U.S. Large Cap Growth Commentary

Q3 2023

SGA
Sustainable Growth Advisers

Performance

The U.S. Large Cap Growth portfolio returned -3.8% (Gross) and -4.0% (Net) versus -3.1% for the Russell 1000 Growth Index and -3.3% for the S&P 500 Index. The S&P 500 Equal Weight Index returned -4.9%, which can be a useful measure of average stock performance, as the dollar weighted indices have become increasingly concentrated.

Interest Rate Concerns Offset Resilient Economic Backdrop

Resilient U.S. economic data, moderating inflation pressures, and a better-than-feared corporate earnings season raised expectations for an economic "soft landing" and supported the market's advance early in the quarter. Investors were 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%.

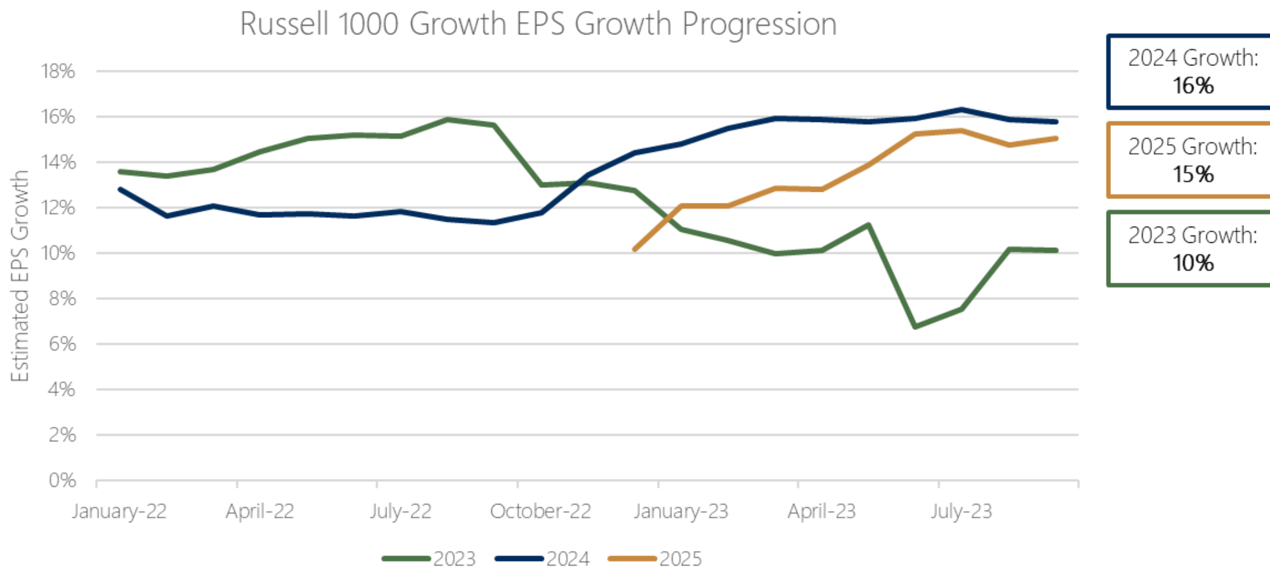
Optimism faded later in the quarter, however, due to rising uncertainty around monetary policy. Persistent inflation precipitated another rate hike at the Fed's July meeting. The Fed's announced willingness to hold rates "higher for longer" revived concerns around rates and valuations leading to a pullback in the market in September.

Technology stocks, which had soared earlier in the year, were the largest drag on index performance in Q3. Given higher interest rates, inflation pressures, reduced fiscal stimulus, the prospect of reduced consumption due to declining consumer savings, deglobalization, and ongoing trade headwinds, we continue to expect slowing economic and profit growth.

Highlights

- The portfolio returned -3.8% (Gross) and -4.0% (Net) versus -3.1% for the Russell 1000 Growth Index and -3.3% for the S&P 500 Index.
- Companies with higher sales stability underperformed amid rising interest rates.
- The largest contributors to Q3 performance were Regeneron, Intuit, and MSCI and the largest detractors were Dollar General, Netflix, and Microsoft.
- A new position in Canadian Pacific Kansas City was initiated and we sold positions in Adobe and Intuitive as we managed valuation risk; Dollar General was sold given deterioration in its fundamentals.
- We trimmed the position in Alphabet on strength and added to positions in Microsoft, Netflix, NVIDIA, Yum! Brands, UnitedHealth, and Danaher on weakness.
- Portfolio revenues and earnings are expected to grow by 10.8% and 16.1%, respectively, over the next three years consistent with historical levels.
- Consensus expectations for 14.5% earnings growth for the Russell 1000 Growth Index over the next 3 years presume an acceleration despite mounting evidence of a gradual slowing in macroeconomic and profit growth.

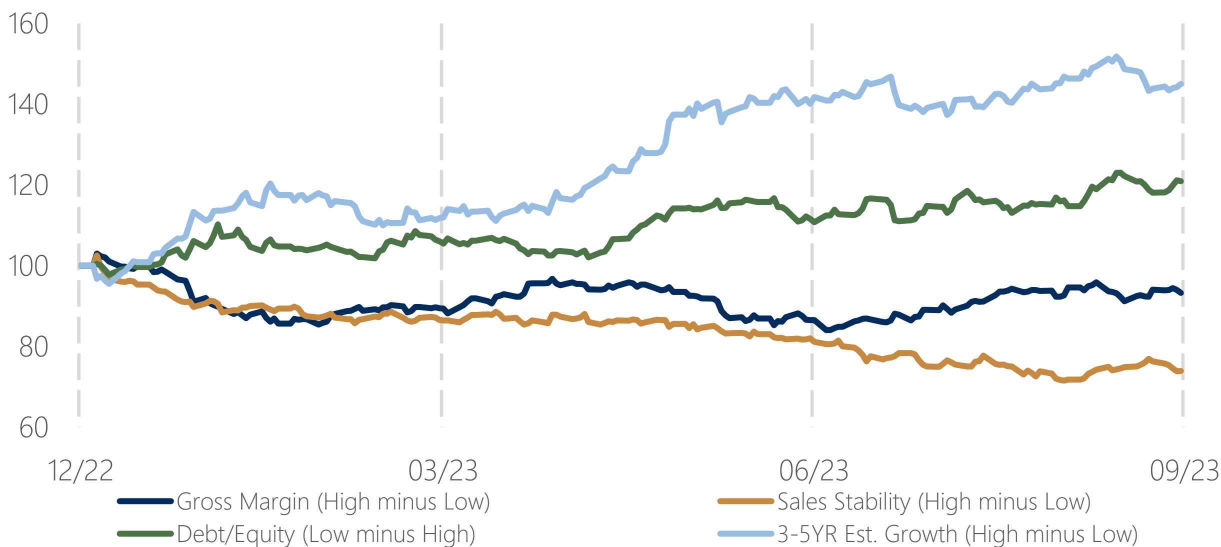
Growth expectations for this year picked up over the course of the quarter on the back of a better-than-expected Q2 earnings season. 2024-25 expectations remained high given resilient economic growth, and nascent signs that labor market dynamics were improving. At the same time, the risk of a slowdown in consumer spending persists given the exhaustion of pandemic-era excess savings, the resumption of student loans payments, tightening credit standards, rising energy costs, and higher interest rates and mortgage rates. While consumer balance sheets remain relatively healthy, some signs of weakening are beginning to show, including rising credit card losses (albeit from very low levels), falling confidence, and slowing foot traffic at retailers. We humbly acknowledge that we have no expertise in accurately forecasting the future path of the economy but view current growth expectations for the market as optimistic given the headwinds from higher interest rates, tighter credit and bank lending standards, and higher energy costs and lower consumer savings.



Source: FactSet, Russell

The reward to quality factors was mixed during the quarter with improvement for companies with higher gross margins while companies with greater sales stability underperformed by a wide margin.

Sales Stability & Gross Margins Not Rewarded YTD



Source: FactSet, Russell

Largest Contributors

Regeneron was the largest contributor to performance after being a detractor last quarter, as it received approval for high dose Eylea, which ended up being delayed only by a quarter. The approval should enable Regeneron to defend its Eylea franchise against competition, and perhaps even take more share from the unbranded market. 2Q results exceeded expectations driven by strong demand for its atopic dermatitis drug Dupixent which saw sales increase 37% year-over-year. Sales of its cancer drug Libtayo grew 131% off a smaller base. Regeneron continues to spend heavily on its pipeline with R&D up 41%. We believe the spend will provide a good return for shareholders over the long term as the company has shown a

strong ability to bring new drugs forward for FDA approval and get them to market in an effective manner. We maintained a below-average weight position in the company.

Intuit was the second largest contributor to performance in Q3 after the company posted a solid report beating expectations across each of its key business segments and raised its consolidated revenue and earnings guidance for 2024 beyond our and most analysts' expectations. Management guided to 11% revenue growth and 13% operating income growth. We were encouraged by stabilizing growth in the mid-teens at MailChimp ahead of its major new product cycle. The stock also benefited from rising expectations relative to its generative AI opportunities. We maintained our average weight position given our continued positive growth outlook for the company.

MSCI was the third largest contributor to performance in Q3 after being the largest detractor from results in Q2. The company posted a strong Q2 report with revenues up 13% and earnings per share up 17% while subscription revenues rose 11% and index subscriptions were up by a double-digit rate for the 38th consecutive quarter. ESG & Climate revenue growth stabilized at 29%, beating expectations while retention of clients for the segment was a solid 97%. Investors were pleased with notably more positive comments from management regarding trends in the ESG & Climate business segment after their comments last quarter noting regulatory uncertainty in Europe and political headwinds in the U.S. We maintained an average weight position in the company.

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

Largest Detractors

Dollar General was the largest detractor from portfolio performance in Q3 after it reported disappointing Q2 results and cut full year guidance.

The last few quarters have been a challenging backdrop for the company for several reasons. Its core customers have been under pressure from significant cost of living inflation and the expiration of government benefits, competition in the space has grown with the resurgence of Dollar Tree and the retail industry is suffering from increased shrinkage. In addition, company supply chain issues and underinvestment in store labor led to significant deterioration in the relative shopping experience compared to peers.

These issues have manifested themselves in traffic loss, incremental costs and further investments in labor and IT systems all while the business continues to suffer from excess inventory ordered during Covid.

Through the first half of this year, based on our research and conversations with management, we maintained conviction that the company's plans were sufficient to turn trends in the business around within a reasonable timeframe if the macro and competitive environment had not turned adverse. However, new developments in the third quarter changed our opinion. Recent store visits showed disappointingly little progress in inventory management and overall customer experience, while the latest pricing studies reveal an increasingly challenging competitive environment, and traffic trends versus competitors diverged further. In addition, retail theft issues are worsening and will be structurally difficult to address due to Dollar General's lean store staffing model.

We now believe fundamental deterioration in the business will require significantly more time and cost to address in an increasingly competitive retail environment while also tempering future unit growth and share gain opportunities. Further, we have lost a significant degree of confidence and trust in senior leadership given their series of strategic and execution missteps. With material deterioration in the company's pricing power, runway of growth, and management strength, we believe the investment thesis no longer qualifies for the Qualified Company List. As a result, we liquidated the position during the quarter.

Netflix was the second largest detractor from performance in Q3 as the average revenue per member (ARM) came in at -1% on a year-over-year basis compared to expectations for a low-single-digit gain as investors looked for a more pronounced contribution from paid password sharing and advertising. Net added subscriptions were strong across regions, up about 5.9 million. While advertising and paid sharing contributed to revenues only in the low-single-digits this year given their recent launch, we expect their contribution to ARM to become more meaningful over time. While the company did not raise prices in 2023 in preparation for paid sharing, we expect them to resume price increases in 2024 which will benefit ARM. We were also pleased to see attractive improvements in cash flow generation. Given that Netflix plans programming well into the

future and a significant portion of content comes from overseas, we anticipate minimal impact from the actors and writers strike as we expect a resolution by year end. With perhaps the deepest content today and having demonstrated an ability to monetize previous non-paying watchers in an effective manner via paid sharing or their ad supported version, we continue to view Netflix's growth opportunity over our 3–5-year investment horizon as being attractive and raised our target to an average weight, adding to the position on weakness.

Microsoft was the third largest detractor from performance in Q3. The company posted a strong Q2 report, and we were pleased to see all business segments providing in line or better returns. Operating income increased by 21% on a constant currency basis with the company growing at a mid-teens rate overall. But its stock was out of favor during the period as market enthusiasm over AI took a breather. The investor community came to terms with a realistic timeline and eventual financial materiality for its initiatives in AI. While these are in line with our expectations, they perhaps disappointed some with shorter investment horizons. For Azure, despite corporate optimizations presenting a short-term headwind, we continue to see plenty of room for growth even aside from its attractive AI opportunities. While capex is expected to increase in fiscal 2024 as the company invests in its AI capabilities among other opportunities, we see clear focus by management on maintaining margins. We maintained an above-average weight position in the company, adding on recent weakness.

The fourth and fifth largest detractors from performance were **American Express** and **S&P Global**.

Portfolio Activity

The portfolio's positions in Adobe and Intuitive were liquidated as we managed valuation risk with the strength in the markets. We sold our position in Dollar General after a Man Overboard Drill given weakening in key aspects of the thesis. We initiated a new position in Canadian Pacific Kansas City (CPKC). We also purchased additional shares in Microsoft, Netflix, NVIDIA, Yum! Brands, UnitedHealth, and Danaher on weakness and trimmed the portfolio's position in Alphabet on strength.

Sales

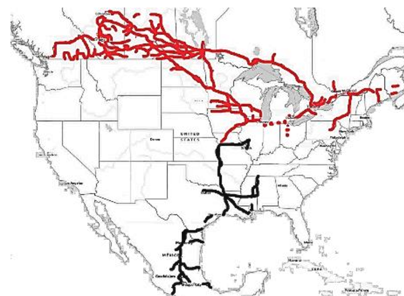
We sold the portfolio's position in **Adobe** following a significant price advance tied to the market's focus on potential AI beneficiaries, a positive Q2 report, and a rise in management's full year guidance. This led its valuation to a ranking near the bottom relative to other opportunities on our Qualified Company List. This and remaining questions over its recent acquisition of Figma and the actual AI benefits likely to occur led us to sell the stock and reinvest the capital in another high confidence growth opportunity.

We liquidated the portfolio's position in **Intuitive** due to valuation following strong appreciation in the stock. Intuitive reported strong Q2 results with 15%+ revenue growth, 25%+ earnings per share growth, and 22%+ procedure growth, while also raising guidance. While we like the company and its growth opportunity, we believe much of that was already reflected in the stock's price, given that it ranked in the bottom quartile of our Qualified Company List in terms of valuation. Consistent with our valuation discipline we redeployed the capital to other higher opportunity investments.

As described above, the portfolio's position in **Dollar General** was also liquidated following significant price decline when key aspects of its thesis were determined to have changed.

Purchases

We initiated a new position in Canadian Pacific Kansas City (CPKC). The company was formed following Canadian Pacific's acquisition of Kansas City Southern, a company we had previously owned in this portfolio. The new combined company owns and operates transcontinental freight railways in Canada and the U.S. transporting bulk commodities, merchandise freight, and intermodal traffic. Its route system covers principal business centers across Canada, the U.S. Midwest, and Gulf ports and operates an exclusive concession in Mexico.



CPKC offers best-in-class management with a proven track record of industry leadership in terms of growth, margins, safety, and implementing Precision-Scheduled Railroading (PSR), a strategy intended to increase efficiency and consistency of service levels. Following its merger with Kansas City Southern the company gained

critical network scale to originate and complete shipments across its new transcontinental network which will result in cost and revenue synergies. The company also stands to benefit from increased focus on near-sourcing, particularly in Mexico, as well as commodity disruptions which increase demand for Canadian grain and potash.

CPKC offers attractive pricing power given its significant structural advantages relative to primary competitors in the trucking industry who face high-cost inflation due to driver shortages, higher insurance costs, deteriorating highways, and rising regulatory burdens. CPKC benefits from strong contract renewal pricing and has achieved consistent increases exceeding inflation over the last decade. With the synergies of the Kansas City Southern merger today, we see pricing power growing stronger as longer lengths of haul and fewer inter-rail exchanges increase the speed and reliability of service. It also generates attractive recurring revenues given contractual relationships with a broad set of shippers for essential agricultural, energy, commodity, industrial, and intermodal shipments that are important to the North American economy. CPKC offers attractive growth over our 3–5-year investment horizon stemming from increasing cross-border trade between the U.S., Canada, and Mexico, and increasingly near-sourcing as well as share gains from trucking and other rail carriers. The increased scale of the network also presents new service line opportunities including refrigerated shipments and a closed loop auto network with multi-directional movements of parts, intermediate product, and finished goods across the continent. Its success with PSR which enhances service reliability and network cost efficiency should help sustain volume growth and pricing power.

In terms of risks, CPKC serves more economically sensitive industries and can therefore be somewhat susceptible to macro-economic fluctuations. We see this risk being largely mitigated by the attractive cost and revenue synergies resulting from the Kansas City Southern merger as well as the critical nature of much of the freight the railroad carries. Longer-term, autonomous trucking could also pose a risk by narrowing rail's cost advantage over trucking; however, we do not see this risk being a concern over our 3–5-year investment horizon given the challenges of operating autonomous trucking in the inclement weather of the U.S. Midwest and Canada and uncertain regulatory acceptance in each country.

Outlook

Markets weakened in Q3 as the decline in interest rates reversed amid continuing inflationary pressures. While labor markets remained tight, signs of cooling in consumer confidence, significantly higher oil prices, depleting savings, and indications from the Fed that they were prepared to keep monetary policy tighter for longer cast a pall on equity prices. While impossible to predict the market's path over the next 6-12 months, we continue to see the ingredients for slower macroeconomic and profit growth given the lagged effects of the significant monetary tightening. With unprecedented monetary and fiscal stimulus applied during Covid, significant supply chain blockages, and demographics constricting labor force growth, this cycle has defied expectations. While the U.S. economy has been remarkably resilient, global forces including higher oil prices, an anemic rebound in Chinese growth, and signs of longer-term obstacles to global growth, point to further uncertainty.

We remain focused on attributes that should help strong quality businesses grow through difficult periods. In some cases, those theses weaken unexpectedly as we saw with Dollar General this quarter and we make the difficult decision to reallocate the capital to other opportunities. In some cases, we hold the position, despite the difficulty, if we see the weakness being short-term in duration. Positions in Adobe and Intuitive fit that scenario as over the last 12-18 months, we held them through short-term disappointments and added to the positions given our positive longer-term outlook, prior to this quarter's liquidation due to their valuations. We won't always be right, but we will always stick to our discipline which has worked well over the past 20+ years.

We thank you for your support and look forward to answering any questions you may have.

The opinions expressed herein reflect the opinions of Sustainable Growth Advisers, LP and are subject to change without notice. Past performance is no guarantee for future results. This information is supplemental and complements a GIPS Report that can be found with composite performance. The securities referenced in the article are not a solicitation or recommendation to buy, sell or hold securities. This commentary is provided only for qualified and sophisticated institutional investors.

Results are presented gross and net of management fees and include the reinvestment of all income (including dividends, interest and other earnings). For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based on the deduction of a model fee of 0.75% 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

U.S. Large Cap Growth Commentary

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	Q3 2023	YTD 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.*
SGA U.S. LCG (Gross)	-3.8%	14.4%	21.5%	2.7%	9.9%	12.3%	12.4%	10.1%
SGA U.S. LCG (Net)	-4.0%	13.7%	20.6%	1.9%	9.1%	11.4%	11.6%	9.3%
Russell 1000 Growth	-3.1%	25.0%	27.7%	8.0%	12.4%	14.5%	13.7%	11.2%
S&P 500	-3.3%	13.1%	21.6%	10.2%	9.9%	11.9%	11.3%	9.7%

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

	Total Return						3 Year Standard Deviation				
Period	Before Fees	After Fees	Russell 1000 Growth Index	S&P 500 Index	Number of Portfolios	Composite Dispersion	SGA Composite	Russell 1000 Growth Index	S&P 500 Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)
July 1 - Dec. 31, 2003	11.16%	10.75%	14.73%	15.14%	Five or Fewer	N/A				747	777
2004	9.29%	8.48%	6.30%	10.88%	6	0.1%				1,408	1,460
2005	3.42%	2.65%	5.26%	4.91%	13	0.1%				2,661	2,711
2006	2.74%	1.97%	9.07%	15.79%	15	0.1%	8.19%	8.31%	6.82%	3,467	3,512
2007	4.88%	4.10%	11.81%	5.49%	17	0.2%	8.48%	8.54%	7.68%	2,883	2,920
2008	-34.21%	-34.72%	-38.44%	-37.00%	16	0.3%	14.51%	16.40%	15.08%	1,324	1,360
2009	46.25%	45.19%	37.21%	26.46%	16	0.4%	18.19%	19.73%	19.63%	1,589	1,711
2010	13.20%	12.36%	16.71%	15.06%	19	0.3%	21.30%	22.11%	21.85%	1,508	1,600
2011	4.85%	4.07%	2.64%	2.11%	25	0.3%	17.85%	17.76%	18.71%	1,637	2,686
2012	21.09%	20.20%	15.26%	16.00%	41	0.3%	16.06%	15.66%	15.09%	2,819	4,278
2013	27.97%	27.03%	33.48%	32.39%	49	0.4%	11.91%	12.18%	11.94%	3,852	5,611
2014	9.45%	8.63%	13.05%	13.69%	49	0.3%	9.67%	9.59%	8.97%	3,627	5,332
2015	9.38%	8.57%	5.67%	1.38%	49	0.3%	11.42%	10.70%	10.47%	4,033	5,318
2016	1.80%	1.04%	7.08%	11.96%	45	0.2%	12.24%	11.15%	10.59%	3,969	5,672
2017	26.51%	25.59%	30.21%	21.83%	49	0.3%	11.47%	10.54%	9.92%	5,804	9,971
2018	4.71%	3.93%	-1.51%	-4.38%	41	0.2%	11.28%	12.13%	10.80%	4,725	9,096
2019	34.59%	33.61%	36.39%	31.49%	40	0.8%	11.37%	13.07%	11.93%	6,179	12,347
2020	36.97%	35.97%	38.49%	18.40%	39	0.3%	17.50%	19.64%	18.53%	8,929	18,780
2021	20.35%	19.46%	27.60%	28.71%	41	0.2%	17.00%	18.17%	17.17%	11,070	22,899
2022	-28.91%	-29.45%	-29.14%	-18.11%	40	0.2%	22.29%	23.47%	20.87%	10,048	18,407
Since Inception (July 1, 2003)	9.72%	8.90%	10.35%	9.44%			15.11%*	15.74%*	14.76%*		

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.

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. 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, 2022.

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, 2022. 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.

U.S. Large Cap Growth Commentary

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 12/31/22, 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

Q3 2023

SGA
Sustainable Growth Advisers

Ceres

During the quarter, we were pleased to join the Ceres Investment Network, an association of approximately 220 institutional investors managing more than $60 trillion in assets. Ceres leverages networks and collaborations to effect sustainability solutions through both the markets and policy with the ultimate goal of achieving a "just, sustainable, net zero emissions economy". We are excited for the opportunity to integrate Ceres' resources and data into our processes, advancing our ESG education and peer collaboration efforts. To that end, we joined Ceres' Paris Aligned Investment Working Group, a regularly scheduled forum to discuss the best practices, frameworks, and resources for setting and implementing investor climate action plans and net zero portfolio targets.

Visa

We met with Visa's ESG leadership team over the quarter to discuss pertinent topics, including Scope 3 emissions, merchant category codes for controversial retailers, and talent retention.

We engaged with the company to better understand its path to Net Zero, particularly as it relates to addressing Scope 3 emissions. Overall, the company is doing well to address GHG emissions. It has met its 2030 Science-Based Target ("SBT") for a 50% reduction in Scope 1 and 2 emissions as 100% of its electricity needs are now supplied by renewable sources, and it is on track to meet its 2030 SBT for a 42% reduction in Scope 3 emissions. Visa has also established a 2040 Net Zero target. Scope 3 represents 95% of total emissions, and by far the biggest category is purchased goods & services (90% of total). Pleasingly, the company is making progress to ensure their suppliers are on track to meet their Net Zero needs. For example, the company participates in CDP's Supply Chain program, through which Visa engages with suppliers regarding measuring emissions, setting reduction targets and reporting to CDP. Visa now reaches suppliers who represent 80% of the company's emissions as calculated by spend, with the goal to reach 85% by the end of the 2023 fiscal year. Of the participating suppliers, 88% reported their operational emissions, 73% reported active targets, 41% had validated SBTs, and 75% reported active initiatives to engage their own suppliers. The remaining 5% of Scope 3 emissions is mostly travel and commuting, and the company has multiple programs in these areas including membership in the United Airlines Eco-Skies Alliance (which allows corporate clients to collectively contribute to the purchase of sustainable aviation fuel), subsidies for public transit and bicycle commuting, and EV chargers at some facilities.

We also discussed the recent controversy regarding Merchant Category Codes ("MCCs") for gun retailers. We engaged with the company on the controversial topic of MCCs for gun shops, worried it might lead to consumer backlash from one side or the other. A gun retailer MCC would allow the company (and government) to track total purchase values at gun retailers, but not SKU-level information. Not surprisingly, some people see it as a way to identify suspicious firearms and ammunition purchases, while others see it as a threat to personal privacy and the right to bear arms. Visa's policy is legal compliance. Seven states have banned gun shop MCCs, while California will make it a legal requirement. The issue is MCCs are global, and Visa's system is currently not set up to work on a state-by-state basis. It sounds like it's not an insurmountable technological challenge, however the situation is fluid. There is risk for negative publicity to Visa, and the card industry, given the political sensitivity of gun rights and sales.

Lastly, we discussed talent recruitment and retention where conditions are easing following the pandemic. The bursting of the fintech bubble is also easing pressure on recruitment and retention.

ICON

We met with the clinical research health provider, ICON to discuss an upcoming proxy vote as it relates to an abnormal level of non-audit fees paid to the company's auditor, KPMG. Proxy advisory group ISS is recommending shareholders vote against the re-election of select Board members and the ratification of the company's audit firm due to the high level of non-audit fees paid which ISS believes may call into doubt the independence of the audit firm.

We discussed the matter with the company in depth and learned that the non-audit fees paid to KPMG, which accounted for slightly over half the total fees paid to KPMG, were primarily associated with tax advisory relating to the company's merger with PRA Health. Given the scale and complexity of the transaction, most of the fees were related to the consolidation of legal entities, and the company's transfer pricing model, which is the basis for the ICON's tax structure in Ireland. Management views KPMG as being uniquely qualified to advise them on these matters and hence justified the fees paid. Based on management's response, and subsequent disclosure of more granular information on non-audit fees in an additional filing, we decided to vote with the company's recommendation and against ISS's recommendation.

Nestlé

Over the quarter, we met with the outgoing Chief Financial Officer of Nestlé, François-Xavier Roger, to discuss the business and recent ESG progress. Nestlé is now two years into its five-year plan to invest $5bn into ESG initiatives. These investments, while at a cost to short-term profits, are part of Nestlé's plan to combat climate change and reduce greenhouse gas emissions 20% by 2025 and 50% by 2030, with the goal of reaching Net Zero emissions by 2050. The company has done important groundwork identifying its GHG emissions including Scope 2 and 3. Most of its carbon footprint comes through sourcing agricultural commodities and Nestlé has been working on regenerative agriculture in its supply chain. Nestlé is also making progress to address the key challenge of plastic packaging. Nestlé has adopted a five-pronged approach to tackle the issue, including reducing the use of plastic packaging materials, increasing the adoption of reusable systems, designing alternative packaging materials, supporting recycling infrastructure, and shaping new consumer behaviors. Furthermore, the sale of its packaged water business in North America is expected to make a significant reduction to the emissions of the business.

Proxy Voting Summary Q3 2023

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	0	0	0	0	0	0	0%
Global Growth	45	45	100%	0	0	0	0%
International Growth	88	88	100%	0	0	0	0%
Emerging Markets Growth	1	1	100%	0	0	0	0%
Global Mid-Cap Growth	51	51	100%	0	0	0	0%

Source: SGA, ISS

Carbon Risks Q3 2023

	Carbon Emissions*	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	15.3	65.5	72.1
MSCI ACWI	98.8	176.8	134.6
SGA Relative Exposure	-85%	-63%	-46%
SGA U.S. Large Cap Growth	7.0	32.4	42.0
Russell 1000 Growth	11.7	49.6	31.1
SGA Relative Exposure	-40%	-35%	+35%
SGA Emerging Markets Growth	22.6	44.6	38.6
MSCI EM	311.2	387.4	322.1
SGA Relative Exposure	-93%	-88%	-88%
SGA International Growth	21.1	71.1	93.9
MSCI ACWI ex-USA	176.1	215.7	176.3
SGA Relative Exposure	-88%	-67%	-47%
SGA Global Mid Cap	14.4	44.9	35.1
MSCI ACWI Mid Cap	220.1	264.7	207.2
SGA Relative Exposure	-93%	-83%	-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. *Carbon Emissions are based on portfolio investment of $1,000,000,000 and benchmark investment of $1,000,000,000.*

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.