U.S. Large Cap Growth Commentary

Q1 2024

Performance

The U.S. Large Cap Growth portfolio returned 10.7% (Gross) and 10.5% (Net) while the Russell 1000 Growth Index returned 11.4% and the S&P 500 Index returned 10.6%. The S&P 500 Equal Weight Index returned 7.9% for the quarter. This metric can be a useful measure of average stock performance, as the dollar weighted indices have become increasingly concentrated.

Highlights

- The portfolio posted a strong absolute return of 10.7% (Gross) and 10.5% (Net) in Q1; the Russell 1000 Growth Index returned 11.4% and the S&P 500 Index returned 10.6%.
- An underweight position in NVIDIA detracted about -2.0% from relative return.
- Business quality factors important to our approach were generally penalized in the strong up market; companies with higher sales stability and less leverage generally were not rewarded but higher gross margins were.
- The largest contributors to Q1 performance were NVIDIA, Amazon, and Netflix; the largest detractors from returns were UnitedHealth, Starbucks, and S&P Global.
- We initiated a new position in Waste Management.
- We trimmed positions in Corpay, Sherwin-Williams, NVIDIA, Netflix, ServiceNow, Ecolab, Equinix, and Autodesk among others on strength and added to positions in UnitedHealth and Starbucks among others on weakness.

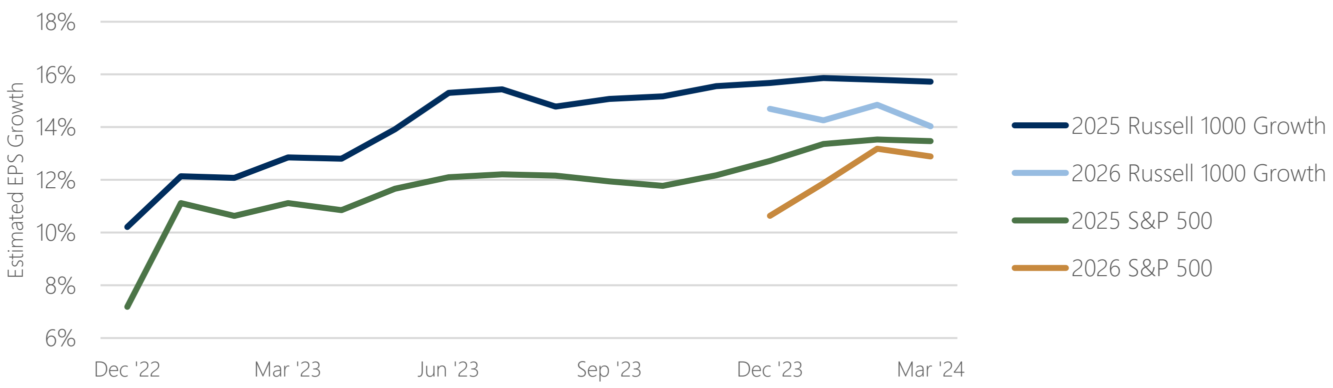
Optimism for a Soft Landing Continued to Boost Stocks

Continued improvement in the macroeconomic backdrop supported another strong quarter for U.S. equities. The S&P 500 and Russell 1000 Growth Indices delivered a second consecutive quarter of double-digit returns on the back of fading recession concerns and optimism around the economic resiliency in the U.S. Moderating inflation, an improving profit outlook, and a still strong consumer lifted U.S. investor sentiment to levels last seen in 2021.[1] Investors shrugged off higher-than-expected inflation data which pushed back expectations for interest rate cuts to later in 2024. Bond yields increased due to sticky inflation and signs of continued economic strength.

Enthusiasm around AI continued with semiconductor companies outperforming the rest of the market by a wide margin. NVIDIA was the biggest driver of those gains while the semi group overall rose nearly 50% and accounted for 44% of the advance in the Russell 1000 Growth Index for the quarter. NVIDIA was the largest contributor to our portfolio's performance during the quarter; however, given its large weight in the Russell 1000 Growth Index, it was also the largest detractor from a relative performance standpoint. We discuss recent developments and our thoughts on the company below.

Growth expectations for the U.S. economy and corporate profits continued to inch higher in Q1 with U.S. GDP expected to grow 2.1% in 2024, up from the 1.2% growth rate expected at the beginning of the year. Rising optimism around the economic backdrop was also reflected in broad-based earnings expectations which remained elevated during the quarter.

2025 & 2026 Earnings Expectations for Russell 1000 Growth and S&P 500



Source: FactSet, Russell

Please see table included in this commentary for full performance presentation. [1] *Investor Intelligence data.*

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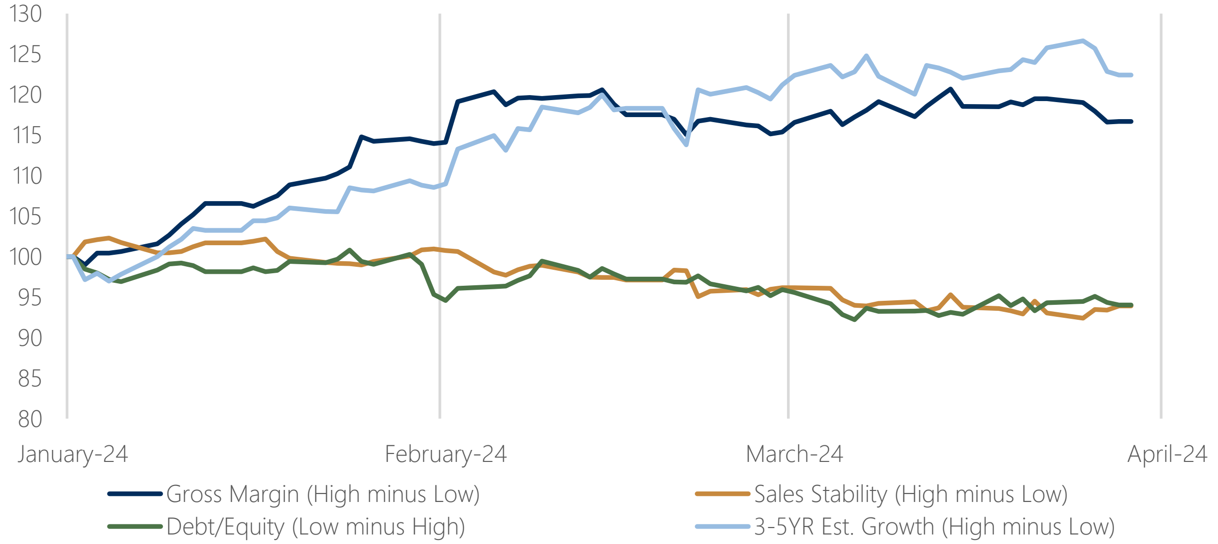
The factor backdrop for the portfolio during the quarter was mixed with high gross margins being rewarded but companies with greater sales growth stability and lower leverage continuing to underperform, likely reflecting greater optimism around the U.S. economic forecast. Following 2023's highly concentrated market advance, returns in Q1 were a bit more broadly distributed as performance within the largest index holdings diverged with Apple and Tesla notably underperforming given concerns around iPhone demand, China dependency, and slowing EV sales.

Looking over the next few years, while AI will enhance growth in many businesses, we see several secular headwinds for the global economy, namely de-globalization, rising geopolitical tensions, higher interest rates, fading fiscal support given high sovereign debt levels, and importantly slowing growth in China. These issues are likely to drive greater macroeconomic volatility and uncertainty around growth which should provide support for the higher quality companies we focus on, namely those that can grow earnings and cash flows at above-average rates with greater resilience and predictability.

Sales Stability & Lower Leverage Not Rewarded



Source: FactSet, Russell

Largest Contributors

NVIDIA was the largest contributor to returns in Q1 after the company reported results that exceeded our and consensus expectations. Overall, results beat expectations with total revenues growing to $22.1 billion versus $6.05 billion on a year-over-year basis and versus a consensus expectation of $20.4 billion. While their Data Center business is driving the growth, other segments continue to also do well. Importantly, results for its Data Center platform, which has grown significantly in importance and contributed to the business, increasing its repeatable revenues, are increasingly driven by diverse drivers including demand for data processing, training and inference from large cloud-service providers and GPU specialized providers, as well as enterprise software and consumer internet companies. We continue to like the long-term positioning of the business and the significant technological lead their platform offers in making AI accessible and applicable. Given strong appreciation since we added the company to our portfolio in Q2 2023, consistent with our valuation discipline, we trimmed the position in Q1.

Amazon was the second largest contributor to returns during the quarter as the company benefited from a strong Q4 report with sales rising 14% driven by strong results in third-party services, online sales, and advertising, along with attractive growth in margins. AWS sales were up 13% on a year-over-year basis and management guided to further improvement through 2024 as customers complete their optimization exercises and refocus on generating sales. Considering the competition and alternate choices customers might have, public cloud vendors have the unique advantage of bringing computing resources closer to data storage. This value proposition has and will continue to get stronger over time. Therefore, we continue to see attractive growth opportunities for the company's AWS business. Amazon's retail and advertising businesses will continue to grow, with better bottom-line performance driven by cost controls. We increased our target weight in the company given our positive outlook.

Netflix was the third largest contributor to performance after reporting better-than-expected 4Q23 results noting 13 million new subscribers with free cash flow growing 18%. The company's 2024 guidance also beat expectations as management pointed to double-digit earnings growth with attractive margin expansion and revenue growth continuing to accelerate in 2024. Investors were also pleased by the increased likelihood of more runway to enforce paid sharing and advertising growth as the company switches all Basic subscribers to the advertising tier, which could lead to an additional 30 million ad subscribers over the next couple of years. Future growth areas including live content, sports-adjacent programming, and gaming will contribute to growth in the longer term. With Netflix's business performing well, $2.5 billion of stock repurchased in Q4 and $8 billion more authorized, we raised our forecasts but trimmed the position on strength given valuation.

The fourth and fifth largest contributors to performance were **Microsoft** and **Novo Nordisk**

Largest Detractors

UnitedHealth was the largest detractor from performance in Q1 after its competitor Humana announced that higher medical costs in its Medicare Advantage business due to higher-than-expected utilization by customers negatively impacted its finances in Q4. Investors inferred that UnitedHealth likely faced similar pressures although the company has not yet made any such announcement. We did not find the greater utilization surprising given the many procedures and visits postponed by patients during the pandemic. It remains to be seen whether this increase is transitory or a long-term trend. Regardless, its services will re-price annually to capture any such medical cost inflation. The stock was also negatively impacted by the Justice Department's launching of an anti-trust investigation into the company over whether its combination of health and insurance providers negatively impacts competition. We maintained an above-average position in the company, adding to it on weakness.

Starbucks was the second largest detractor from performance after it posted decelerating same store comparisons in its FY Q1 report consistent with commentary by management amid adverse publicity around Middle East events and their relationship with unions that affected store traffic. We engaged with management on these issues during the quarter and are satisfied that the controversy will abate over time. North American comps were +5%, with a 1% increase in traffic while revenues grew 9%. Importantly, Starbucks loyalty members' transactions remained strong, and My Starbucks Rewards members rose 13% pointing to continued strength in the company's brand. Comp store sales in China grew an attractive 10% on transaction growth over 20%; however, pricing was down 9% pointing to the heavy promotional environment that exists currently in China. While the macro recovery there has been choppy, and comps will likely slow in Q2 given tougher comparisons, China is still expected to be an attractive growth market for the company over time. With more conservative comp store sales and revenue guidance but earnings growth guidance maintained, we added to our position in the company on weakness.

S&P Global was the third largest detractor in Q1 after the company posted solid quarterly results with 11% revenue and 23% earnings per share growth but offered conservative 2024 guidance which was below some investors' expectations. The company's Market Intelligence group has seen accelerating sales and ended 2023 showing 9% growth; however, management guided to 6-7.5% growth and said it would be 2H weighted, implying a weak 1H. With robust bond issuance and strong fund flows in the first quarter to date, the guidance for the ratings (+7%) and index (+8%) businesses was also a bit below expectations while guidance for its other business segments was above expectations. With a new CFO search underway, we believe it is likely that the guidance provided was purposefully careful. Longer-term, we continue to expect double-digit earnings per share growth driven by high-single-digit revenue growth with attractive cash flow generation and a recently upsized stock buyback program. We maintained an above-average weight position in the company.

The fourth largest detractor was **MSCI**, and the smallest contributor was **Workday**.

Portfolio Attribution

The portfolio's overweight in the weak Real Estate sector, through our holding in leading global datacenter provider Equinix, detracted from relative performance as did underweights to the strongly performing Communication Services and Information Technology sectors. Stock selection was strongest in the Consumer Discretionary and Information Technology sectors but that was more than offset by selection effects in the Financials and Health Care sectors where positions in S&P Global, MSCI, and UnitedHealth detracted heavily.

Portfolio Activity

We initiated a new position in Waste Management and added to positions in UnitedHealth and Starbucks among others on weakness. These trades were funded by trims in positions that had become less attractively valued due to appreciation including Corpay, Sherwin-Williams, NVIDIA, Netflix, ServiceNow, Ecolab, Equinix and Autodesk among others.

Purchases

A new position was initiated in **Waste Management**, the leading waste collection and disposal company in North America. Its service is a small but necessary cost for its customers. With its industry having consolidated over time, larger vertically integrated companies like Waste Management have a competitive advantage as landfills have become increasingly scarce. Increasing regulations and capital requirements continue to make it more difficult for sub-scale competitors to operate, making further consolidation in the industry likely. This consolidation and vertical integration lead to strong pricing power for Waste Management. While a long-term beneficiary of these positive trends, we believe Waste Management is at an inflection point in its growth due to new incremental investment opportunities that can accelerate its growth. Most prominently, we see renewable natural gas (RNG) offering high returns as it allows the company to convert the gas generated at landfills into valuable RNG with decarbonization benefits that can be monetized at an attractive premium, primarily through Renewable Identification Number credits. Such investments offer high ROIC's with strong free cash flow conversion as the bulk of the required investment (the landfill) was already made years ago.

The majority of its revenue is driven by waste collection and disposal with steady volumes growing at a rate 50-66% that of GDP and limited customer churn. Its recycling and RNG business can be more cyclical with revenues partially tied to commodity values, but management has effectively shifted its recycling pricing model to reduce cyclicality and protect margins when commodity prices decline and has taken steps to reduce the volatility of the RNG revenues.

We have strong confidence in the company's executive management who has done an effective job managing and transforming this business into a more consistent operator. With strong free-cash-flow conversion that is returned to shareholders through a growing dividend and share buybacks, and consistent mid to high-single-digit earnings growth that should accelerate in the years to come, we see Waste Management as an attractive opportunity.

Among the key risks we are monitoring are rising labor costs, compliance with environmental regulations, and RNG demand dynamics.

Outlook

Markets rose sharply amid continued optimism over moderating inflation in the U.S. and increased expectations of a soft landing for the economy. The portfolio generated a strong double-digit quarterly absolute return but did not keep up with the index in a strong upward moving market given NVIDIA's strong performance, which is owned in the portfolio but at a much smaller weight than in the index, and a 42% return in Meta Platforms which was not owned. While markets benefited from the current "Goldilocks" scenario of resilient economic growth, tight labor markets, and a consumer that continues to spend, we continue to believe that higher interest rates, more stringent lending practices by banks, deglobalization, and slower growth in China will eventually lead to greater market uncertainty and challenge the "Goldilocks" era. In the meantime, our focus will continue to be on building a portfolio with superior revenue growth, strong free cash flow, attractive pricing power, and less leverage which should enable the portfolio to generate the mid-teens earnings growth despite a likely rise in market uncertainty and slowing macroeconomic growth. If earnings ultimately drive stock prices, which we continue to believe they do over the long term, this coupled with our valuation discipline should enable clients to earn attractive returns with less risk regardless of whether the "Goldilocks" era endures or not.

Thank you for your continued interest in SGA and this portfolio. We look forward to answering any questions you may have.

Organizational Updates

Following the retirement of George Fraise on June 30, 2024, we are pleased to announce that HK Gupta will join Rob Rohn and Kishore Rao as a member of SGA's Executive Committee which is responsible for overseeing the business affairs of SGA.

We are also pleased to communicate that several associates from across our investment, client service, and trading teams were offered the opportunity to purchase additional equity in SGA this year and have now completed their respective transactions. SGA equity partners now own 28% of the firm's equity, however as previously communicated, we expect the split between SGA and Virtus to be closer to the 25/75 split over the longer term and this will range a few percentage points on either side as we manage for retirements and issuance to new and existing partners over time.

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	Q1 2024	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.*
SGA U.S. LCG (Gross)	10.7%	31.3%	6.6%	14.2%	14.0%	16.5%	11.0%
SGA U.S. LCG (Net)	10.5%	30.4%	5.8%	13.3%	13.1%	15.6%	10.2%
Russell 1000 Growth	11.4%	39.0%	12.5%	18.5%	16.0%	17.8%	12.2%
S&P 500	10.6%	29.9%	11.5%	15.0%	13.0%	15.6%	10.6%

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

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

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
* Since Inception Annualized Standard Deviation. SGA Composite Standard Deviation based on Gross Returns.

U.S. Large Cap Growth Commentary

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.

Q1 2024 Sustainability Report

Engagement Summaries

Salesforce

We recently met with senior members of Salesforce, a long-time portfolio holding, for an update on governance matters.

A core component of Salesforce's growth algorithm has been growth via M&A of software and technology companies. The size and pace of the acquisitions had increased over time with the $28bn acquisition of Slack in 2020 being the largest to date. These deals have been championed by Marc Benioff, Founder, CEO & Chairman, and as they become increasingly large and complex, have drawn more scrutiny from investors. The acquisitions, while generally accretive to date, have highlighted the need for improvements in governance as it relates to Board diversity and independency, executive compensation packages, management committees, and expenses management. We are not alone in this position, and a number of high-profile activist hedge funds have joined the Salesforce shareholder registry over recent years. While some of these hedge funds have since left the registry following near-term financial improvements, we believe there is still more work to be done.

In our conversation with management, we advocated for:

- The appointment of an independent Chairman as a matter of best practice and to reduce the risk of undisciplined M&A;
- A greater use of performance-based, as opposed to time-based, vesting of Restricted Stock Units (RSUs);
- The introduction of a cap on the gross annual dilution rate as it relates to Stock-Based Compensation (SBC), akin to the 1.5% p.a. cap imposed by ServiceNow (another SGA portfolio company); and
- In the absence of government regulation, the need for policies to ensure the responsible use of Salesforce's products, including generative AI.

We do see Salesforce moving in the direction of positive change with the recent appointment of new Board members, return of capital to shareholders as the company has matured, and the disbandment of the M&A Committee which ensures the Board now reviews all M&A activity. However, as noted above, there is more work to be done, and we will continue our engagement program.

Atlassian

Since listing in 2015, Atlassian has operated under a dual-class shareholder structure with founders, Mike Cannon-Brookes and Scott Farquhar, collectively controlling 88% of voting rights despite only holding ~ 40% of the total shares outstanding. While we do believe there are benefits of this structure, namely, enabling the founders to focus on the long-term strategy of a fast-growing company, these do come at a cost to the rights of minority shareholders. During a recent meeting with the management of Atlassian, we recommended the company adopt a sunset provision which allows for the conversion of the dual-class structure into a single class of shares pending some passage of time or corporate event. At present, given the strong alignment of the founders with shareholders due to their high equity ownership and low compensation packages, we do not believe this dual-class structure poses a material risk to minority investors.

However, what does present a risk to Atlassian shareholders, as with many other technology companies, is shareholder dilution due to the issuance of stock to employees under Stock-Based Compensation (SBC) packages. SBC is a common feature of remuneration packages across technology and software companies, particularly those that are fast-growing and in the earlier-stages of the corporate lifecycle. Atlassian has been targeting less than 2% dilution from SBC each year and they are seeking to lower SBC as a percentage of revenue by making internal P&L owners more accountable for hiring and expenses. The compensation structure is unlikely to change in the interim, and we will be closely monitoring the effects of dilution on shareholder return.

Lastly, Atlassian is making strong efforts on the ESG front including incorporating ESG targets into its goal-setting framework to drive alignment and accountability, staying ahead of regulatory and customer requirements, and setting interim (FY30) and long-term (FY40) goals for Science-Based Targets.

FEMSA

During the quarter we engaged with the management of Mexican retailer and Coca-Cola bottler FEMSA regarding our concerns about certain governance developments. Specifically, in conjunction with its earnings call in February, the company unexpectedly announced the departure of their Chief Corporate Officer and Chief Financial Officer, both effective April 30th, 2024. The announcement follows the appointment late last year of Jose Antonio Fernández Garza-Lagüera, the son of the Executive Chairman and Interim-CEO José Antonio Fernández Carbajal, to the role of CEO of the company's Retail business. Having previously served in leadership roles for the company's digital strategy and OXXO convenience store business, Jose Garza-Lagüera is following a career path very similar to the prior two CEOs of the company, suggesting he is most likely next in line for the role. We speculate that the Chief Corporate Officer arrived at a similar conclusion to us and chose to leave the company believing he would be passed up for the CEO role. Jose Garza- Lagüera's relation to the Executive Chairman, as well as the fact that he is a member of one of the five families behind FEMSA that collectively control 70% of the voting capital of the company, caused us concerns about nepotism. However, given very positive feedback on Jose from our independent contacts in the market, as well as Jose's track record in his previous leadership roles at FEMSA, we are hopeful that he is up to the task, should he be named CEO. We did urge the company, however, to make Jose available for meetings with shareholders, and we expect to have a face-to-face meeting with him soon. Separately, regarding the departure of the company's well-regarded CFO, Eugenio Garza, we are comfortable with the narrative that Eugenio's decision is based on his desire to find his next professional challenge after successfully guiding the company through "FEMSA Forward", the strategic and capital plan executed over the last two years. Fortunately, we are confident that Eugenio's replacement Martin Yaniz, a 25-year veteran of the company's finance department, is a solid choice for the role.

Starbucks

During the quarter we continued our engagement with Starbucks on the issue of hostile relations with unions leading to bad publicity and the risk of labor unrest. Since our last engagement, the company announced it would negotiate with union members in targeted stores (400 now), a development we previously encouraged them to pursue. Based on our recent discussions, we are confident the company has in fact treated partners well, and we remain hopeful that a détente with union members can be reached. We also discussed with the company the SOC (representing union interests) proposal for three Board candidates. Generally speaking, we are pleased with the actions the company has taken recently to further strengthen the Board with the addition of several good new members. In this context, we found that the SOC proposed candidates did not provide additional "breadth of experience", and we were pleased to see the SOC remove their proposal from the voting proxy before the shareholder election.

Proxy Voting Summary Q1 2024

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	52	47	90%	5	10%	0	0%
Global Growth	54	53	98%	1	2%	0	0%
International Growth	50	49	98%	1	2%	0	0%
Emerging Markets Growth	0	0	0%	0	0%	0	0%

Source: SGA, ISS.

Carbon Risks Q1 2024

	Carbon Emissions*	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	12.7	57.5	62.6
MSCI ACWI	77.1	162.2	117.8
SGA Relative Exposure	-84%	-65%	-47%
SGA U.S. Large Cap Growth	10.3	53.2	58.5
Russell 1000 Growth	8.5	41.9	29.3
SGA Relative Exposure	+22%	+27%	+100%
SGA Emerging Markets Growth	27.3	50.7	38.8
MSCI EM	259.2	357.8	320.2
SGA Relative Exposure	-90%	-86%	-88%
SGA International Growth	16.4	62.8	81.1
MSCI ACWI ex-USA	142.6	201.9	164.2
SGA Relative Exposure	-89%	-69%	-51%
	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.