International Growth Commentary

Q4 2023

Performance

SGA's International Growth portfolio returned 12.3% (Gross) and 12.1% (Net) in Q4, compared to 9.8% for MSCI ACWI ex USA Index and 11.1% for the MSCI ACWI ex USA Growth Index. For the year, the SGA International Growth portfolio returned 18.8% (Gross) and 17.8% (Net) compared to 15.6% and 14.0% for the MSCI ACWI ex USA and MSCI ACWI ex USA Growth Indices.

Highlights

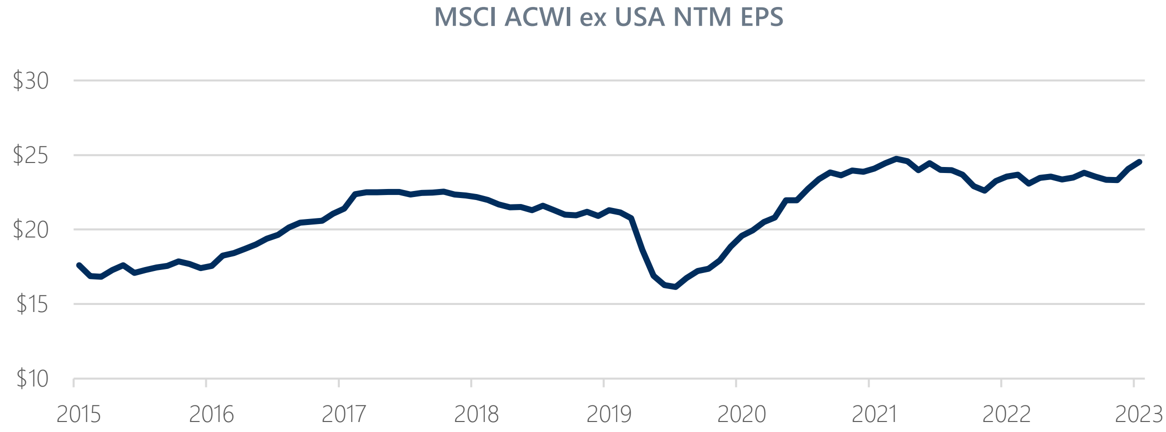
- Portfolio outperformed the MSCI ACWI ex USA and MSCI ACWI ex USA Growth Indices in Q4 and for the year.
- Markets rose on increasing optimism around the global economic backdrop and rising hopes for a broad central bank pivot in 2024 given moderating inflationary pressures. Chinese stocks remained weak given continuing concerns around its property market, economic recovery, and relations with the West.
- Positions in Adyen, FEMSA, and Temenos contributed most positively to performance, driven by better-than-expected quarterly results. Positions in Yum China, Aon, and CP All detracted most due to near-term disappointments.
- No new positions were initiated or sold during the quarter. Positions in Dassault Systemes, FEMSA, and Linde were reduced, while positions in Nestle, Steris, and Universal Music Group were raised, among others.
- Portfolio remains well-positioned to deliver attractive, above-average growth in earnings and cash flows over the next three years with greater predictability.

Falling Bond Yields and Optimism About Global Economy Supported a Strong Rebound in Q4

Rising investor risk appetites amid signs of moderating inflation, expectations for central bank pivots in the U.S. and Europe, and solid growth in emerging markets outside of China supported a broad-based rally in international markets to finish 2023. Long-duration assets rallied amid the decline in bonds yields leading to better performance for growth stocks which outperformed following significant underperformance in Q3. A more favorable market environment supported the portfolio's absolute and relative performance during the quarter.

Despite rising optimism, the economic growth backdrop was muted in Europe and Japan as GDP declined 0.5% and 2.9% respectively (quarter-to-quarter annualized) 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 supported expectations for interest rate cuts. Despite better-than-expected Q3 GDP growth in China, investor sentiment towards Chinese stocks remained weak during the quarter. China was the second worst-performing market in Q4, down 4%, and one of only 4 markets to post negative returns for the quarter. For the year Chinese stocks declined 11% and are down nearly 55% from their highs in February of 2021 as concerns around the health of its property market and economic recovery, as well as geopolitical tensions, continue to linger. Asian markets outside of China generally performed well, led by Taiwan and Korea, which benefited from a strong rebound in Semis and Tech Hardware stocks. Indian equities also outperformed on the back of strong economic growth and optimism around future growth prospects given its favorable demographics, stable democracy, and growing middle class.

Earnings expectations for the market improved in Q4 given a still resilient global economic backdrop and expectations for central banks to pivot in 2024 given moderating inflationary pressures. While broad-based earnings may continue to improve, the challenging economic environment in China and likely modest growth backdrop in developed markets outside the U.S. are likely to continue to be headwinds. Our portfolio continues to offer attractive growth along with superior quality characteristics and likely greater resiliency compared to the MSCI ACWI ex USA Index.



Source: FactSet, MSCI

Largest Contributors

Adyen, a leading payment services provider, was the largest contributor to performance in Q4 after having been the largest detractor in Q3. Adyen operates a single proprietary platform providing a spectrum of payment services that collectively form the backbone for merchant clients to process payments at the physical point of sale and online. Adyen's platform represents a full end-to-end payments stack that enables the company to track payment flows and data from start (merchant's checkout) to finish (final settlement), leading to superior data capture and analysis, allowing the company to charge a premium for the value its services provide to customers. The company processes billions of transactions annually and customer attrition is very low (<1% of total payment volume). The company is well-positioned to take advantage of secular growth themes in the payment industry including the transition from cash and checks to electronic forms of payment, growth in mobile and omni-channel, the increasingly global nature of commerce, and the proliferation of payment methods. Adyen's better-than-expected Q3 results alleviated some of the investor concerns that weighed heavily on its stock last quarter. Volume and revenue growth of 21% and 22% respectively beat expectations and lower headcount growth guidance for 2023/24 supported expectations for a strong recovery in margins. Management also provided more realistic medium-term guidance with revenues expected to grow in the low-to-high 20%-range with an EBITDA margin target >50% by 2026. Our growth expectations for the next few years improved slightly on the better results, however, we trimmed the position on strength and maintained a below-average weight position reflecting valuation considerations.

FEMSA, one of the leading consumer companies in Latin America, was the second largest contributor in Q4. FEMSA is engaged in two primary business: non-alcoholic beverages through its stake in Coca-Cola FEMSA ("KOF"), the largest Coca-Cola bottler in the world, and convenience stores through its OXXO stores which is the largest and fastest growing chain of convenience stores in Latin America. KOF's advanced bottling capabilities along with OXXO's scale and operating excellence provide FEMSA with considerable pricing power. Both businesses are highly predictable as KOF's products are consumed on a regular basis and have limited sensitivity to economic fluctuations while OXXO registers over 10 million transactions per day and is the third largest retailer in terms of revenues in Mexico. Growth is supported by packaging and product innovations at KOF, consumption growth in Latin America, and continued store expansion potential for OXXO which we think can roughly double its store count from today over time. The company's drugstore initiative should add incremental growth potential over the long term. FEMSA reported another strong set of quarterly results in Q3, led by stronger-than-expected growth for OXXO, which saw 15% same-store-sales growth. OXXO continues to benefit from a post-Covid consumption recovery and an expanded merchandise offering. KOF also delivered good results with organic volume and revenues growing 10%, operating profits growing 15% and gross margins expanding 140 bps. The good results were driven by strength in the Mexican consumer environment and the company driving further share gains. We trimmed the position on strength but maintained an above-average position given a still compelling growth outlook and valuation.

Temenos, a leading provider of software solutions to banks and financial institutions, was the third largest contributor in Q4. Temenos is well-positioned to benefit from banks' adoption of packaged software, away from internally developed solutions. Banking software is mission critical in nature and therefore a sticky product, with a high cost to switch between systems or providers. As a leader outside of the U.S., with a strong reputation, the company is able to command pricing power. Temenos has had some management turnover and is also transitioning the business away from license-based to subscription-based, which had pressured results and the stock in recent years. However, we see the transition to a more recurring revenue model as a positive and expect 85% of its revenues will be recurring (SAAS, subscription) by 2024, vs only 58% in 2021. We also see signs of less turnover in management and improving execution. Additionally, Temenos is beginning to see some traction in the U.S., the largest banking software market where it has historically had limited market share. In the quarter, Temenos shares benefited from a strong rebound in Technology stocks as well as better-than-expected Q3 results. Revenues grew 11% and total software licensing increased 25%, albeit from a low base last year, while EPS rose 61%. Management raised their guidance for annual recurring revenue growth from 12-14% to 13-15% and expect to return to stronger overall growth as the company is near the end of its transition. Temenos' long term growth opportunity is supported by secular growth in financial institutions spend on third party software and the need for banks to spend more on software to reduce costs, comply with regulations, become more agile to compete with fintechs, and/or to service growing populations in emerging markets. With improving execution, albeit with the appointment of a permanent CEO still outstanding, and an attractive valuation, we maintained an average weight position.

Recruit and **Dassault Systemes** were the fourth and fifth largest contributors to performance.

Largest Detractors

Yum China, China's leading restaurant company, was the largest detractor in Q4. Yum China operates over 13,000 restaurants in 1,800 cities and towns spanning every province and autonomous region across mainland China. Yum China has exclusive rights to operate and sub-license the KFC, Pizza Hut, and Taco Bell brands in China under a 50-year master license agreement which includes a 3% royalty rate. Yum China has built considerable brand equity during its long history of operating in China with KFC and Pizza Hut the preferred brands in their respective categories. Its restaurants have billions of customer visits annually and revenue is highly recurring given the accessible price points and diversity across dayparts and geographies. In addition, the company's KFC and Pizza Hut loyalty programs have over 400 million members combined and enhance customer engagement considerably. With attractive unit economics and the under-penetration of quick service and casual dining chains across China, the company has a significant opportunity to grow its units over time. The industry is also highly fragmented with Yum China, the largest operator, having well under 10% market share. Yum China's shares lagged during the quarter as its Q3 results failed to meet expectations as well as an overall negative sentiment towards Chinese stocks. Same-store-sales growth of 4% and restaurant margins of 17% came in below expectations and management's comments around softening consumer demand also added to near-term uncertainty. Unit growth of 14% remained strong, however, and loyalty membership grew an impressive 15% year-over-year. We continue to have high confidence in management's ability to navigate a challenging macro backdrop and see an attractive long-term growth opportunity ahead but maintained a below-average weight position given near-term uncertainty.

Aon, a leading global commercial insurance broker, was the second largest detractor in Q4. Aon has invested heavily in its data and analytics capabilities over the years to offer insights, which help clients better manage risk, employee retirement, and health benefits. Aon monetizes its insights, mainly through highly recurring commissions and fees (85% of revenues), which provide predictable cash flows. Because its three key focus areas (risk, retirement, health) are very important for companies, Aon's advice is valuable, especially given increasing risk in the world (climate change, cyber security, etc.), changing regulatory requirements, rising complexity, and continually changing market conditions. With steady take rates in core broking activities, the company has been taking on higher margin businesses which are enabled by analytics and has been successful delivering consistent revenue growth and margin expansion over the years. We expect overall steady growth based on rising premiums in risk, health, and increases in retirement assets moving forward. Aon's shares underperformed during the quarter as investors reacted negatively to the announcement of its planned acquisition of NFP, a leading middle market provider of risk, benefits, wealth, and retirement plan advisory solutions. Management also announced a restructuring program aimed at increasing their technology spend to enhance data and analytics offerings while reducing headcount. The acquisition of NFP and restructuring makes sound strategic sense, however we recognize it will have a negative impact on near-term earnings and free cash flow. Meanwhile, the company's Q3 results of 6% organic revenue growth and 15% earnings per share growth, were in line with expectations but trailed competitors' results, due to continued softness in M&A related revenues. We maintained an above-average weight position given our favorable long-term growth outlook and attractive valuation.

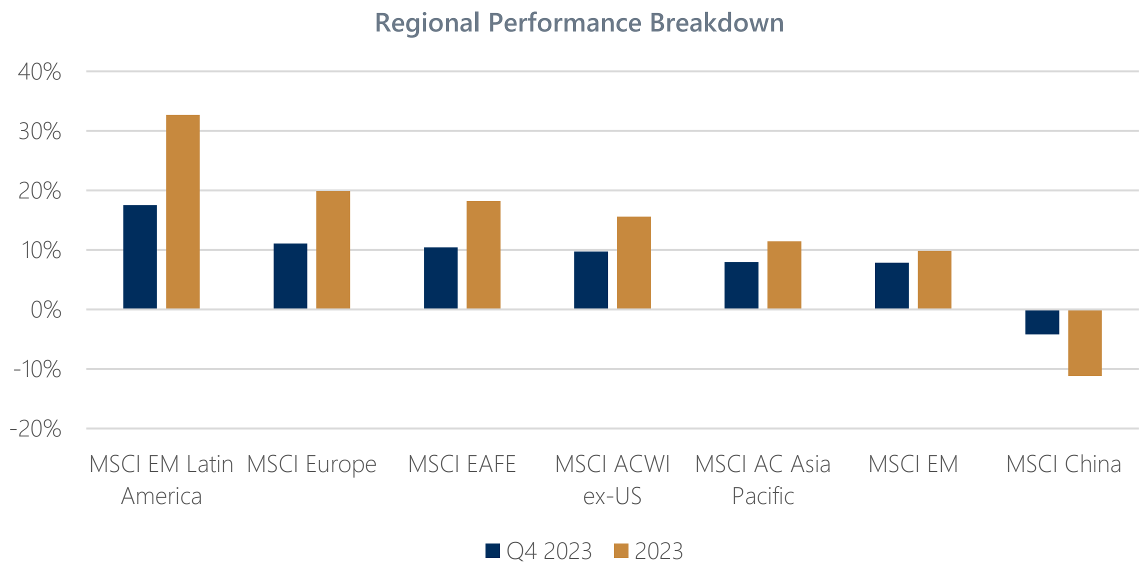
CP All, the sole operator of 7-Eleven stores in Thailand, owner of wholesale cash and carry chain Makro and Thai and Malaysian retail chain Lotus, was the third largest detractor in Q4. CP All has a material scale advantage with significant share in the Thai convenience store market as well as strong vertical integration which has been a major factor in its success in Thailand and has the potential to be replicated in other geographies. With convenience goods and cash and carry products representing highly repeatable sales, serving customer needs from an easily accessible location, the business is highly predictable. The company has significant room for global growth through continued expansion in Thailand and international expansion of the Makro format in Cambodia, India, Myanmar, and China. CP All's shares lagged during the quarter as the company reported mixed results for Q3 and news of an investigation into some of its pork product purchases a few years ago negatively impacted sentiment. The company is cooperating with investigators and based on company comments it does not appear to be related to current sourcing. We view this as a short-term issue and continue to see an attractive long-term growth opportunity ahead for CP All. From a company specific standpoint, 7-Eleven results were good while 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. We maintained a below-average weight position given uncertainty around near-term growth.

Diageo was the fourth largest detractor from performance and **Steris** was the smallest contributor to performance.

Portfolio Activity

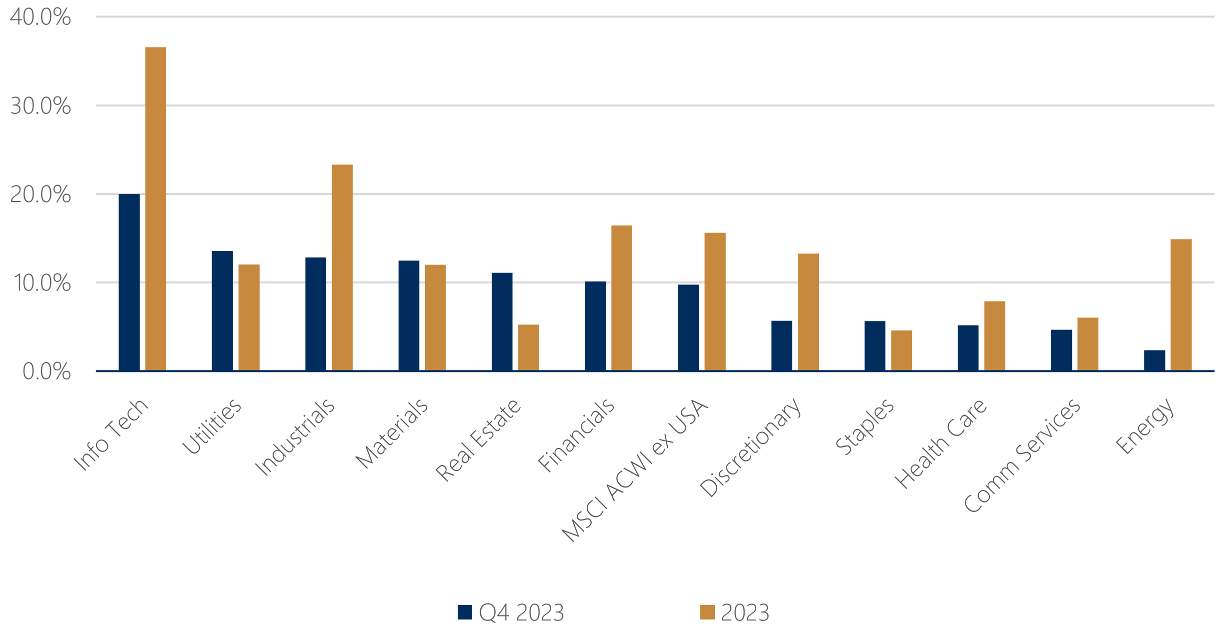
There were no full position changes in the portfolio during the quarter. Positions in Linde, Dassault Systemes, FEMSA, Wal-Mart de Mexico, MercadoLibre, Adyen, Atlassian, SAP, and Sika were trimmed on strength while positions in Universal Music Group, Sartorius, AIA Group, CPKC, Nestle, Steris, and Novo Nordisk were added to on weakness.

Market Performance



Source: FactSet, MSCI.

MSCI ACWI ex USA – Sector Returns



Source: FactSet, MSCI.

Outlook

We remain focused on assembling a portfolio of attractively valued, high-quality companies that can reliably compound earnings and cash flows at above average rates with less macroeconomic sensitivity over the long-term. Over full market cycles these unique businesses should be rewarded by the market and deliver strong absolute and relative returns with lower levels of risk. The broader MSCI ACWI ex USA Index is expected to see a modest rebound in earnings over the coming three years but remains susceptible to macro-economic fluctuations. In our view, broad-based growth is likely to remain modest and volatile given a challenging economic backdrop in China and likely modest global economic growth moving forward. Regardless of the direction of the macro-economic environment, we have confidence that the higher-quality and more predictable growth companies in our portfolio will be rewarded by the market over full market cycles.

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

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.

International Growth Commentary

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 International 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 International 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	Since Inception
SGA International Growth (Gross)	12.3%	18.8%	2.3%	12.0%	8.4%
SGA International Growth (Net)	12.1%	17.8%	1.4%	11.0%	7.5%
MSCI ACWI ex USA (Net TR)	9.8%	15.6%	1.5%	7.1%	4.2%
MSCI ACWI ex USA Growth (Net TR)	11.1%	14.0%	-2.7%	7.5%	4.8%

	Total Return						3 Year Standard Deviation					
Period	Before Fees	After Fees	MSCI ACWI ex-USA Net TR Index	MSCI ACWI Growth ex-USA Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI ex-USA Net TR Index	MSCI ACWI Growth ex-USA Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of non-fee paying accounts
Mar. 1 - Dec. 31, 2015	-4.63%	-5.30%	-10.32%	-6.77%	Five or Fewer	N/A				0.096	5,318	100%
2016	0.65%	-0.21%	4.50%	0.12%	Five or Fewer	N/A				0.097	5,672	100%
2017	37.83%	36.69%	27.19%	32.01%	Five or Fewer	N/A				0.133	9,971	100%
2018	-12.42%	-13.17%	-14.20%	-14.43%	Five or Fewer	N/A	12.85%	11.38%	11.55%	89	9,096	0%
2019	30.96%	29.87%	21.51%	27.34%	Five or Fewer	N/A	12.01%	11.34%	11.50%	307	12,347	0%
2020	25.55%	24.50%	10.65%	22.20%	Five or Fewer	N/A	15.87%	17.93%	16.48%	310	18,780	0%
2021	9.53%	8.61%	7.82%	5.09%	Five or Fewer	N/A	15.11%	16.79%	15.01%	325	22,899	0%
2022	-17.73%	-18.44%	-16.00%	-23.05%	Five or Fewer	N/A	18.68%	19.26%	18.99%	257	18,407	0%
Since Inception (March 1, 2015)	7.14%	6.24%	2.84%	3.68%			15.48*	15.42*	15.24*			

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

3 Year Standard Deviation is not shown for 2015, 2016, and 2017 as 36 months of returns are not available.

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

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm and an affiliate of Virtus Investment Partners. The SGA International Growth Composite was created in March 2015. 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 International Growth composite has had a performance examination for the periods March 1, 2015 - December 31, 2022. The verification and performance examination reports are available upon request.

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

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

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

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

Sustainability Report

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 CO_2e 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.