Global Growth Commentary

Q2 2023

Performance

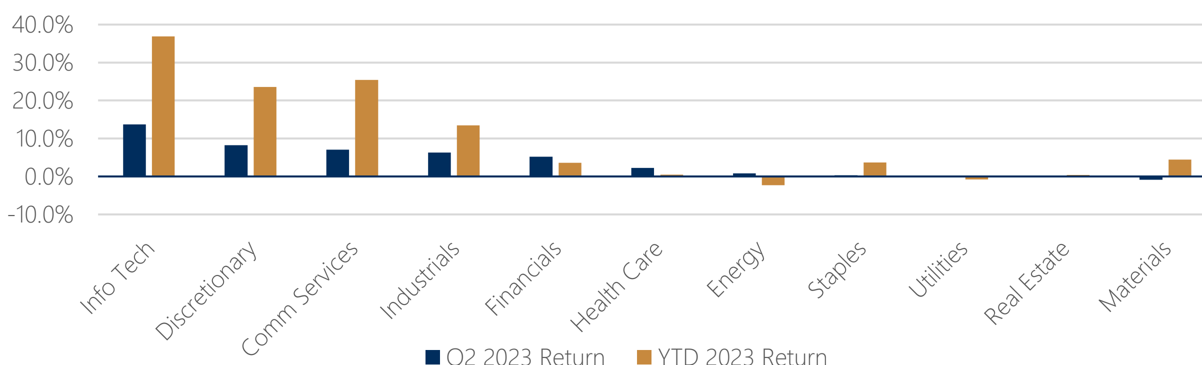
The portfolio returned 7.3% (Gross) in Q2 and 7.1% (Net) versus 6.2% for the MSCI All Country World Index (ACWI) and 9.2% for the MSCI All Country World Growth Index (ACWI Growth). Q2 2023 Index leadership was quite narrow with expected Artificial Intelligence beneficiaries in the Information Technology sector outperforming by a wide margin, followed by Consumer Discretionary and Communications Services. All other sectors of the ACWI underperformed except for Industrials which performed in line. Developed markets outperformed led by strong returns in the U.S. while emerging markets were dragged down by weak Chinese equity returns offsetting strong returns in emerging Europe, Brazil, and India.

Highlights

- Portfolio returned 7.3% (Gross) in Q2 and 7.1% (Net) versus 6.2% for the MSCI All Country World Index and 9.2% for the MSCI All Country World Growth Index
- Amazon, Microsoft, and Intuitive contributed most to performance, while MSCI, MercadoLibre, and Infosys detracted most
- New positions were initiated in UnitedHealth and NVIDIA while the position in SAP was sold given lower forecast growth and a less attractive valuation
- Positions in MercadoLibre, Intuitive, Amazon, Salesforce, Adobe, and Heineken among others were trimmed on strength and capital was reallocated to existing positions in Danaher, Atlassian, AIA Group, HDFC Bank, and Novo Nordisk among others on weakness
- Portfolio revenues and earnings are expected to grow by 12% and 19%, respectively, over the next three years versus 4% and 7% for the MSCI ACWI as we continue to expect continued slow macroeconomic and profit growth

Markets Rallied Despite Continued Risk

While monetary policies across much of the world remained restrictive, better than feared growth, a pause in interest rate hikes in the U.S., and expectations of possible monetary easing boosted markets. Hungary cut interest rates in June and was the best performing market in the ACWI. Hopes for more accommodation boosted other central European equity markets as well. Latin American markets led by Brazil, performed strongly amid softening fiscal policies and hopes for monetary easing. Equity markets in India also benefited from expectations for more monetary accommodation. China was among the worst performing markets in the ACWI in Q2 as well as for the one-year period ending June 30, 2023 as the post-Covid economic recovery has been more muted than expected.

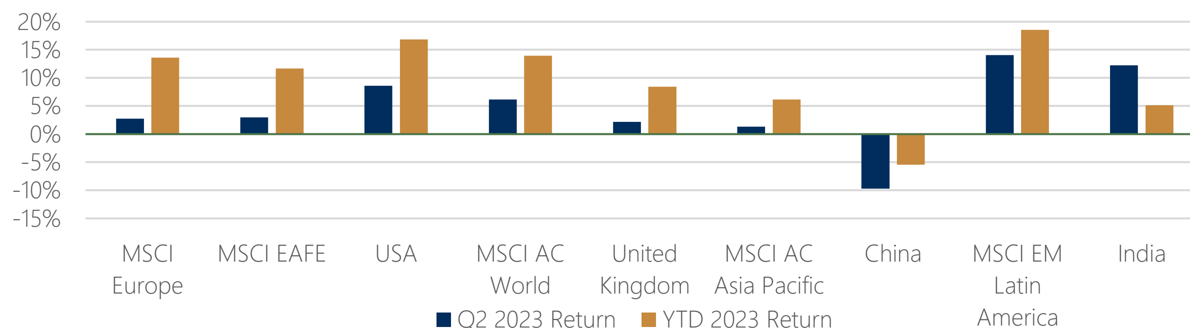


Source: FactSet, MSCI

U.S. markets advanced amid signs of gradually moderating inflation although consumer spending remained resilient, labor markets tight, and wage growth still relatively strong. Revised Q1 GDP growth figures indicated the U.S. economy expanded at a 2% annualized rate compared to previous estimates of 1.3%. Equity market leadership was extremely narrow with Information Technology stocks, especially companies deemed to be the primary beneficiaries of the increased application of Artificial Intelligence such as Software and Semiconductor companies generating the best returns. Strength in the "Magnificent Seven" (Microsoft, NVIDIA, Alphabet, Apple, Meta, Amazon, and Tesla) accounted for about 75% of the broad

market S&P 500 return for the first half of 2023. Reflecting this strength in Technology and related stocks, the U.S. Nasdaq Composite closed June with its best performance for the first half of a year since 1983 rising 32%.

Q2 and YTD 2023 Regional Returns



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

Like the U.S., Eurozone stocks advanced led by Financials and Information Technology. IT strength was driven by software and semiconductor stocks which benefited from increases in forecasted growth resulting from expected Artificial Intelligence advances. Emerging European economies Hungary, Poland, and Greece performed best while larger European economies such as the U.K., Germany, and France turned in more mediocre returns. Inflation proved stickier in the Euro area where core inflation accelerated to 5.4% from 5.3% in May despite headline inflation moderating to 5.5% from 6.1%. The European Central Bank (ECB) and Bank of England raised interest rates 25 bps and 50 bps, respectively, due to inflation concerns despite signs of slowing economic activity. GDP in the Eurozone declined in Q4 2022 and Q1 2023 signaling a mild recession over the winter, while forecasted economic growth for the region remained subdued.

China's GDP grew 4.5% year-over-year in Q1 2023, up from 2.9% in Q4 2022; however, Chinese equities underperformed as the country's post-Covid rebound waned with both retail sales and industrial production weakening given contracting internal and external demand. Reflecting this, factory activity declined for a third straight month in June. Weakness prompted the People's Bank of China to cut interest rates as the Chinese government shifted its stance from "prudent" to "pro-growth" while contemplating additional stimulus actions to re-ignite economic activity. While additional stimulus will likely boost growth from current subdued levels, we continue to expect China to be a less significant driver of future global economic growth given the Chinese Communist Party's greater focus on central control and economic regulation, the "near-shoring" trend, as well as adverse demographics.

Key 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 maintained an above-average weight position during the quarter, trimming back to target on strength.

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 position during the quarter.

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 for elective surgeries as well as solid pricing, we reduced the position recognizing its high valuation.

The fourth and fifth largest contributors to portfolio performance were **S&P Global** and **Alcon**.

Key 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 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 of an ESG backlash 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, such 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.

MercadoLibre was the second largest detractor from performance in the quarter following strength earlier in the year. Investor concern over the looming presidential election in Argentina in October, mounting risk of a devaluation of the Argentine peso, and speculation over a possible interest rate cut in Brazil, which could benefit weaker competitors, hurt the stock. From an operational standpoint, there was no material negative news for the company. It reported strong operating results with revenues up 58% on a constant currency basis and operating margins of 11.2% up strongly on a year-over-year basis on continued strong demand trends in Latin America. Active users grew 25% while the company continued to benefit from the implosion of competitor Americanas in Brazil. Payment volumes grew 46% year-over-year while payment transactions grew 72% year-over-year. While we continue to see attractive growth opportunities for the company looking forward and have high confidence in management to execute on the opportunities, given the stock's high valuation we trimmed the position early in the quarter and maintained a below-average weight position.

Infosys was the third largest detractor from portfolio performance in Q2 as results failed to meet previously communicated guidance for the quarter. Revenues grew 16% year-over-year and net income rose 7.7% due to strong results in the Retail, Manufacturing, Energy, and Utilities business segments while results in Financial Services and Telecom were softer than expected. Much of the weakness appeared to occur in the earlier months of the quarter with March trends stabilizing. Margins also were on the low end given expectations for lower employee attrition and higher utilization. The guidance shortfall led to disappointment by some investors and raised questions over management credibility given their earlier guidance. While we continue to have confidence in management and view the weakness in Financials as more transitory, we were nonetheless

mildly disappointed with the results and the lower-than-expected level of utilization. We do expect continued softness in the near term for smaller projects tied solely to digital transformation as this has become an area of optimization for many customers, but larger outsourcing related projects should continue. Full year 2024 guidance remained within our range of expectations and the company noted solid order flow with its largest pipeline of deals ever. We purchased additional shares on weakness and maintained an average weight position.

The fourth and fifth largest detractors from portfolio performance were **Danaher** and **Mengniu Dairy**.

Portfolio Activity

We initiated new positions in UnitedHealth and NVIDIA during the quarter while liquidating our longstanding position in SAP due to forced attrition following its recent strong appreciation. Additionally, we trimmed positions in MercadoLibre, Intuitive, Amazon, Salesforce, Adobe, Autodesk, and Heineken on strength while reallocating capital to existing positions in Danaher, Atlassian, AIA Group, HDFC Bank, and Novo Nordisk among others on weakness.

Purchases

A new position was initiated in **UnitedHealth**, the largest health insurance and health services organization in the U.S. The stock offered an attractive valuation opportunity, ranking in the top quartile of our valuation system from both an analyst price target and discounted cash flow basis after a disappointing 2024 Medicare Advantage rate notice and political rhetoric regarding Medicare Advantage rates. It operates two different businesses UnitedHealthcare and Optum Health. United is a medical insurance business that receives premiums and fees from employers and the government to manage member's health benefits whereas Optum is a service business the helps UnitedHealthcare and other industry participants more effectively deliver low-cost, high-quality care. Optum incorporates healthcare delivery services, pharmacy benefits, and healthcare IT. The combination provides the company national scale and local density that creates a strong competitive position. Approximately 52% of the company's sales are derived from the Health Insurance business whereas the balance is derived from Optum. With an aging population, rising chronic diseases, new technologies, and rising costs, UnitedHealthcare plays a primary role in the distribution of cost-effective health care in the U.S. helping customers lower their costs while managing its own profitability. The company receives a high proportion of its revenues from existing clients' contract renewals in both of its businesses. Given rising costs for health care and demographic trends, we see increasing penetration by managed care in the U.S. as evidenced by continued privatization of government programs through Medicare Advantage. With its scale and integrated structure, we expect UnitedHealthcare to be a key player in the ongoing evolution of the nation's health care system. While single payor rhetoric will raise concern relative to its business model periodically and changes to pharmaceutical rebate structures may pressure the margins of pharmacy benefit managers such as Optum to some degree, we continue to see that both are in a strong growth position over our 3–5-year investment horizon.

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.

Sales

SAP was sold in Q2 due to forced attrition following attractive appreciation in the stock. The company's software license sales beat expectations with 9% revenue growth and 12% constant currency operating profit growth. In addition, the company's cloud backlog grew 25% on a constant currency basis pushing recurring revenue streams to about 82%. Management reaffirmed their 2023 targets as well. We continue to like the company and see attractive growth opportunities for it as its cloud capabilities continue to increase. However, with the stock's valuation in the bottom quartile of our Qualified Company List, we chose to redeploy the capital to a more attractive opportunity in UnitedHealth. SAP remains on our Qualified Company List.

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 14% led by Index heavyweights Apple, Microsoft, NVIDIA, and other companies expected to be 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 Intuit, Salesforce, and Equinix to name a few less apparent beneficiaries. These well financed businesses, which generate significant free cash flow, are able to deliver the benefits of AI to their SAAS 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 continued slow economic growth due to high interest rates, less fiscal stimulus, rising labor costs, and 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 and, recently, investor hopes that AI will boost profits and productivity to bridge the likely ensuing weakness in growth and profits. Regardless of the macro cycles, sentiment and rotations, our discipline 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.

We thank you for you continued confidence in our team and look forward to answering any questions about the portfolio that you might 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. 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 Global Growth strategy. Net Returns do not account for custodian and brokerage fees that clients pay to third parties. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. The largest contributors and detractors are determined using a ranking of the absolute contribution to portfolio return by each security held over the period under consideration. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Upon request, free of charge, SGA can provide a list of all portfolio holdings held in SGA's Global 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	YTD 2023	1-Year	3-Year	5-Year	10-Year	Since Incep.
SGA Global Growth (Gross)	7.3%	17.3%	19.4%	5.5%	9.5%	11.7%	11.7%
SGA Global Growth (Net)	7.1%	16.8%	18.4%	4.6%	8.5%	10.8%	10.8%
MSCI ACWI Index (Net TR)	6.2%	13.9%	16.5%	11.0%	8.1%	8.8%	8.0%
MSCI ACWI Growth Index (Net TR)	9.2%	24.2%	23.1%	9.6%	10.4%	11.0%	9.9%

	Total Return						3 Year Standard Deviation				
Period	Before Fees	After Fees	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)
Feb. 1 - Dec. 31, 2011	4.91%	4.10%	-8.78%	-7.85%	Five or Fewer	N/A				1	2,686
2012	17.61%	16.63%	16.13%	16.69%	8	N/A				1,204	4,278
2013	21.77%	20.75%	22.80%	23.17%	10	0.3%				1,482	5,611
2014	2.40%	1.53%	4.16%	5.43%	12	0.3%	11.26%	10.50%	10.53%	1,368	5,332
2015	9.82%	8.89%	-2.36%	1.55%	13	0.2%	11.99%	10.79%	10.73%	949	5,318
2016	4.47%	3.59%	7.86%	3.27%	14	1.0%	12.92%	11.06%	11.28%	1,234	5,672
2017	34.27%	33.16%	23.97%	30.00%	15	0.5%	12.36%	10.36%	10.72%	2,309	9,971
2018	-0.87%	-1.72%	-9.41%	-8.13%	21	0.3%	12.00%	10.48%	11.47%	2,935	9,096
2019	33.42%	32.32%	26.60%	32.72%	24	0.4%	11.58%	11.22%	12.09%	3,727	12,347
2020	31.88%	30.79%	16.25%	33.60%	24	0.8%	16.67%	18.13%	18.16%	6,238	18,780
2021	9.86%	8.93%	18.54%	17.10%	30	0.5%	16.16%	16.84%	16.55%	8,078	22,899
Since Inception (Feb. 1, 2011)	14.87%	13.91%	9.88%	12.54%			13.96%*	13.71%*	13.99%*		

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
The 3 Year Annualized Standard Deviation for years 2011, 2012, and 2013 is not shown as 36 months or returns not available
* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm and is an affiliate of Virtus Investment Partners. The SGA Global Growth Composite was created in February 2011. 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.

Global Growth Commentary

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 Global Growth composite has had a performance examination for the periods February 1, 2011 - December 31, 2021. The verification and performance examination reports are available upon request.

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SGA Global Growth Composite contains fee-paying large cap global growth equity portfolios under full discretionary management of the firm. For comparison purposes the composite is measured against the MSCI ACWI Growth TR Index (Net) and MSCI ACWI TR Index (Net).

Effective March 31, 2014 SGA has elected to retroactively change the primary performance benchmarks for the firm's Global Growth equity strategy from the MSCI All Country World Index (ACWI) Gross and MSCI All Country World Growth Index (ACWI Growth Gross) with the MSCI ACWI Growth Net Total Return and MSCI ACWI Net TR as a secondary benchmark. The reason for the change from the gross version of the benchmarks to the net version of the benchmarks is to present a more appropriate comparison benchmark and better align with industry standards in terms of performance calculations and reporting for global equity products. The MSCI ACWI and MSCI ACWI Growth net total return indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The net total return indices are most representative of what a passive investor in the index could expect to achieve taking into account the price level movements, dividends and taxes that are withheld on those dividends.

Effective June 30th, 2013 SGA had elected to change the primary performance benchmark for the firm's Global Growth equity strategy from the MSCI World Growth Index and MSCI World Total Return Index to the MSCI All Country World Index (ACWI) with the MSCI All Country World Growth Index (ACWI Growth) as a secondary benchmark. This change was made in recognition of the fact that SGA's investment team has the ability to invest in emerging market domiciled companies and a benchmark that includes both developed and emerging markets such as the MSCI ACWI most accurately reflects the opportunity set from which client portfolios in the composite are built. It should be noted that SGA is benchmark indifferent in terms of stock selection and portfolio construction and this change was made in order to reflect current industry standards for performance reporting and benchmarking of Global mandates that have the ability to invest in both developed and emerging markets.

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. 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 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 Global 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. 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 and 0.65% on the next $75 million and 0.50% over $100 million. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

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.