U.S. Large Cap Growth Commentary

Q4 2023

SGA
Sustainable Growth Advisers

Performance

The U.S. Large Cap Growth portfolio returned 13.9% (Gross) and 13.7% (Net) versus 14.2% for the Russell 1000 Growth Index and 11.7% for the S&P 500 Index. The S&P 500 Equal Weight Index returned 11.9% for the quarter and 13.9% for the year. This metric can be a useful measure of average stock performance, as the dollar weighted indices have become increasingly concentrated.

Optimism over a Soft Landing Dominated

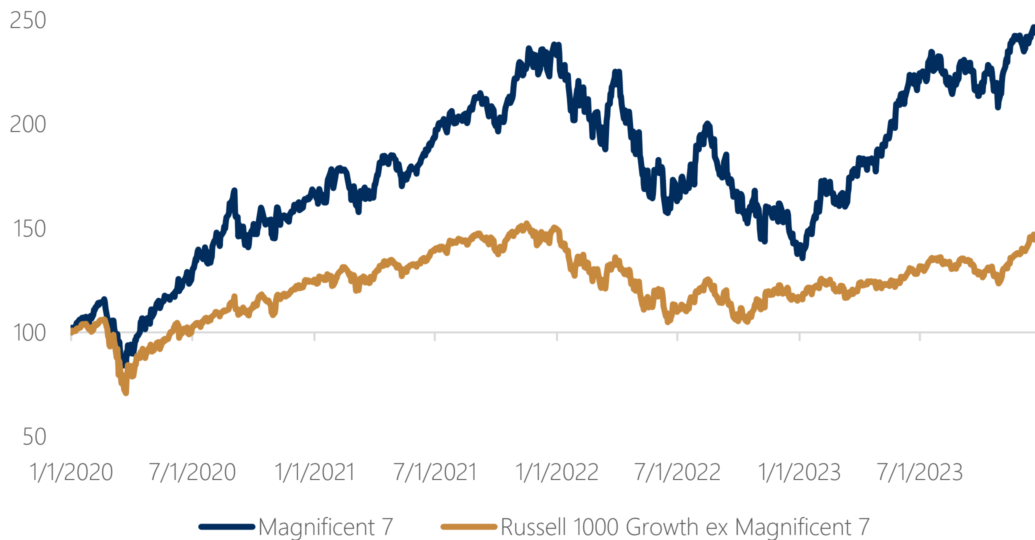
U.S. markets enjoyed strong returns in Q4, benefiting from an improving inflation backdrop, solid GDP data, and rising expectations for the Fed to lower interest rates in 2024. November inflation data showed core PCE, the Fed's preferred inflation gauge, slowing to a 2.2% annualized rate on a trailing 3-month basis and 1.9% on a trailing 6-month basis. At the same time, the unemployment rate rose from its 12-month low of 3.4% to 3.7%, a change consistent with rate cuts historically. With expectations for rate cuts rising, the 10-year Treasury yield declined from a high of 4.9% to 3.9%, supporting a strong rally in long-duration assets. Led by strong consumption, a better-than-expected Q3 GDP report showing 4.9% annualized real growth combined with a resilient labor market boosted expectations for a "soft landing". With investors increasingly optimistic, markets soared to finish the year at all-time highs while fear and volatility declined as evidenced by the CBOE VIX Index falling to its lowest level since before the pandemic.

Market leadership broadened in Q4, but for 2023 as a whole the advance was highly concentrated. The top 10 companies in the Russell 1000 Growth Index accounted for 72% of the returns in 2023, with the 'Mag 7' alone accounting for 65%, propelling the Russell 1000 Growth Index to its best annual return on record. For the S&P 500 index, the top 10 and "Mag 7" accounted for 67% and 62% of the returns. As a result, market concentration continued higher in 2023. As we discussed in our white paper ("Is the Index Investable?"), current levels of market concentration have been a headwind to active returns for managers building portfolios in a benchmark-indifferent manner and has raised the risk for index investing should a reversal in market leadership occur.

Highlights

- In Q4, the portfolio posted a strong absolute return of 13.9% (Gross) and 13.7% (Net) versus 14.2% for the Russell 1000 Growth Index and 11.7% for the S&P 500 Index.
- For the year, the portfolio returned 30.3% (Gross) and 29.3% (Net) versus 42.7% for the Russell 1000 Growth Index and 26.3% for the S&P 500 Index.
- Russell 1000 Growth Index returns for the year were heavily skewed by the strong outperformance of the "Magnificent 7", the largest stocks in the Index which accounted for 65% of the return for the year.
- 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 high gross margins and stable sales growth were not rewarded for the year.
- The largest contributors to Q4 performance were Microsoft, Amazon, and Workday, and the largest detractors were Aon and Regeneron; Novo Nordisk was the smallest contributor.
- A new position in Novo Nordisk was initiated and we sold the portfolio's position in Regeneron.
- We trimmed positions in ServiceNow, Workday, and Salesforce on strength during the quarter and reallocated capital to positions in Danaher, CPKC, Autodesk, and UnitedHealth on weakness.
- Portfolio revenues and earnings are expected to grow by 11% and 16%, respectively, over the next three years consistent with historic levels.

Our focus remains on achieving attractive long-term compounding for our clients with lower levels of risk by focusing on sustainable growth companies that can grow at above-average rates over the long term with greater visibility and less variability in their growth. While long-duration assets have been handsomely rewarded over the past 15 years since the Federal Reserve first embarked on QE, for much of this period low economic volatility and easy access to capital made investing in highly predictable, resilient, and cash flow generative growth companies less attractive. The "Zero Interest Rate" environment also largely made valuation discipline irrelevant. We believe the world and investment environment will look very different over the next 10-15 years as key drivers behind the market's strength change. The reversal of globalization, the limits to government stimulus with higher debt and increasing geopolitical uncertainty will limit growth. Companies that meet our quality criteria, i.e., companies with strong pricing power, repeat revenues, strong financial characteristics, and secular growth opportunities, should be increasingly rewarded.



Source: FactSet, Russell

Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

Year	Top 10 as % of Total	S&P 500 % Perf.
2007	78.7%	3.5%
2023	67.0%	24.2%
2020	58.9%	16.3%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%

Source: Strategas, FactSet

The factors most closely related to the quality characteristics we seek in companies performed better during the quarter providing a more favorable investment environment than earlier in the year. Despite not being factor-focused, we would expect a more conducive backdrop for our style in the coming years as nominal GDP likely slows, irrespective of a recession, and the market starts rewarding more predictable and sustainable growth companies.

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 maintain a larger than average weight in the stock.

Amazon was the second 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.

Workday was the third 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.

The fourth and fifth largest contributors to performance were **Netflix** and **ServiceNow**.

Largest Detractors

Aon was the 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 trimmed the target to an average weight as we continue to expect Aon to generate predictable high single-digit earnings growth over our 3-5-year investment horizon.

Regeneron was the second largest detractor from performance in Q4 with weakness in the Health Care sector before the position was liquidated from the portfolio. The company posted Q3 results with 15% revenue growth and 3% earnings growth after IP R&D charges. Its global Eylea franchise saw declines of -9% in sales, in line with expectations, while its new high dose Eylea appeared to be having a strong launch. Dupixent continued its strong growth trajectory showing 33%+ growth in sales and Libtayo for cancer saw 62% growth globally. The company continues to advance its pipeline of drugs and, in the near term, should see stable growth based on its launch of high dose Eylea which we expect to offset the decline of Eylea. While we remain optimistic on Regeneron's pipeline over the long term, we exited the position as explained below.

Novo Nordisk was the smallest contributor to performance after being initiated in the portfolio during the quarter. Novo reported strong Q3 results with 38% sales growth and 56% earnings per share growth with operating margins up nicely and strong free cash flow generation; however, the company continued to face supply issues for its popular new obesity drug Wegovy and concern over its impact on near-term earnings growth. Concern over competition from Eli Lilly's pending obesity drug Zepbound also moderated the optimism of some investors. We see the supply issues as being a short-term issue and are confident that the obesity market offers sufficient size for multiple companies to participate in the growth. This weakness provided an opportunity to initiate our position as discussed below.

The second and third smallest contributors to performance were **Thermo Fisher** and **Danaher**

Portfolio Attribution

The portfolio posted strong absolute returns in the quarter despite being significantly underweight Information Technology stocks, one of the best performing sectors for the period. The underweight is due to bottom-up stock selection decisions which are solely focused on the business quality, growth, and valuation parameters of related companies. With just under

26% of the portfolio invested in Information Technology stocks versus just under 44% for the Index the underweight was the largest driver of underperformance for the period. Stock selection within the sector was strong adding about 1.3% of excess return.

Portfolio Activity

The portfolio's position in Regeneron was liquidated due to valuation with the proceeds reallocated to a new position in biopharmaceutical company Novo Nordisk. We trimmed positions in Salesforce, Workday and ServiceNow consistent with our valuation discipline and reallocated the capital to positions in Danaher, CPKC, Autodesk, and UnitedHealth which offered more attractive valuations together with attractive 3–5-year future growth.

Purchases

We initiated a new position in **Novo Nordisk**, a global pharmaceutical company with leadership positions in the growing diabetes and obesity markets which comprise about 80% of the company's sales. This is a company we owned in the portfolio from 2016 through early 2020 when it was sold due to strong relative outperformance after having held up well in the early stages of the pandemic. Among its current key growth drivers are GLP-1 drug Qzempic for the treatment of diabetes, and Wegovy, an injectable weight-loss medication for adults with obesity. We also see long-term growth will likely be supported by further improvements to currently marketed products, such as cagrisema and cagrilintide which are both aimed at helping overvweight and obese people achieve sustained weight loss. As the incidences of diabetes and obesity continue to rise across the world, Novo Nordisk's manufacturing scale, technology leadership, and continued product mix upgrades position the company well to benefit from attractive pricing power. The chronic nature of diabetes and hemophilia, as well as the widespread obesity crisis is likely to lead Novo Nordisk to continue generating recurring revenues. The results from the company's SELECT trial which demonstrated positive cardiovascular benefits of Wegovy for obese patients should pave the way for improving reimbursement and longer duration of treatment.

Among the key risks facing Novo Nordisk are the potential for drug price regulation, as well as increased competition. It faces increased competition in the hemophilia and obesity markets, but we see the latter, in particular, as being in very early stages with plenty of opportunity for multiple treatments.

Sales

We liquidated our position in biopharmaceutical company **Regeneron** following a period of attractive outperformance after the market rewarded the company's stock given positive news and datapoints for its key growth products including high dose Eylea, Dupixent, Libtayo, and others. Regeneron remains on our Qualified Company list; however, given its recent outperformance and some questions we have on the durability of high dose Eylea intellectual property protection, we exited the position.

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. This type of quarter is precisely why we do not attempt to forecast a specific economic outcome in building portfolios. We remain focused on long-term secular trends and have spoken at length about the fundamental economic headwinds present 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. Over the next three years, this portfolio is expected to generate 11% revenue growth and 16% earnings growth versus consensus expectations of 9% and 15%, 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 (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 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	Q4 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.*
SGA U.S. LCG (Gross)	13.9%	30.3%	3.7%	15.5%	12.7%	15.7%	10.6%
SGA U.S. LCG (Net)	13.7%	29.3%	2.9%	14.6%	11.9%	14.9%	9.8%
Russell 1000 Growth	14.2%	42.7%	8.9%	19.5%	14.9%	16.7%	11.7%
S&P 500	11.7%	26.3%	10.0%	15.7%	12.0%	14.0%	10.2%

**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.*

U.S. Large Cap Growth 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)
	Before Fees	After Fees	Russell 1000 Growth Index	S&P 500 Index			SGA Composite	Russell 1000 Growth Index	S&P 500 Index		
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.

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

Q4 2023

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.*

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