its earnings per share rose 14%. Growth from its cloud business, Azure, slowed from 31% last quarter to 27% this quarter but exceeded expectations while the company's guide for the business was better than expected given increased market share. Concerns over ongoing corporate optimizations cutting into its growth were mollified to some extent as the company pointed to a pickup in new loads for Azure. The stock has benefited from Microsoft's strong position in AI and the market's focus on the opportunity. Azure's AI clients increased by 10x relative to Q2, and the company now has 2500 Azure AI customers. We continue to see attractive opportunity for Microsoft's cloud business as the company continues to innovate in its cloud infrastructure and enhance its AI capabilities driven by growing customer demand and transformation. Beyond cloud, AI presents material incremental revenue opportunities for Microsoft's Office and productivity related products. We maintained an above-average weight in the company, but it remains well under the 11.7% weight of the stock in the Russell 1000 Growth Index.

Intuitive was the third largest contributor to performance. The company posted strong Q1 results with revenue growth up 14%+ exceeding expectations by a wide margin as procedure growth increased 26% versus the expected 19%. Earnings per share rose 9%+ and management raised their full year guidance from 12-16% to 18-21% sales growth. Sales were boosted by a 21% rise in consumables which comprise about 82% of sales, while larger system sales growth was flat due to lower trade-in volumes on a high growth base (37%+ growth). Intuitive reported a da Vinci Surgical System installed base of 7,779 systems, which increased 12% year-over-year. Margins were impacted during the quarter by higher customer training costs and higher variable compensation. With the company executing very well and benefiting from people coming back into the healthcare system as well as solid pricing, we reduced the position recognizing its high valuation.

The fourth and fifth largest contributors to performance were **Netflix** and **Alphabet**.

Largest Detractors

MSCI was the largest detractor from performance in Q2. The company reported Q1 results roughly in line with expectations with revenues and earnings-per-share both up 7% and subscriptions growing 12% on a year-over-year basis. We were also pleased to see strong client retention at 95%. However, the stock sold off due to deceleration in the company's ESG & Climate related revenue growth. This segment comprises about 12% of MSCI's sales and is an important contributor to the company's long-term growth algorithm. ESG & Climate revenues had been decelerating since Q2 2022, but this had been thought to

**Note: SGA does not claim John Hancock U.S. Global Leaders Fund's track record as its own. John Hancock U.S. Global Leaders Fund performance data is sourced from FactSet and does not include all possible expenses such as sales charges which may be charged to certain investors in the Fund.*

reflect merely a natural development as the business scaled and gained maturity. Management's comment describing a further slowdown in demand from U.S. retail investors, wealth managers, and mutual fund launches raised concern that ESG backlash is gaining momentum and potentially impairing the long-term growth opportunity for the business. Despite this, the company reiterated its prior full year guidance as well as the long-term potential for the ESG & Climate business. From our perspective, while regulatory uncertainty and political rhetoric is dampening client demand in the near term and some pockets of the market may be reluctant to align with ESG, over the long-term, ESG considerations represent material factors impacting risk and investment performance and will likely need to be taken into consideration by asset owners, investors, and regulators. Netting it all out, we modestly lowered our estimates and long-term growth assumptions for the company but believe the stock continues to represent an attractive opportunity over our 3–5-year time horizon. We maintained an average weight position in the company.

Dollar General was the second largest detractor from performance after it posted a disappointing quarter with comparable sales coming in below expectations and competitors amid lighter foot traffic. Gross profit margins came in 20 bps higher on a year-over-year basis indicating better cost controls, and the company indicated sales trends improved in May after a difficult March and April. The company has been facing operational challenges where supply chains and labor were not sufficiently robust to support increasing merchandise volume and complexity. It also faces macro headwinds as its core customers are being negatively impacted by inflation and lower tax refunds, especially while results are lapping a period of elevated fiscal stimulus payments. Finally, a slowdown in the company's unit expansion plan presents a temporary headwind. Stronger recent performance by competitors such as Walmart and Dollar Tree also exacerbated recent weakness. We believe the operational issues noted should be addressed over the next 2-3 quarters and expect market share to respond positively. We continue to see long term opportunity for Dollar General to capitalize on its strong value proposition, since it is well positioned to deliver value and convenience to communities of any size leveraging its nimble store format, especially in rural towns where consumer options are limited. Following a Man Overboard Drill, we purchased additional shares of the company on weakness but reduced the target to a below-average weight given near-term headwinds.

Regeneron was the third largest detractor from performance in Q2. The company beat revenue estimates for the quarter rising 6.6% year-over-year with solid results from Dupixent, Libtayo, and other products. However, on June 27, the FDA did not approve the company's application for high dose Eylea as had been expected, after finding deficiencies at the third-party finish facilities. Given that the FDA did not find any deficiencies in the rest of the filing and are not requesting any further clinical trials, and as the third party has already submitted a proposal for corrective actions, we think it is reasonable to expect approval of the application in the next 6-12 months. The delay raises some uncertainties in the near term, as Regeneron's Eylea is facing increased competition in the marketplace. Despite this short-term setback, we believe the eventual approval of a high dose Eylea will strengthen the franchise in the long-term. We maintained our current position and reduced our target to a below-average weight.

The fourth and fifth largest detractors from performance were **Thermo Fisher** and **Danaher**.

Portfolio Activity

We trimmed positions in Salesforce, Workday, and Amazon which have higher valuation multiples on strength to fund a new position in NVIDIA. We also trimmed positions in Netflix, ServiceNow, Intuitive, Alphabet, and Adobe among others on strength while adding to positions in Aon, Visa, Thermo Fisher, and Dollar General among others on weakness.

Purchases

A below-average position was initiated in semiconductor and Artificial Intelligence beneficiary NVIDIA during the quarter. NVIDIA is a company we have long admired given its leadership in Graphic Processor Units (GPU), the advantage of GPU's in accelerated computing, and growing competitive advantages. We added the company to our Qualified Company List last year. Previously, the company lacked sufficient recurring revenues for us to become comfortable. Historically, demand for its chips was driven primarily by the gaming industry where it was exposed to cyclical product cycles and greater risk of share losses with each new game iteration. The company was also a beneficiary of the crypto craze a few years back with a significant source of demand coming from crypto mining. We were not, and are still not, comfortable relying on crypto mining for future growth. The proportion of revenues tied to crypto has recently fallen to a more negligible portion of revenues.

The key change in NVIDIA's business, and what led us to include it on the Qualified Company List in the second half of 2022, was the rising share of revenues tied to datacenters where we have a good understanding of the long-term growth opportunity and the recurring nature of demand. It was only in 2022 that the datacenter portion of revenues grew significantly enough for the overall business to have sufficient recurring revenues. The changing mix of end market demand has significantly improved predictability and visibility into growth while reducing the cyclicality of its revenues, earnings, and cash flow generation.

Today, NVIDIA's business better meets the key quality characteristics we believe are important to long-term predictability and success. NVIDIA's business is built around computing acceleration and its solutions include both hardware and software. The hardware architecture is a product of revolutionary and many iterative improvements to increase parallel computing, integrating the various components better to lower latency, and identifying compute-intensive operations that can be extracted and parallelized more and more. This is in addition to the performance benefits that NVIDIA garners from the underlying improvement in the silicon technology itself. On the software end, it has an extensive set of API frameworks that cater to individual applications and, as a business, it intends to monetize the software separately in each of its business segments. Since NVIDIA deploys a fab-less model, the business is capital light and very cash generative. Its leadership position and competitive dominance enables strong pricing power, which is highlighted by its very attractive and stable margin structure. NVIDIA's longer term growth opportunity has improved significantly as its chip applications have diversified from being geared mostly to gaming into much bigger industries including autonomous driving, the omniverse, and of course, AI and datacenters.

When we added the company to our QCL last year, we were cautious on near-term growth given concerns about cuts in datacenter spending along with a significant correction in the underlying gaming and crypto industry. This kept us on the sidelines. The company's most recent earnings report, however, made it clear that the AI/datacenter opportunity is materializing faster and at a scale we did not anticipate. The explosion in generative AI and NPL processing has increased demand significantly and has triggered a material upward revision to our earnings estimates. While the stock has been strong, based on our updated estimates, we see an attractive and visible long-term growth opportunity at the current valuation. To fund the initial position, we trimmed some of the higher valuation but high-conviction holdings in the portfolio such as Workday and Amazon. We will continue to build the position opportunistically over time.

Outlook

While uncertainty over the strength of economic and profit growth over the coming year remained high for reasons noted previously, investors flocked to a concentrated group of assets in Q2. Information Technology stocks rose over 19% led by Index heavyweights Microsoft, NVIDIA, Apple, and other companies expected to be large beneficiaries of AI. While nobody truly knows where the development of AI will ultimately lead, nor the magnitude of the costs involved to get there, it is clear that the timeline for businesses utilizing new AI applications to enhance productivity has accelerated. There are companies utilizing new applications which can be modeled over the intermediate term, and many are in the portfolio. We own obvious beneficiaries such as Microsoft, Alphabet and NVIDIA, but also hold positions in ServiceNow, Intuit, and Salesforce to name a few less apparent beneficiaries. These well financed businesses, which generate significant free cash flow and are able to adopt new features quickly via their SAAS software can deliver benefits of AI to their customers quickly. While the excitement in the market regarding AI is high, we will continue to invest in predictable business models with valuations that are reliant on numbers which we can project confidently out over the next decade.

With a high likelihood of slowing economic growth due to high interest rates, less fiscal stimulus, rising labor costs, and the costs inherent from deglobalization, we continue to believe our focus on sustainable growth will provide the best long-term results. Our approach has faced a cyclically driven rebound, an index with an unprecedented level of concentration, and now investor hopes that AI will boost profits and productivity to bridge the weakness in growth. While relative returns have recently been below those of the Russell 1000 Growth Index, our portfolios continued to generate attractive returns beating broader market indices over longer time periods with less risk. Regardless of the macro cycles, sentiment and rotations, our discipline and philosophical adherence remains focused on the same goal: build a portfolio that reliably delivers mid-teens earnings and cash flow growth with lower volatility. And with our cash flow-based valuation discipline, that should generate double-digit returns over time (just as it has over the last two decades).

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

Organizational Update

As communicated to you over the past year, co-founder Gordon Marchand retired from SGA effective July 1st after a long and distinguished career. He will continue to serve on the SGA Advisory Board.

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	Q2 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.*
SGA U.S. LCG (Gross)	8.2%	19.7%	7.4%	12.7%	13.6%	12.6%	10.4%
SGA U.S. LCG (Net)	8.0%	18.8%	6.6%	11.9%	12.8%	11.8%	9.6%
Russell 1000 Growth	12.8%	27.1%	13.7%	15.1%	15.7%	12.9%	11.5%
S&P 500	8.7%	19.6%	14.6%	12.3%	12.9%	10.9%	10.0%

**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.

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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

Q2 2023

SGA
Sustainable Growth Advisers

Danaher

Over the quarter we met with Danaher's Mitchell Rales (co-Founder and Board Member) and Linda Filler (Lead Independent Director) to discuss a current proxy item and better understand the co-Founders' long-term strategy for the business.

There is a current recommendation from ISS to vote against select members of the Audit Committee in response to the co-Founders' pledging of Danaher shares to secure personal liens. We note this kind of activity is prohibited for directors and officers; however, there is an exemption for the two co-Founders which has been in place for decades. While we are of the view that the current risk to Danaher is minimal as the amount of debt relative to the value of shares pledged is low (less than 25%), we requested the company institute a formal policy of capping the co-Founders' ability to pledge shares as collateral going forward. We ultimately decided to vote against the re-election of select Audit Committee members, noting that the underlying personal motivations for these pledges and tax avoidance is not to the benefit of minority shareholders.

On corporate strategy, we discussed the co-Founders' long-term plans for the business including succession planning and acquisition strategy. From our discussions, we confirmed the co-Founders' long-term mindset and alignment to the business and decided it is in the best interest of shareholders to keep Stephen Rales' (co-Founder) appointment as Chair of the Board given his deep understanding of the company and long-term successful leadership, although he is not independent.

YUM! Brands

We engaged with YUM! Brands' ESG leadership for an update on their Sedex partnership and to review several shareholder proposals prior to the upcoming annual meeting of shareholders.

YUM's supply chain is vast and complex given the nature of its operations, and we are pleased to see management continue to deepen their relationship with Sedex. Sedex is recognized as the leading industry data platform for supply chain assessment to store, analyze, share, and report on sustainability practices. YUM! Brands began working with the organization a few years ago, focusing on high-risk, high-value protein suppliers first (the company has over 6,000 protein suppliers alone) in Europe and Australia. Last year, YUM! Brands undertook a SMETA audit, which is a Sedex audit that is executed by 3rd parties to assess standards of labor, health and safety, environmental performance, and ethics within its protein supply chain. Under the program, companies are provided with a corrective action plan to help improve performance in deficient areas. This partnership provides YUM! Brands with an opportunity to collaborate with peers and collectively leverage data across a wide array of suppliers. We will continue to monitor progress in this area as YUM! Brands' involvement expands beyond protein supply chains.

We also discussed several shareholder proposals, as summarized below:

1. **Proxy proposal to reduce plastics usage:** Management recommends against, ISS recommends for, while Glass Lewis recommends against. The company has a fairly robust packaging policy, with goals that include reducing virgin plastic content by 10% by 2025 and moving consumer-facing plastic packaging to be reusable, recyclable or compostable across all brands by 2025. However, a report summarizing the risk of higher costs and regulations for using virgin plastics would be worthwhile. **SGA voted for the proposal.**
2. **Proxy proposal for report on lobbying payments and policies:** Management recommends against, ISS recommends for. YUM! Brands is very transparent in terms of lobby payment disclosure, including detailing every contribution greater than $150. A report would be an unnecessary cost and use of internal resources. **SGA voted against the proposal.**
3. **Proxy proposal to adopt share retention policy for senior executives:** Management recommends against, ISS recommends for. Current ownership requirements are in line with market practices and exceed internal requirements for the key positions of CEO and COO. **SGA voted against the proposal.**
4. **Report on paid sick leave:** Management recommends against, ISS recommends for. Paid sick leave policies are legally and practically the responsibility of franchisees, not YUM, as franchisees are the employers of record. **SGA voted against the proposal.**

Salesforce

We met with senior members of Salesforce's ESG team for an update on Board and management compensation programs: two areas we have previously flagged as pertinent ESG issues to the business.

Salesforce has been proactive in investor outreach and engagement over recent times following a public activist campaign. Many shareholders have shared similar concerns to ours on topics including Board tenure, composition, and management compensation. We are pleased to note that the company has taken decisive action. The Board has appointed a new Lead Independent Director, Robin Washington, and sufficiently expanded her role following dissatisfaction with the performance of the prior Director in this role. Furthermore, there have been five new Board appointments over the last 18 months, including a member from activist hedge fund, ValueAct, and the CFO of Mastercard. Compensation policies have been modified to emphasize performance and ESG metrics, and include the lowering of the CEO's long-term incentives. Performance targets for PRSUs (Performance Restricted Stock Units) were enhanced to better align to the new strategy for Salesforce, and the company is on track to reduce share-based compensation to 9% of revenues or below.

Lastly, we discussed the shareholder proposal to separate the Chair and CEO roles. We are of the view that this proposal is sub-optimal in that it would prevent the Founder from serving as Chairman in the future, which may not be in the long-term interests of shareholders. We re-emphasized the value in establishing an independent Chair and again took the opportunity to justify our case for implementing a gross annual share dilution cap akin to peers.

Workday

We engaged with management of Workday for an update on developments in corporate governance and executive compensation, continuing our dialogue from recent quarters.

Management continues to argue in favor of the dual-class share structure, asserting it is in place to protect the interests of both employees and customers, and takes pride in their leadership in other areas of governance including: majority voting for board election, a diverse, majority-independent board, and (presumably) a separation of the CEO and Chair roles next year when Carl Eschenbach becomes the sole CEO. We reiterated our preference for the company to accelerate the sunsetting of the dual-class structure ahead of its 2032 timeframe, particularly in light of the company's growth and current market value. On the topic of compensation, the new CEO's sign-on grants have raised some eyebrows from both shareholders and proxy voting groups. Less than half of this grant is performance-based, as a function of share performance over the next 5 years. We urged the company to significantly increase the mix of performance-based vesting as a means to enhance its culture and make the company more attractive to a broader set of shareholders. Lastly on stock-based compensation (SBC), management continues to assert that both share dilution and SBC will improve as hiring has moderated from the Covid boom. We pressed the company to reduce gross share dilution and set a cap akin to ServiceNow's 1.5% per annum ceiling.

CDP's Science-Based Targets Campaign

During the quarter we were pleased to again lend our support to CDP's annual Science-Based Targets Campaign, a letter campaign asking 2,100 high-impact companies to commit to and set 1.5°C-aligned Science-Based Targets. Last year's campaign was supported by over 300 peer organizations, up over 30% from the prior year, and we expect these ranks to increase further when the final count of participants is published. Our participation in this year's campaign follows our support for CDP's Non-Disclosure Letter Campaign in Q1.

Proxy Voting Summary Q2 2023

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	415	366	88%	49	12%	NIL	0%
Global Growth	382	343	90%	39	10%	NIL	0%
International Growth	284	270	95%	14	5%	NIL	0%
Emerging Markets Growth	150	127	85%	23	15%	NIL	0%
Global Mid-Cap Growth	282	266	94%	16	6%	NIL	0%

Source: SGA, ISS

Carbon Risks Q2 2023

	Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	14.4	67.2	72.5
MSCI ACWI	91.7	179.1	139.1
SGA Relative Exposure	-84%	-63%	-48%
SGA U.S. Large Cap Growth	6.5	28.9	27.9
Russell 1000 Growth	10.7	48.0	32.7
SGA Relative Exposure	-40%	-40%	-15%
SGA Emerging Markets Growth	18.1	37.9	37.4
MSCI EM	294.2	390.4	321.7
SGA Relative Exposure	-94%	-90%	-88%
SGA International Growth	19.3	72.1	91.2
MSCI ACWI ex-USA	162.0	214.7	175.9
SGA Relative Exposure	-88%	-66%	-48%
SGA Global Mid Cap	13.3	45.9	35.8
MSCI ACWI Mid Cap	193.9	260.1	215.6
SGA Relative Exposure	-93%	-82%	-83%
	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.