Global Growth Commentary

Q4 2023

SGA Sustainable Growth Advisers

Performance

The Global Growth portfolio returned 11.5% (Gross) in Q4 and 11.3% (Net) versus 11.0% for the MSCI All Country World Index (ACWI) and 12.7% for the ACWI Growth.

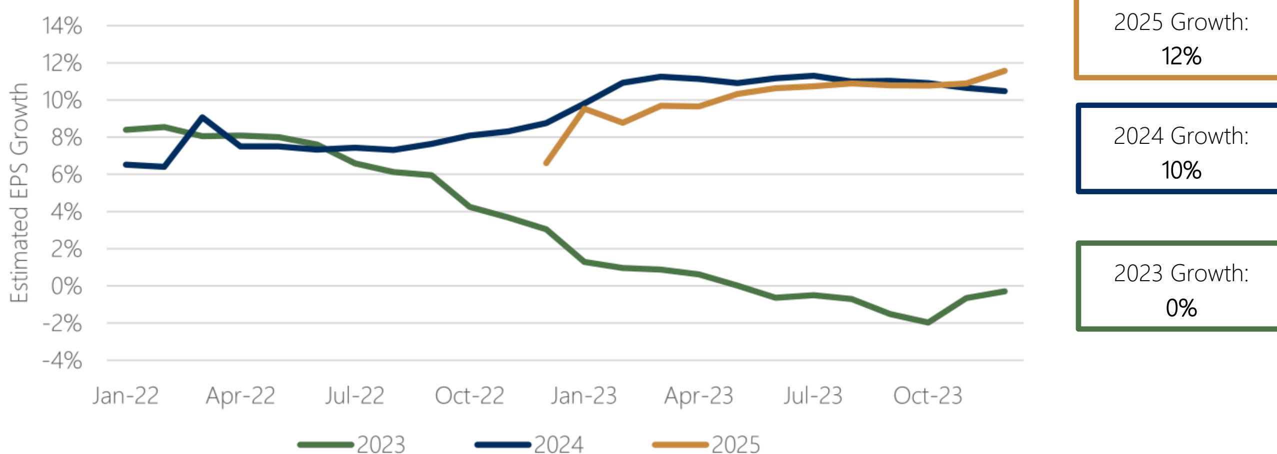
Highlights

- The portfolio posted a strong absolute return of 11.5% (Gross) and 11.3% (Net) versus 11.0% for the MSCI All Country World Index (ACWI) and 12.7% for the ACWI Growth.
- For the year, the portfolio returned 28.2% (Gross) and 27.1% (Net) versus 22.2% for the ACWI and 33.2% for the ACWI Growth.
- The business quality characteristics we seek in companies (pricing power, recurring revenues, and less debt) performed better during the quarter providing a more favorable investment environment although companies with stable sales growth were not rewarded for the year.
- The largest contributors to Q4 performance were Microsoft, Workday, and Amazon, while the largest detractors were Mengniu Dairy, Aon, and CP All.
- We trimmed positions in MercadoLibre, Workday, S&P Global, and Atlassian on strength and added to positions in Danaher, Canadian Pacific Kansas City (CPKC), Autodesk, Novo Nordisk, Alcon, and Aon on weakness; no positions were liquidated, and no new positions were initiated during the period.
- Portfolio revenues and earnings are expected to grow by 12% and 16%, respectively, over the next three years consistent with historic levels.

Optimism over a Soft Landing Dominated

Global markets posted their best quarter since the Covid-rebound in 2020 as investors cheered an improving inflation backdrop. While U.S. and European central banks held rates steady during the quarter, given easing inflationary pressures, market expectations for rate cuts in 2024 rose, driving developed market bond yields significantly lower. Falling yields supported a strong rally in global bonds and long-duration equities.

Economic growth remained resilient in the U.S. with a better-than-expected Q3 GDP report showing 4.9% annualized real growth, driven by strong consumption, raising expectations for a "soft landing". The economic backdrop was more muted in other developed markets, however, with GDP declining 0.5% and 2.9% on an annualized basis (quarter-to-quarter) in the Euro area and Japan as weak consumption and business spending weighed on economic activity. In contrast, growth came in better-than-expected in Mexico and Brazil, where falling inflation also supported expectations for further rate cuts. Growth in China also surprised to the upside with Q3 GDP increasing 4.9% (year-over-year) as stimulus measures appear to have begun having a positive effect. Continuing concerns around the country's property market, policy actions, and relations with the West, however, weighed on investor sentiment as foreign investors reversed themselves and pulled nearly all the money that had flowed into China's stock market earlier in the year. Overall global earnings growth expectations moved higher during the quarter, reflecting a generally resilient global economic backdrop and rising expectations for a "soft landing" in the U.S.



Source: FactSet, MSCI

Please see table included in this commentary for full performance presentation.

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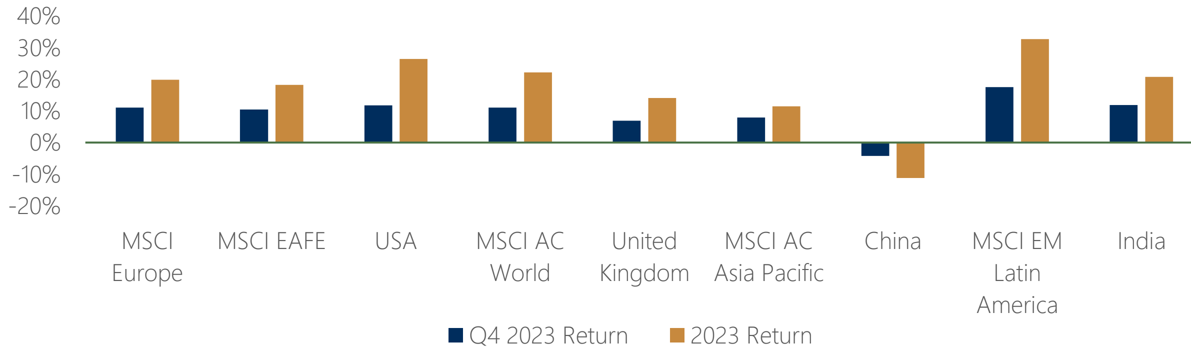
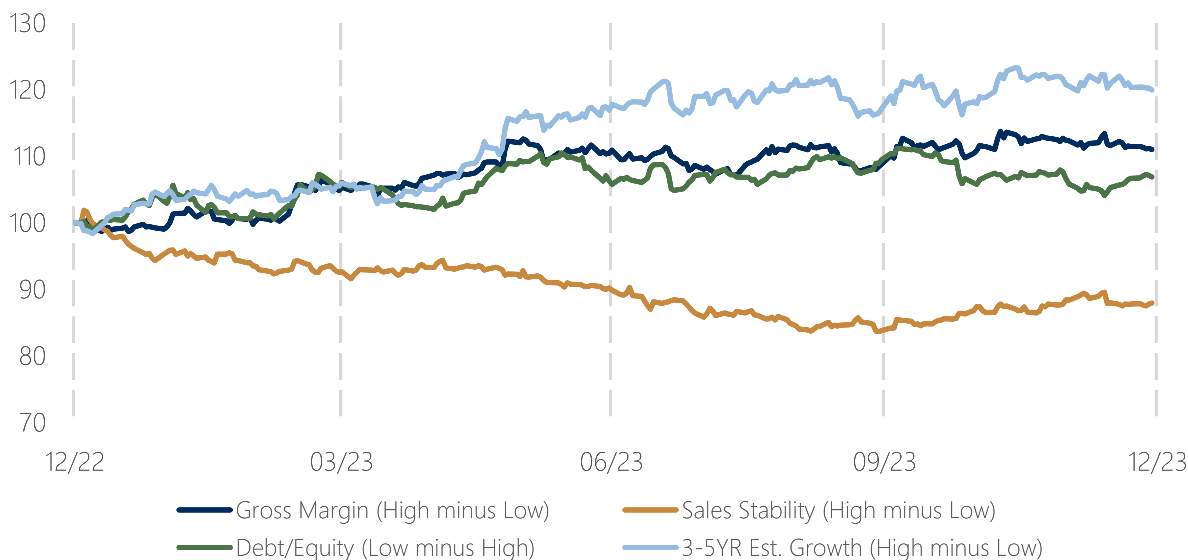
While current expectations reflect a more sanguine inflation backdrop, risks to current expectations remain. A broadening of the conflict in the Middle East could disrupt global energy markets while fragility in global shipping routes was highlighted by recent disruptions as Houthi rebels in Yemen attacked ships in the Red Sea, posing uncertainty to routes that carry about 40% of Europe's trade with Asia. While economic growth has remained resilient, headwinds from depleting excess consumer savings, tight bank lending standards, deglobalization trends, still high interest rates and high sovereign debt levels may continue to put pressure on growth moving forward.

The Q4 market advance was broad-based as only 4 countries out of the 47 included in the ACWI index posted negative returns for the quarter, most notably China which declined over 4% for the period. More than half of the markets delivered double-digit returns.



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

The market environment was generally supportive for our approach during the quarter with factors most closely related to the quality characteristics we seek in companies outperforming. Our portfolio benefited from its growth bias for the year, however, our focus on more predictable revenue generation was not rewarded by the market. This is well illustrated by the underperformance of companies with greater sales growth stability. While not factor-focused in our stock selection, we would expect a more conducive backdrop for our style in the coming years given a likely muted and choppy growth environment, which should make predictable and sustainable growth companies with strong financial characteristics attractive.



Source: FactSet, MSCI

Largest Contributors

Microsoft was the largest contributor to performance in Q4 posting 12% revenue constant currency growth for Q3 together with a 24% rise in operating income. Azure showed renewed strength with sales up 28% on a constant currency basis versus 27% last quarter. We were pleased to see operating margins grow to 47.6% on continued cost management. We continue to see attractive growth opportunities over our 3–5-year investment horizon particularly for Microsoft's Office and Cloud businesses and maintained a larger than average weight position in the stock.

Workday was the second largest contributor to performance in Q4. The company's business performed well across customer segments (large and medium enterprises), and geographies (U.S. vs. EMEA) as it strengthened its competitive position and saw its win rate for new business continue to improve. The company posted strong results with subscription revenues growing 18% year-over-year, and total backlogs growing 31%. Forward guidance for the year increased while the Capex guide was reduced, as management also seemingly remained conservative in setting expectations for durable and sustainable growth in 2024. Following the stock's significant appreciation, we trimmed the position from an overweight to an average weight but remain very positive on the company's 3-5-year growth opportunity as it continues to expand its product portfolio and overseas sales.

Amazon was the third largest contributor to performance in Q4. The company posted strong overall results with revenues growing 13% year-over-year, at the high end of expectations. Operating margins also exceeded expectations with North American results improving significantly and Amazon Web Services (AWS) normalizing back to prior levels benefitting from reduced headcount. Management was balanced in their forward guidance. For AWS, they highlighted that the intensity of corporate optimizations was attenuating, and new business flow in Q4 was already stronger than Q3. We continue to see tremendous opportunity for Amazon's AWS offering as well as its ability to grow its retail Prime business more broadly via opportunities such as Buy with Prime, Pharma, Gen AI and Prime Video among others. We maintained a larger than average weight position in the stock.

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

Largest Detractors

Mengniu Dairy was the largest detractor from performance in Q4 as the stock was negatively impacted by weakness in Chinese equities and investors' disappointment in the country's economic rebound. Overall retail sales in China deteriorated through 2023 driven by low consumer confidence and a continued slump in property sales and home values which negatively impacted household wealth. Given more moderate economic growth, more discretionary items such as normal-temperature yogurt and flavored milk beverage have failed to recover their sales growth against easy comparisons from last year, and therefore disappointed some investors. With mid-single-digit organic growth for the full year and margin improvement, leading to continued double digit recurring profit growth, we continue to hold a position in the stock, but acknowledge it is one of the slower growers within the portfolio at this time. We maintained a below average weight position in the stock.

Aon was the second largest detractor from performance in Q4 after the stock underperformed due to the announcement of its planned acquisition of NFP, a leading middle market provider of risk, benefits, wealth, and retirement plan advisory solutions. The acquisition is expected to be dilutive in the near-term but, in our view, will be valuable in the long-term. Meanwhile, the company reported 6% organic revenue growth with 15% earnings per share growth. The company's commercial risk segment marginally trailed expectations due to continued weakness in M&A activity while the reinsurance and health businesses posted double-digit revenue growth. Free cash flow growth was slightly below expectations due to short-term issues with the company's invoicing platform which are being addressed. Management also announced a restructuring program aimed at increasing its technology spend to enhance data and analytics offerings while reducing headcount. The restructuring and acquisition of NFP are in line with the company's long-term growth plans, however we recognize it will have a negative impact on near-term earnings and free cash flow. We maintained an average weight in the stock as we continue to expect Aon to generate predictable high single-digit earnings growth over our 3-5-year investment horizon.

CP All was the third largest detractor from portfolio performance in Q4 as Emerging Market stocks were weak for the period given disappointing macro-economic trends in China. From a company specific standpoint, 7-Eleven results were good while

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Makro met expectations and Lotus posted weak results which were, however, in line with our expectations. For the 9 months reported, net profit was up 28% as it continues to recover from the prior COVID impact. After the results, CP All's stock was also negatively impacted by news of an investigation into some of its pork product purchases a few years ago. The company is cooperating with DSI (Thailand's Department of Special Investigation) and clarified that: (1) all its pork products are supplied by approved suppliers, (2) every batch purchased has a certificate of origin that can be traced to the farm where it is sourced from, and (3) each batch is tested for quality assurance. The company also said it has sufficient suppliers to source its products and there is minimal supplier concentration risk. It had already stopped trading with the supplier in question in the investigation. We see this as a very short-term issue and continue to see an attractive opportunity in the stock for double-digit earnings growth over our 3–5-year investment horizon.

The fourth largest detractor was **STERIS** and the smallest contributor to performance was **Alcon**.

Portfolio Attribution

Portfolio performance benefited primarily from stock selection within the Consumer Discretionary and Information Technology sectors due largely to positions in MercadoLibre, Amazon, Workday, Salesforce, and Intuit. A lack of exposure to Energy also contributed to relative returns unlike Q3 when the sector benefited from rising energy prices. From a regional perspective, stock selection in the United States was strong while selection in the non-U.S. developed markets detracted for the quarter.

Portfolio Activity

During the quarter, we trimmed positions in MercadoLibre, Workday, S&P Global, and Atlassian on strength and added to positions in Danaher, Canadian Pacific Kansas City (CPKC), Autodesk, Novo Nordisk, Alcon, and Aon on weakness given our strong conviction in the investment opportunities offered by the companies. No positions were liquidated during the period and no new positions were initiated.

Outlook

Q4 and all of 2023 continued to perplex many strategists and market observers as equity markets defied fundamental economic headwinds to generate double-digit returns. Optimism over the likelihood of interest rate cuts in 2024 and a soft-landing offset concern over the lagged impact of higher interest rates and their eventual effect on a still tight labor market. We have spoken at length about the fundamental economic headwinds present in the market and why we continue to expect slowing profit growth even though the markets continue to forecast accelerated growth in 2024 and 2025. We continuously stick to our discipline of identifying businesses that can compound free cash flows and grow their earnings at above market rates over the next 3-5 years regardless of the macro-economic or geopolitical environment present. Over the next three years, the portfolio is expected to generate 12% revenue growth and 16% earnings growth versus a consensus expectation for 3% and 9%, respectively, for the Index. Unfortunately, this does not mean that the market will reward such predictable growth every quarter or year, but we have found that it provides our clients with strong risk-adjusted returns over longer periods of time. Historically, this earnings growth has been achieved with lower variability than the market, which has been valuable in protecting client capital in difficult market environments. We believe that earnings and cash flow growth ultimately are rewarded and that protecting client capital in tough market environments is critical to attractive long-term returns. We look forward to answering any questions you may have and thank you for your confidence and support this year. We wish you all the very best in the new year ahead.

Organizational Update

In Q4, we parted ways with one of our more recently added analysts, Jon Richter, who had joined SGA in June of 2019. Jon had a limited number of stocks on our Qualified Company List and his research coverage had been reassigned to other analysts in May. Each company is also covered by a secondary analyst consistent with our approach to research. We wish Jon well in any future endeavors.

We also wanted to let you know that co-founding partner George Fraise will retire from the firm effective June 30, 2024. As you may recall, George had relinquished his remaining research coverage in January of 2022 and has been focused on

leading our client service and new business development efforts since. These responsibilities will be taken on by existing personnel. George will leave the firm's Executive Committee upon his retirement but become a member of our Advisory Board, serving as a consultant to the firm's Executive Committee moving forward.

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

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

Performance Results	Q4 2023	1-Year	3-Year	5-Year	10-Year	Since Incep.
SGA Global Growth (Gross)	11.5%	28.2%	1.7%	13.1%	11.2%	12.0%
SGA Global Growth (Net)	11.3%	27.1%	0.8%	12.1%	10.3%	11.1%
MSCI ACWI Index (Net TR)	11.0%	22.2%	5.7%	11.7%	7.9%	8.3%
MSCI ACWI Growth Index (Net TR)	12.7%	33.2%	3.7%	14.6%	10.1%	10.1%

	Total Return						3 Year Standard Deviation				
Period	Before Fees	After Fees	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)
Feb. 1 - Dec. 31, 2011	4.91%	4.10%	-8.78%	-7.85%	Five or Fewer	N/A				1	2,686
2012	17.61%	16.63%	16.13%	16.69%	8	N/A				1,204	4,278
2013	21.77%	20.75%	22.80%	23.17%	10	0.3%				1,482	5,611
2014	2.40%	1.53%	4.16%	5.43%	12	0.3%	11.26%	10.50%	10.53%	1,368	5,332
2015	9.82%	8.89%	-2.36%	1.55%	13	0.2%	11.99%	10.79%	10.73%	949	5,318
2016	4.47%	3.59%	7.86%	3.27%	14	1.0%	12.92%	11.06%	11.28%	1,234	5,672
2017	34.27%	33.16%	23.97%	30.00%	15	0.5%	12.36%	10.36%	10.72%	2,309	9,971
2018	-0.87%	-1.72%	-9.41%	-8.13%	21	0.3%	12.00%	10.48%	11.47%	2,935	9,096
2019	33.42%	32.32%	26.60%	32.72%	24	0.4%	11.58%	11.22%	12.09%	3,727	12,347
2020	31.88%	30.79%	16.25%	33.60%	24	0.8%	16.67%	18.13%	18.16%	6,238	18,780
2021	9.86%	8.93%	18.54%	17.10%	30	0.5%	16.16%	16.84%	16.55%	8,078	22,899
2022	-25.32%	-25.97%	-18.36%	-28.61%	30	0.4%	20.76%	19.86%	21.51%	6,469	18,407
Since Inception (Feb. 1, 2011)	10.79%	9.86%	7.17%	8.32%			15.29%*	14.55%*	15.41%*		

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

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

Sustainable Growth Advisers, LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sustainable Growth Advisers, LP has been independently verified for the periods July 1, 2003 – December 31, 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 Global Growth composite has had a performance examination for the periods February 1, 2011 - December 31, 2022. The verification and performance examination reports are available upon request.

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

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

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

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

The U.S. Dollar is the currency used to express performance. Results are presented gross and net of management fees and include the reinvestment of all income. For interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the Client's custodian. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based upon the highest published fees. The net performance has been calculated by reducing the gross performance by the amount of the highest published fee that may be charged to SGA clients, 0.85%, employing the Global Growth strategy during the period under consideration. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and also may be found in Part 2A of its Form ADV. The annual dispersion presented is an asset-weighted standard deviation calculated using gross returns for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is not indicative of future results.

The standard investment management fee schedule for the firm is 0.85% on the first $25 million and 0.65% on the next $75 million and 0.50% over $100 million. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.

Task Force on Climate-Related Financial Disclosures Update

The Task Force on Climate-Related Financial Disclosures was formed in 2015 by the Financial Stability Board (FSB) to address the increased risk of climate change to the economy through improved reporting of climate-related financial information. Following the recent release of the TCFD's 2023 Status Report, the TCFD declared that it had successfully achieved its purpose and was then disbanded at the request of the FSB. Going forward, the IFRS Foundation will assume responsibility for monitoring companies' climate-related disclosures. We are pleased to have been a supporting organization for TCFD since 2020 and will continue to encourage SGA portfolios companies to report emissions in line with the current guidance from the IFRS Foundation.

Danaher

Earlier this year, we voted against the nomination of select members of Danaher's Audit Committee to signal our dissatisfaction with the current company policy that allows the co-founders, Steven and Mitchell Rales, to pledge Danaher shares as collateral for personal liens. During this quarter, we met with members of Danaher's Board, including Mitchell Rales, to discuss the issue. We note that pledging is prohibited for directors and officers; however, there is an exemption for the two co-founders which has been in place for decades. Mitchell Rales offered assurances that the number of shares pledged relative to the amount of debt is low and, in the alternative, if he were forced to sell his shares, this would not be in alignment with the founders' long-term strategy for the company. We urged the company to adopt an official guideline to limit the indebtedness as a percentage of pledged shares; they responded that they would consider this given the percentage is below 25%. Additionally, management will be providing disclosures to the market on the number of shares that are loaned out relative to trading volume. We will continue to engage with Danaher on this matter.

Starbucks

Relations with employees and unionization pressure are among the biggest ESG risks to Starbucks we identified in our research process, and we engaged with the company on the recent formation of the Environmental, Partner and Community Impact (EPCI) Board Committee. The committee is still in its nascent stages with its role within the organization not yet fully defined, but the intention is to focus the Board on the company's ESG commitments. The formation of the committee follows recent adverse trends in labor relations, with now close to 400 stores voting to unionize in the US. In addition, the Strategic Organizing Center (SOC), a coalition of North American labor unions, recently filed to propose three members to the Starbucks Board. Further, there is concern in the market that the recent "Red Cup Rebellion" or the "Boycott Starbucks" movement is behind the recent lowering of forward sales guidance, although the company denies it. Encouragingly, the committee will be chaired by Beth Ford, a new director to the board and CEO of Land O'Lakes, who brings valuable experience working with the Teamsters Union. Historically, Founder Howard Schultz refused to negotiate with unions, insisting the company would maintain a direct relationship with partners. We interpret the formation of the EPCI committee as a sign the company is moving towards a more conciliatory approach to labor relations, a development we welcome and will follow closely. Soon after our call, the company announced it would reach out to the union representing its baristas in January 2024.

FleetCor

We met with the new Chair of FleetCor's Compensation Committee, Annabelle Bexiga, during the fourth quarter to discuss the company's compensation structure. The Committee is currently reviewing the criteria for 2024 awards and is looking to ensure that the vesting of awards is performance-based as opposed to time-based (i.e., awards are triggered by meeting performance goals instead of by the executive's continued tenure with the company), as well as minimize the overlap between short-term and long-term objectives.

During the meeting, we shared our thoughts on how to optimize the compensation structure to better align with long-term shareholder value creation. We believe the company should remove Mergers & Acquisitions (M&A) metrics from the annual cash incentive given the business is less reliant on M&A for growth as compared to the past. We suggested this be replaced with Free Cash Flow targets in conjunction with existing Key Performance Indicators tied to revenue, earnings, and growth

initiatives. Additionally, we stressed the importance of improving the alignment between the Chief Financial Officer's compensation and Total Shareholder Returns. We found management receptive to our thoughts, and they plan to discuss our suggestions with the Board; we will follow up on this in due course.

MSCI

In December, we met with members of MSCI's Board and Sustainability leadership team for an update on ESG matters across the business. MSCI ranks highly on ESG considerations with best practices in many respects (a dual Chairman/CEO role being an exception), and the ESG & Climate segment is a material growth driver for the business. One area we believe can be improved is diversity at the Board level. The current Board predominantly features White members with primary experience in the Financial Services sector. Given the increasing importance of Technology to MSCI's strategy, over the past couple of years MSCI has added two directors with relevant Technology experience including the Chief Technology Officer of Visa – a noteworthy addition. We believe MSCI can further improve Board diversity from regional and ethnic perspectives. Currently, there is only one European-based Director on the Board despite the region representing ~35% of revenue and an even higher portion of the ESG & Climate business. In addition, given the ongoing regulatory changes around the globe, we believe the Board would greatly benefit from more depth on the regulatory front. We encouraged the company to improve the diversity of the board from a geographic, ethnic, and professional background perspective and will follow up during the next proxy season.

We also discussed MSCI's new internal carbon pricing program for business travel. The program assigns a carbon tax of $100 per ton of CO2e for all business travel to incentivize lower carbon business travel decisions. Every time a trip is planned, employees are presented with the carbon impact and encouraged to consider the most efficient options possible (e.g., flights with newer planes and more sustainable fuel usage, train alternatives, etc.). Proceeds from the tax are used to fund various internal sustainability initiatives. The company states that employees like to have the information and control over their travel options. While we expressed our support for the program, we also expressed our desire to better understand how the company is managing the tradeoff between lowering carbon emissions while still maximizing client service and sales efforts, and we will follow up with the company in the future to see how this develops.

Sherwin-Williams

During the quarter we met with Sherwin-Williams' ESG leadership team to address Science-Based Targets (SBTs) as well as packaging coatings. Sherwin-Williams does not yet have SBTs; however, the company has set an internal goal to reduce Scope 1 and 2 emissions by 30% by 2030 using a "science-based" approach. The target was set in 2020 and complies with a 2-degree Celsius framework (i.e., keep the planet's temperatures less than 2-degrees above pre-industrial levels). However, official SBTs must comply with a 1.5-degree framework and would require a 50% reduction by 2030, as well as a Scope 3 target.

While Sherwin-Williams discloses Scope 3 emissions, the company has not yet set targets. Management sees their current 2030 targets as aggressive but achievable, and they anticipate submitting SBTs in the future; however, no timeline was provided. The issue seems to be the company's relatively later start tackling the issue, as well as its complex network of manufacturing sites, stores, and distribution assets. They are working with an enterprise ESG software vendor to connect all manufacturing sites and stores to improve the reporting of ESG data across the system. Better data integrity will also help the company with third-party verification efforts, an area of deficiency cited by the CDP as a reason for the "C" score on its 2022 report. We urged the company to work as quickly as reasonably possible to develop SBTs, and we will follow up accordingly in time.

We also discussed the ESG opportunity presented by its packaging coatings. Management sees a significant opportunity in the transition to non-BPA coatings for consumer packaging such as aluminum cans. The company's V70 product, included in the Valspar acquisition, is the only epoxy-based non-BPA coating in the market. The product is on its third generation, is patented, and offers superior performance. The business benefits from the switch from plastics to cans and also the move within cans to non-BPA coatings (North America is 60% converted, Europe 30% and Asia/LatAm even lower). The business represents ~5% of total revenue but should be accretive to growth for many years, although not enough given its scale to

warrant an above average ESG score under our proprietary scoring framework. We will follow up in the future to check on progress made in the business.

Proxy Voting Summary Q4 2023

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	42	34	81%	8	19%	0	0%
Global Growth	54	43	80%	11	20%	0	0%
International Growth	29	17	59%	12	41%	0	0%
Emerging Markets Growth	28	20	71%	8	29%	0	0%

Source: SGA, ISS

Carbon Risks Q4 2023

	Carbon Emissions*	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	14.2	65.3	71.5
MSCI ACWI	86.4	172.2	128.6
SGA Relative Exposure	-84%	-62%	-44%
SGA U.S. Large Cap Growth	7.0	36.4	46.4
Russell 1000 Growth	10.2	47.9	30.7
SGA Relative Exposure	-31%	-24%	+51%
SGA Emerging Markets Growth	22.0	45.2	35.8
MSCI EM	281.6	379.1	326.3
SGA Relative Exposure	-92%	-88%	-89%
SGA International Growth	17.9	66.2	81.1
MSCI ACWI ex-USA	155.6	210.9	172.7
SGA Relative Exposure	-89%	-69%	-53%
	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.