Global Mid Cap Growth Commentary

Q2 2023

Performance

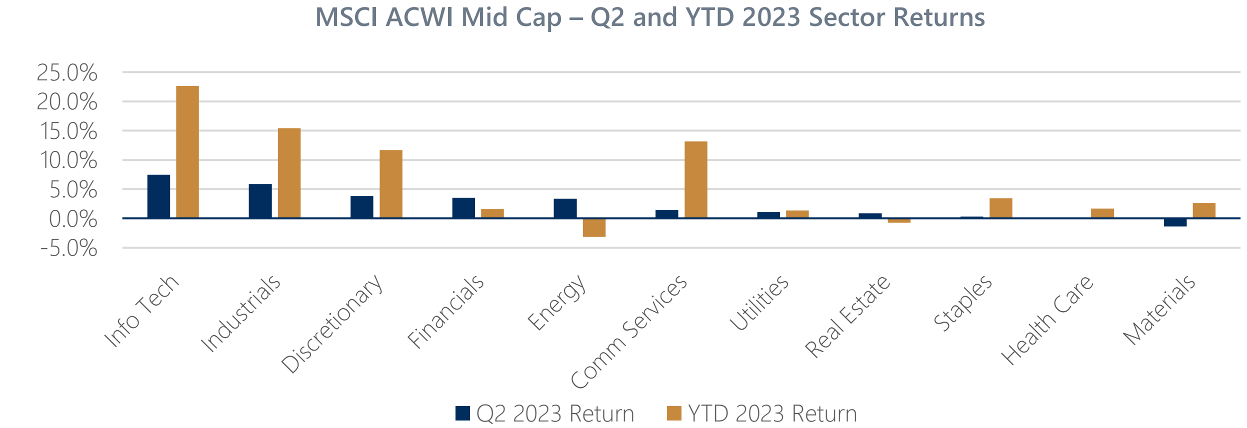
SGA's Global Mid Cap Growth portfolio returned 6.2% (Gross) in Q2 2023 and 6.0% (Net) versus 3.1% for the MSCI ACWI Mid Cap Index and 3.7% for the MSCI ACWI Mid Cap Growth Index. Artificial Intelligence beneficiaries in the Information Technology sector outperformed by a wide margin, followed by Industrials. 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 6.2% (Gross) in Q2 and 6.0% (Net) versus 3.1% for the MSCI ACWI Mid Cap Index and 3.7% for the MSCI ACWI Mid Cap Growth Index
- XP, FleetCor, and Raia Drogasil contributed most to performance, while EPAM Systems, MSCI, and Shandong Weigao detracted most
- New positions were initiated in Experian and Universal Music Group while positions in Spotify and CoStar were sold given a less attractive valuation and forced attrition
- FleetCor was trimmed on strength while Shandong Weigao and Mengniu Dairy were added to on weakness
- Portfolio revenues and earnings are expected to grow by 13% and 18%, respectively, over the next three years versus 4% and 7% for the MSCI ACWI Mid Cap as we continue to expect slowing 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. 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 Q2 as well as for the one-year period ending June 30, 2023 as it's post-Covid economic recovery has been more muted than expected.

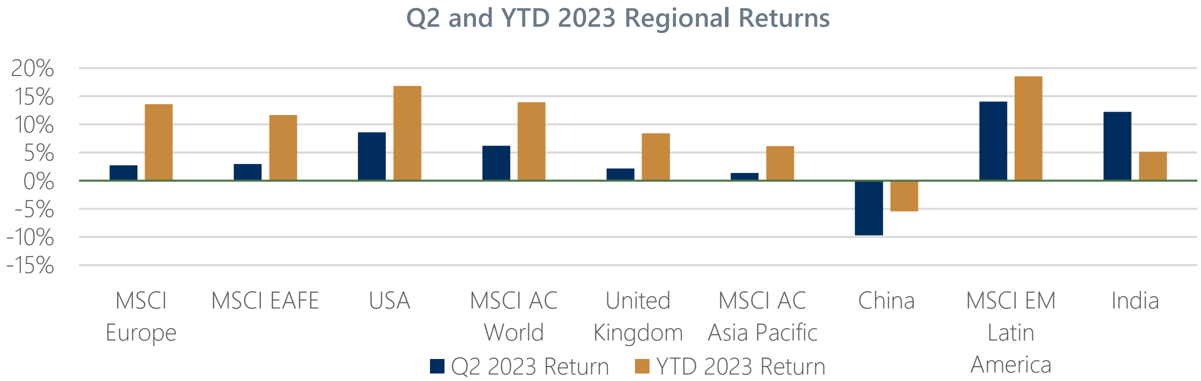


Source: FactSet, MSCI

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 and Industrial stocks outperforming the ACWI Mid Cap by the widest margin.

Global Mid Cap Growth Commentary

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.



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

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. 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 reignite 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 party control and "common prosperity", the "near-shoring" trend, as well as adverse demographics.

Key Contributors

XP, a leading independent broker platform operating in Brazil, was the portfolio's largest contributor in Q2. XP is disrupting Brazil's oligopolistic financial market structure, which has historically resulted in a lack of customer choice and poor customer experience. Through technology and a focus on better customer experiences, XP offers a higher selection of better products and lower fees, allowing the company to gain market share and dominate the online brokerage market. Opportunities to cross-sell other financial services, such as credit cards and insurance, help offset fee pressures from the traditional compression of commissions in the brokerage industry and make its platform stickier, leading to a high degree of recurring revenues. XP's growth opportunity is supported by low market penetration and improving financial savviness of investors in Brazil, which should lead to greater demand for different types of financial products over time. XP's stock nearly doubled in Q2 driven largely by signs of an improving macro-economic backdrop in Brazil and positive investor sentiment. XP's quarterly results highlighted a continued difficult operating backdrop, however, as inflows remained weak and revenues were roughly flat compared to the same period last year. Despite the challenging backdrop the company saw solid growth in its financial advisor base and customer relationships, delivered strong cost controls, and saw good results in its newer verticals such as credit cards, retirement plan services, and insurance.

FleetCor, a leading global business payments company, was the portfolio's second largest contributor in Q2 after it reported strong Q1 financial results and raised Q2 guidance. The company reported organic revenue growth of 14% and 12% year-over-year, respectively. Broad based strength in new sales, up 31%, and stable customer retention of 91%, highlighted strong fundamentals. FleetCor continues to benefit from its scale and offers incremental value to its customers with cheaper prices and discounts. The sentiment around pace of EV transition has moderated as the business will continue to thrive on the longevity of existing internal combustion engine-based fleet. In the meantime, the company is also taking a leading position in launching new revenue models for the EV fleet. The business remains sticky from both a merchant and customer perspective. We remain optimistic on FleetCor's growth potential.

Raia Drogasil was the portfolio's third largest contributor in Q2 after reporting a strong Q1. Gross revenues increased nearly 22% year-over-year, representing the eighth quarter in a row of double-digit revenue growth year over year. With approximately 15% overall market share, Raia Drogasil has scale which allows it to negotiate with drug manufacturers competitively and also has made investments in technology and supply chain infrastructure to operate stores at attractive margins. Drug sales, personal care products, and OTC products are recurring in nature and result in a steady volume of return traffic to stores. Raia Drogasil has significant room to expand its market share in Brazil, as the pharmaceutical market itself continues to grow as well. While free cash flow is limited in the near term, the company's competitive positioning is enhanced as Raia Drogasil has more staying power and e-commerce capabilities versus competitors. Additionally, the company is using scale to offer lower prices on generic drugs, and deploying a technology supported granular pricing strategy to improve same store sales while maintaining margins. Raia Drogasil's logistics and inventory management advantages should allow it to outpace competitors in terms of margins and growth.

FEMSA and **CoStar** were the fourth and fifth largest contributors to performance in Q2.

Key Detractors

EPAM Systems was the portfolio's largest detractor in Q2 as a result of weaker-than-expected Q1 financial results and a reduction of full year guidance. Digital IT industry demand is soft in 2023 due to macro uncertainties. In addition, EPAM paused new business generation last year as it focused on geographic diversification away from Eastern Europe due to the war in Ukraine, which is now negatively impacting revenue growth. We view the industry slowdown to be temporary and expect EPAM's revenue growth to recover once industry demand recovers in 2024. In addition, following its successful geographical diversification last year, EPAM has resumed new business generation in 2023, with strong new logo wins in Q2. We continue to view EPAM's service offerings as differentiated with premium pricing, which is supported by its strong engineering know-how and understanding of cutting-edge technologies. EPAM's projects have an average duration of one year, and customer retention is very high with the average age of its top 20 customers being more than 10 years. There is a large and growing demand for optimized digital platforms to keep traditional enterprises competitive as the world digitizes and the tech landscape evolves. We remain confident in the growth opportunity for the company.

MSCI was the portfolio's second largest detractor in Q2 after reporting 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.

Shandong Weigao, a leading Chinese medical device company, was the portfolio's third largest detractor in Q2. Shandong Weigao benefits from its manufacturing scale and strong R&D capabilities which enable the company to launch innovative, higher margin products over time. As most of the company's products are consumables, which must be replaced on an ongoing basis, the company's revenue generation is highly predictable and recurring. While we view Shandong Weigao as well-positioned to participate in the growth of healthcare in a rapidly aging China, the company continues to see near term pressures from the Chinese government's value-based purchasing (VBP) policies. Specifically, government initiatives of VBP have lowered the prices paid for many medical consumables, pressuring the company's revenues and margin. These pressures and the broader macro issues weighing on Chinese stocks, negatively impacted the stock in Q2. China's strict Covid policies and lockdowns have also been headwinds until recently and weighed on the company's 2022 results. While sales grew just 4% in 2022, EPS grew 21% and the company delivered stable operating margins despite pressure on gross margins from VBP policies. In line with our thesis, the company continued to gain customers and market share, benefiting from its scale advantages. We expect the Chinese government's VBP policies to continue to negatively impact the company throughout 2023. However, we believe that lower prices and the elimination of the "middlemen" in the healthcare system should enable Shandong Weigao to significantly increase market share in the coming years. As the company is the most scaled player in China with the lowest cost of manufacturing and R&D capabilities to continue to launch new products, we view the company as being well positioned to deliver attractive long-term growth moving forward.

The fourth and fifth largest detractors from performance in Q2 were **Kakao** and **H World Group**.

Portfolio Activity

New positions in Experian and Universal Music Group were initiated in Q2 while positions in Spotify and CoStar were liquidated. Shandong Weigao and Mengniu Dairy were added to while FleetCor was trimmed.

Purchases

A new position in **Experian** was initiated in Q2. Experian provides information solutions, consumer data services, and business process outsourcing services for businesses, governments, and consumers. Experian's business-to-business (B2B) segment provides services that are used to manage credit risk, prevent fraud, and automate decisions and processes through its credit bureau data and analytics offerings. Its Consumer Services segment offers credit reporting and credit monitoring services for consumers as well as a marketplace for credit and insurance products. Experian enjoys strong pricing power in its B2B businesses, which operate in stable oligopolistic industry structures with high barriers to entry given the company's scale and rich historical data set. Additionally, Experian's scale in its Consumer Services segment, where it serves 140 million members globally, enables attractive monetization opportunities from its lending and insurance marketplaces. Experian's industry-leading analytics offerings result from its internal focus on developing advanced decisioning and analytics tools and software.

Experian's businesses have historically demonstrated a high degree of predictability and resilience even through more difficult economic environments. For instance, the company managed to grow revenues through the Global Financial Crisis and more recently, the Covid-19 pandemic, despite large declines in credit and lending origination-related volumes. Minimum volume commitments from clients and a pickup in volumes related to credit monitoring, portfolio stress testing, and higher demand for affordability checks has served to offset lower volumes from credit origination in periods of broad credit contraction. Secular trends such as financial inclusion, lending channels shifting to digital outlets, increasing use of data to make faster and better decisions, and open banking opportunities support an attractive long-term growth opportunity for Experian.

Among the risks we are monitoring for Experian include its exposure to the credit cycle and whether the company can manage through a slowdown in credit as well as it has in the past. We are also cognizant of competitive dynamics which could intensify during economic downturns if growth opportunities become limited for other industry participants.

A new position in **Universal Music Group** (UMG) was initiated in Q2. UMG is the world's leading music label with about a third of the global music industry market share. Notable record labels under its ownership include Republic, Interscope Records, Capitol Music Group, Def Jam, and EMI, and the company represents artists that vary across music eras and geographies. 77% of UMG's revenues come from its recorded music business where it promotes and markets recorded music for its artists, sharing in the economics and maximizing their global reach. 17% of revenues come from music publishing where UMG discovers and works with songwriters and collects royalties around the world for their work used in recordings and other public uses of music. The remaining 6% of revenue comes from merchandising that is lower margin but incremental to the business and helps fans connect closely with their favorite artists.

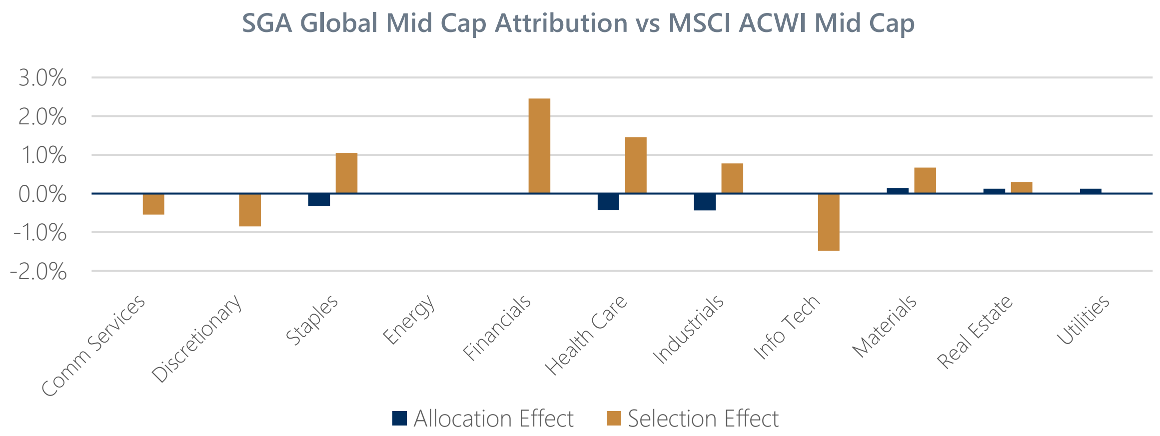
UMG's catalog and its lineup of superstar artists gives it pricing power versus distributors and other platforms where music is integral to the consumer value proposition. The advent of streaming has shifted the music label business to become more repeatable as the labels now get paid every time a song is played versus the previous transactional process that relied on the sale of individual songs and albums. Given this shift, roughly 60% of UMG's revenues are truly recurring as of 2022, and this proportion should continue to increase as subscription streaming revenue grows over time. One of the major positives of music consumption is its recurring nature as most people listen to the same songs over and over. This is an important advantage for UMG as it has amassed one of the largest catalogs in the industry. It is estimated that approximately 70% of music consumption comes from catalog music versus new releases due to the repeat listening habits of its consumers. This gives UMG significant negotiating leverage and a seat at the table in all discussions around the industry's direction, ensuring relevance for the foreseeable future. It also leads to a very stable, annuity-like stream of revenues that will grow alongside the market, since the agreements have already been made and the costs have already been incurred, leading to attractive, margin-accretive growth. With just 30% of the population in top developed markets subscribing to a streaming platform and penetration significantly lower in developing markets (~5%), we see an attractive growth opportunity ahead for UMG as music streaming continues to grow. Additionally, the company has a large opportunity to grow with new and emerging platforms including social media, gaming, and digital fitness.

The key risks we are monitoring for UMG include the possibility of changing industry dynamics and disruption from new emerging labels or direct listings from artists which could impair UMG's value proposition, profitability, and growth potential, including the need to provide better terms for artists. The development of AI tools to generate music also creates uncertainty around the future development of content and copyright protections. We are also mindful of the importance of maintaining a healthy and profitable ecosystem of digital service providers (i.e. Spotify, Apple Music, etc.), which may constrain UMG's pricing power.

Sales

Our position in Spotify was liquidated during the quarter on relative strength and forced attrition. Additionally, we liquidated our position in CoStar due to its valuation and forced attrition.

Market and Portfolio Attribution



Source: FactSet, MSCI

Outlook

Global markets delivered positive, but muted returns in Q2 as weakness in Chinese equities offset strength in Latin America, Europe, Japan, and India. Near-term growth expectations declined further over the course of the quarter given continued uncertainty around global growth and a weakening outlook in China. As we have noted in prior letters, the more predictable and resilient growth companies in the SGA portfolio have historically been rewarded during periods of slowing growth and rising uncertainty. This trend continued in Q2 with the portfolio outperforming the MSCI ACWI Mid Cap index by +2.9% (Net), bringing the outperformance for the year, a period of moderating growth expectations, to +4.1% (Net).

Looking ahead we expect corporate profits to remain under pressure given slowing global growth due to the lagged impact of monetary tightening. China's likely pivot towards stimulus along with signs of moderating inflation and possibly less restrictive monetary policies in some regions could support a recovery in growth, albeit with uncertain timing. For now, however, we see limited evidence that we are on the cusp of a cyclical recovery, while also remaining cautious on the longer-term growth outlook given secular growth headwinds. Irrespective of the ebb and flow in macroeconomic conditions and expectations, the success of our approach is rooted in identifying companies that have unique characteristics which enables them to grow predictably and sustainably at above-average levels over the long-term with lower levels of risk. We are enthusiastic about the long-term potential for the portfolio today with the companies in aggregate expected to compound earnings by 18% per year over the coming three years with good valuation support. We have confidence that the high quality and less volatile fundamental growth potential offered by the companies in the SGA portfolio will be rewarded over time and provide a smoother ride for our clients.

We thank you for your continued support and welcome any questions or comments.

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

Performance Results	Q2 2023	YTD 2023	1-Year	3-Year	Since Incep.
SGA Global Mid Cap Growth (Gross)	6.2%	12.1%	10.5%	-1.5%	7.8%
SGA Global Mid Cap Growth (Net)	6.0%	11.6%	9.6%	-2.3%	6.9%
MSCI ACWI Mid Cap (Net TR)	3.1%	7.5%	12.0%	9.2%	7.2%
MSCI ACWI Mid Cap Growth (Net TR)	3.7%	11.6%	16.2%	6.2%	8.0%

	Total Return					3 Year Standard Deviation				
Period	Before Fees	After Fees	MSCI ACWI Mid Cap Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI Mid Cap Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of non-fee paying accounts
Nov. 1 - Dec. 31, 2018	-4.25%	-4.39%	-6.17%	Five or Fewer	N/A			0.113	9,096	100%
2019	38.88%	37.74%	26.00%	Five or Fewer	N/A			0.306	12,347	100%
2020	44.98%	43.79%	15.17%	Five or Fewer	N/A			6	18,780	8%
2021	-1.46%	-2.29%	16.39%	Five or Fewer	N/A	19.19%	19.29%	6	22,899	0%
Since Inception (November 1, 2018)	22.47%	21.44%	15.65%			19.41*	19.39*			

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
3 Year Standard Deviation is not shown for 2018, 2019, and 2020 as 36 months of returns are not available
* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm and is an affiliate of Virtus Investment Partners, Inc. The SGA Global Mid Cap Growth Composite was created in November 2018. 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 Global Mid Cap Growth composite has had a performance examination for the periods November 1, 2018 - December 31, 2021. The verification and performance examination reports are available upon request.*

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

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 Mid 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. 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.

Sustainability Report

Q2 2023

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.