U.S. Focused Commentary

Q3 2023

SGA
Sustainable Growth Advisers

Performance

The U.S. Focused portfolio returned -1.7% (Gross) and -1.9% (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.

Highlights

- The portfolio returned -1.7% (Gross) and -1.9% (Net) versus -3.1% for the Russell 1000 Growth 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 Intuit, Alphabet, and MSCI and the largest detractors were Yum! Brands, Ecolab, and S&P Global.
- No changes were made in the portfolio during the quarter.
- Portfolio revenues and earnings are expected to grow by 9.9% and 15.3%, 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.

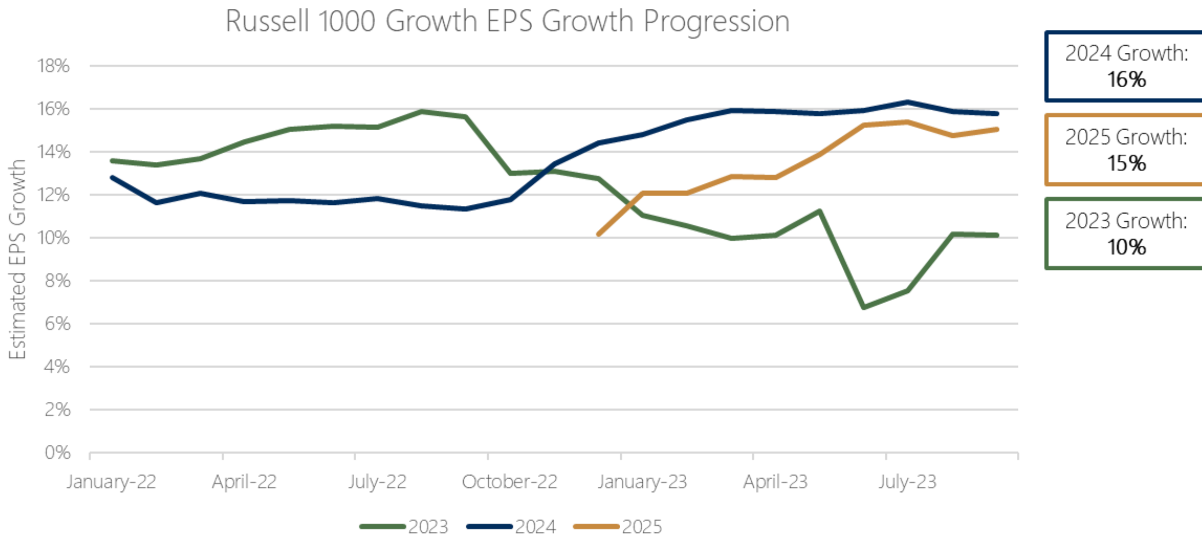
Interest Rate Concerns Offset Resilient Economic Backdrop

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.

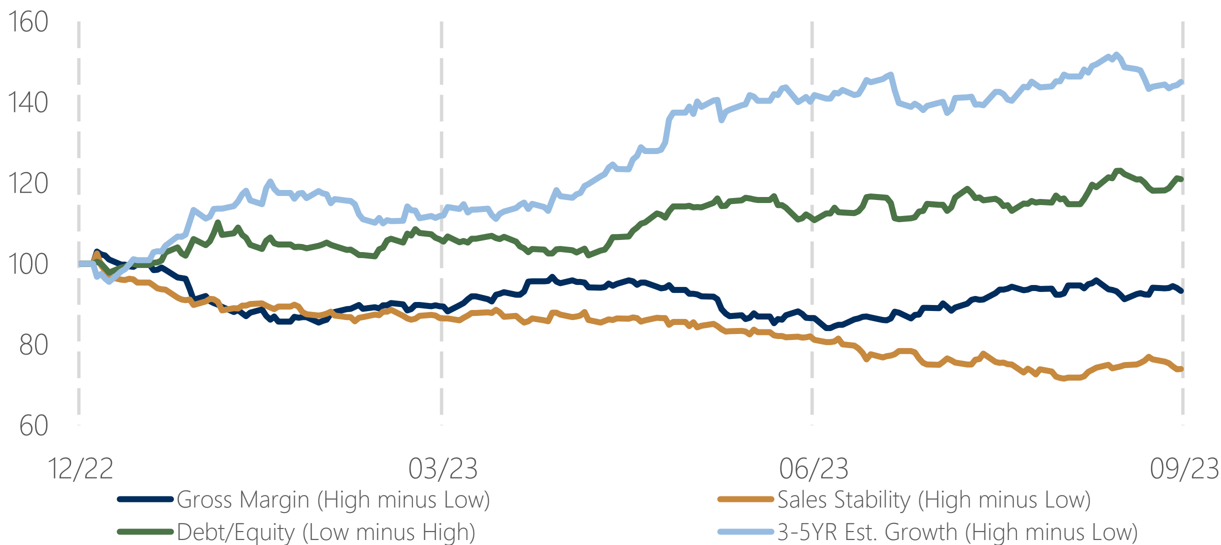
Technology stocks, which had soared earlier in the year, were the largest drag on index performance in Q3. Given higher interest rates, inflation pressures, reduced fiscal stimulus, the prospect of reduced consumption due to declining consumer savings, deglobalization, and ongoing trade headwinds, we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

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.



Source: FactSet, Russell

Largest Contributors

Intuit was the 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 and we continue to have a positive growth outlook for the company.

Alphabet was the second largest contributor to portfolio performance in Q3. The company benefited from the ongoing recovery in, and potential re-acceleration of, digital advertising markets as comparisons ease, improved cost controls and improving margins, as well as increasing confidence in the company's generative AI opportunities looking forward. While the company continues to perform well operationally and benefit from the market's focus on generative AI beneficiaries, we remain cognizant of the ongoing regulatory and legal headwinds it faces.

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.

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

Largest Detractors

Yum! Brands was the largest detractor from performance in Q3 despite posting good results for Q2, handily beating sales expectations, and raising guidance. Strong results from KFC and in line results from Taco Bell offset weaker trends at Pizza Hut due to a post-Covid normalization in the business. Earnings per share grew 33% but the beat was driven primarily by less repeatable below the line items. We were pleased to see Yum's 6% unit growth during the period, marking another strong quarter, and net leverage continued to decline consistent with the company's plan. Given muted market reaction to Q2 results, the stock's underperformance in the quarter was likely driven by other factors including market concerns regarding China's macroeconomic environment (China represents a high-teens portion of Yum's operating profit), as well as the role that GLP-1 anti-obesity medications may play in the future in suppressing patients' appetites for quick service restaurant (QSR) foods. Regarding China, should the local market deteriorate, the YUM China management team has proven very adept at managing the business during difficult economic times by leaning on customer engagement, value, and promotions enabled by their competitive advantages in supply chain, IT, operational efficiencies, and overall management excellence. Regarding the impact of anti-obesity medications, we believe the long-term impact on QSR demand should be modest.

Ecolab was the second largest detractor from performance in Q3 as concerns over the impact of a softening economy on some of their industrial end markets combined with a higher valuation put pressure on the stock. However, the company posted a solid Q2 report with top-line growing +9%, and operating profit up +19% which was better than expected. They continued to exercise their pricing power raising prices in Q2 by 10% year-over-year while maintaining strong customer retention in the mid 90% area. The company's institutional business segment performed best in 2Q with sales rising +13% and profit up +40% year-over-year, driven by volume growth, pricing, and cost saving programs. Healthcare showed continued weakness. The company has stated its commitment to returning this business to good growth with healthy profitability. While cognizant of the stock's valuation, we expect continued pricing improvements and easing raw material inflation to benefit margin expansion moving forward and see Ecolab's resilient and diversified businesses providing predictable and sustainable growth.

S&P Global was the third largest detractor from performance this quarter. The company posted in line results with revenue growing 7% and earnings per share up 12% while full year expense and margin guidance was maintained. Margins in the quarter unexpectedly declined 100 bps year-over-year due to the timing of incentive compensation recognition which disappointed some investors, although the full year expense and profit guidance remained unchanged. The company's ESG revenue growth decelerated from 27% in Q1 to 17% in Q2 due to slowing client demand for ESG scores. ESG in total represents 2% of group revenues, and we continue to see strong growth for the company's climate and energy transition-related datasets. We continue to see attractive sustainable growth for the company given rising demand for its proprietary datasets, continued strong position in the market, attractive innovation pipeline, and a strong refinancing backlog in its credit ratings business.

The fourth and fifth largest detractors from performance were **Microsoft** and **Aon.**

Portfolio Activity

No changes were made in the portfolio during the quarter.

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.

Although certainly not immune to macroeconomic forces, our approach has traditionally excelled in periods of slowing economic growth and increased uncertainty, and we believe that the combination of recurring revenues, sustainable growth, and high business quality together with a focus on valuation will benefit our clients in the years ahead. Over the coming three years, our portfolio is expected to generate 9.9% revenue and 15.3% earnings growth. The Russell 1000 Growth is expected to earn revenue and earnings growth of 8.5% and 14.5%, respectively, which we believe is optimistic given the secular economic headwinds on the horizon.

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

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

Results are presented gross and net of management fees and include the reinvestment of all income (including dividends, interest and other earnings). For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based on the deduction of a model fee of 0.85% being the highest applicable fee that may be charged to SGA clients for the U.S. Focused equity strategy. Net Returns do not account for custodian and brokerage fees that clients pay to third parties. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. The largest contributors and detractors are determined using a ranking of the absolute contribution to portfolio return by each security held over the period under consideration. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Upon request, free of charge, SGA can provide a list of all portfolio holdings held in SGA's U.S. Focused portfolio for the past year. SGA's earnings growth forecast data is based upon portfolio companies' non-GAAP operating earnings.

Performance Results	Q3 2023	YTD 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.
SGA U.S. Focused (Gross)	-1.7%	20.2%	24.7%	1.3%	8.9%	13.4%	12.7%	11.3%
SGA U.S. Focused (Net)	-1.9%	19.5%	23.7%	0.4%	8.0%	12.5%	11.8%	10.4%
Russell 1000 Growth	-3.1%	25.0%	27.7%	8.0%	12.4%	14.5%	13.7%	11.3%
S&P 500	-3.3%	13.1%	21.6%	10.2%	9.9%	11.9%	11.3%	9.1%

U.S. Focused Commentary

Period	Total Return				Number of Portfolios	Composite Dispersion	3 Year Standard Deviation			Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of Wrap Assets
	Before Fees	After Fees	Russell 1000 Growth Index	S&P 500 Index			SGA Composite	Russell 1000 Growth Index	S&P 500 Index			
Dec. 1 - Dec. 31, 2007	-0.52%	-0.59%	-0.36%	-0.69%	Five or Fewer	N/A				29	2,920	0%
2008	-30.36%	-30.97%	-38.44%	-37.00%	Five or Fewer	N/A				36	1,360	0%
2009	37.39%	36.26%	37.21%	26.46%	Five or Fewer	N/A				74	1,711	0%
2010	6.74%	5.84%	16.71%	15.06%	Five or Fewer	N/A	21.46%	22.11%	21.85%	92	1,600	0%
2011	6.50%	5.60%	2.64%	2.11%	Five or Fewer	N/A	19.84%	17.76%	18.71%	57	2,686	0%
2012	21.68%	20.67%	15.26%	16.00%	Five or Fewer	N/A	17.29%	15.66%	15.09%	0.099	4,278	100%
2013	26.92%	25.86%	33.48%	32.39%	Five or Fewer	N/A	12.70%	12.18%	11.94%	44	5,611	0%
2014	8.49%	7.58%	13.05%	13.69%	Five or Fewer	N/A	10.15%	9.59%	8.97%	48	5,332	0%
2015	15.67%	14.70%	5.67%	1.38%	Five or Fewer	N/A	11.63%	10.70%	10.47%	55	5,318	0%
2016	3.81%	2.94%	7.08%	11.96%	Five or Fewer	N/A	12.56%	11.15%	10.59%	57	5,672	0%
2017	30.57%	29.49%	30.21%	21.83%	Five or Fewer	N/A	11.93%	10.54%	9.92%	45	9,971	0%
2018	12.23%	11.29%	-1.51%	-4.38%	Five or Fewer	N/A	11.54%	12.13%	10.80%	74	9,096	0%
2019	32.06%	30.97%	36.39%	31.49%	Five or Fewer	N/A	11.30%	13.07%	11.93%	98	12,347	0%
2020	34.88%	33.76%	38.49%	18.40%	Five or Fewer	N/A	18.01%	19.64%	18.53%	150	18,780	0%
2021	15.41%	14.45%	27.60%	28.71%	Five or Fewer	N/A	17.87%	18.17%	17.17%	637	22,899	0%
2022	-30.90%	-31.50%	-29.14%	-18.11%	Five or Fewer	N/A	23.40%	23.47%	20.87%	283	18,407	0%
Since Inception (Dec. 1, 2007)	10.54%	9.61%	10.23%	8.70%			17.15%*	17.27%*	16.23%*			

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm and an affiliate of Virtus Investment Partners. The SGA U.S. Focused Composite was created in January 1, 2011. 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 U.S. Focused Composite has had a performance examination for the periods December 1, 2007 - December 31, 2022. The verification and performance examination reports are available upon request.

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SGA U.S. Focused Composite contains fee-paying highly concentrated, usually no more than 15 security positions, large cap growth equity portfolios under full discretionary management of the firm. Under normal circumstances, SGA defines large cap equity as a company having a market capitalization of $2 billion or more. However, there may be instances when SGA may invest in a company with a market capitalization of under $2 billion. For comparison purposes the composite is measured against the S&P 500 and Russell 1000 Growth indices.

The composite calculation has been appropriately weighted for the size of each portfolio on a time-weighted, total return basis. Monthly portfolio returns have been used in the construction of the composite. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

The U.S. Dollar is the currency used to express performance. This composite contains a wrap fee account for the period December 31, 2012 through November 30, 2013. Gross returns for wrap accounts are net of the wrap fee, which include consulting and custodial services; portfolio monitoring and trading cost, and does not include the investment advisory fee. Gross returns for non-wrap accounts have been reduced by transaction costs. The Net Returns are calculated based upon the highest published fees. The net performance has been calculated by reducing the gross performance by the amount of the highest published fee that may be charged to SGA clients, 0.85%, employing the U.S. Focused strategy during the period under consideration. Actual fees charged to clients may vary depending on, among other things, the applicable fee schedule and portfolio size. SGA's fees are available upon request and also may be found in Part 2A of its Form ADV. All-inclusive Wrap fee accounts pay a fee based on a percentage of assets under management. Wrap/bundle fee include consulting and custodial services; portfolio monitoring and trading cost. Wrap fee schedules are provided by the independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the reinvestment of all income. For interest and capital gains, SGA does not withhold taxes. However, for dividends SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. The annual dispersion presented is an asset-weighted standard deviation calculated using gross returns for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is not indicative of future results.

The standard investment management fee schedule for the firm is 0.85% on the first $25 million, 0.60% on the next $75 million and 0.45% on the balance over $100 million. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

Sustainability Report

Q3 2023

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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.