International Growth Commentary

Q1 2024

SGA Sustainable Growth Advisers

Performance

SGA's International Growth portfolio returned 0.1% (Gross) and -0.1% (Net) in Q1, compared to 4.7% for MSCI ACWI ex USA Index and 5.9% for the MSCI ACWI ex USA Growth Index.

Rising Optimism Leads Markets Higher

Following a tepid start to the year, renewed optimism around the global macro-economic backdrop, outside of China, sent broad market indices higher in Q1. The MSCI ACWI ex USA Index rose 9.2% following its January lows to finish the quarter up 4.7%. The SGA International portfolio performed in-line with the market initially but lagged during the strong rebound. The broader market advance was led by Technology stocks, in particular Semi and Semi Equipment stocks, which returned 21% on the back of continued excitement around AI and chip demand. More economically sensitive areas of the market, including Banks and Industrial stocks were also among the better performing driven by the improving macro backdrop, while companies in Consumer Staples performed worst, declining more than -3% during the quarter. The continued underperformance of Consumer Staples companies, a large component of our portfolio due to the greater predictability and resilience of growth profiles, weighed on the portfolio's performance in Q1. Despite their recent underperformance we continue to find good growth opportunities over our 3-5 year investment horizon with attractive valuations.

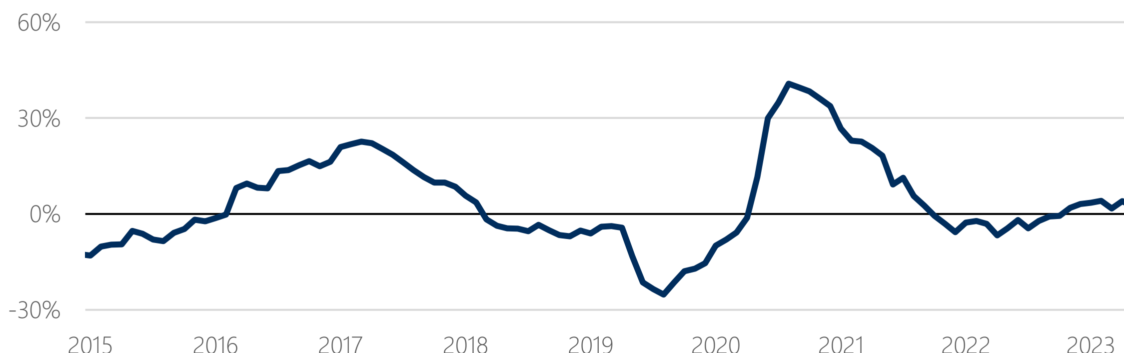
Highlights

- Portfolio was flat in Q1, lagging the broader market recovery fueled by rising investor optimism around the macro-economic backdrop.
- Market leadership was concentrated in Semis, Banks, and Industrial stocks, while Consumer Staples companies continued to lag.
- Positions in Novo Nordisk, SAP, and ICON contributed most positively to performance. Positions in AIA Group, HDFC Bank, and Shandong Weigao detracted from performance.
- New positions in LVMH, Lululemon, Haleon, and Waste Connections were initiated during the quarter, replacing positions in CP All, Temenos, and Shandong Weigao. Others were trimmed on strength and added to on weakness.
- Portfolio remains well-positioned to deliver attractive, above-average growth in earnings and cash flows over the next three years with greater predictability.

Developed markets performed best in Q1 led by strength in European and Japanese stocks, while continued weakness in Chinese stocks and a pullback in Latin American markets weighed on emerging markets which underperformed despite strong performance in Taiwan.

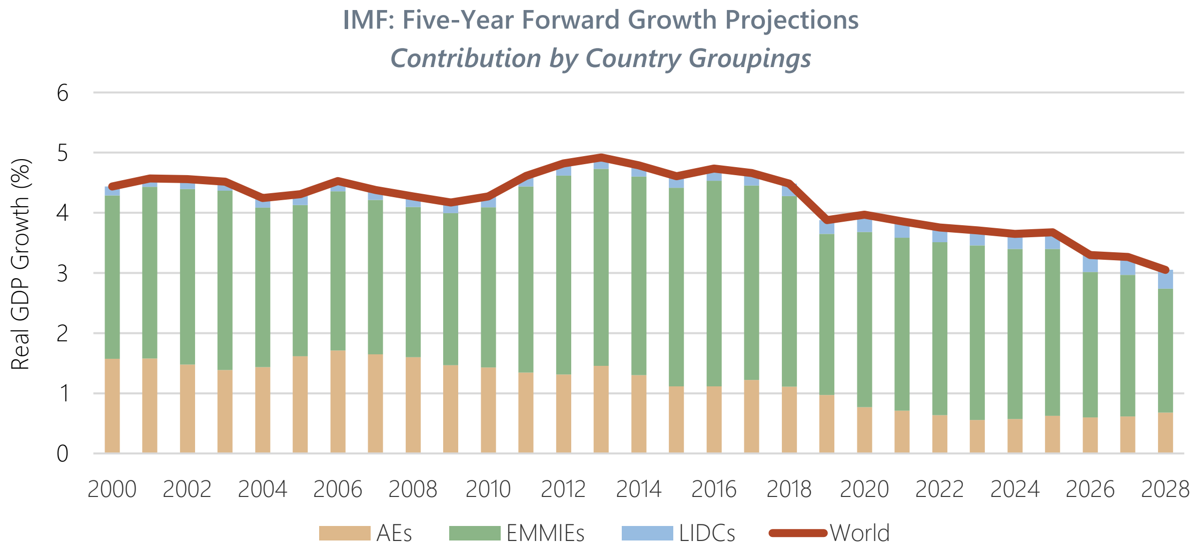
Growth expectations for the global economy continued to inch higher in Q1 with the IMF raising their 2024 and 2025 global growth projections to 3.1% and 3.2% respectively, reflecting greater resiliency in the U.S., strong and improving growth outlooks in key emerging markets such as India, Brazil, and Mexico, along with improvements in the European macro backdrop. The improvement in the economic backdrop supported the outlook for broad-based earnings which have started to rebound after bottoming in 2023.

MSCI ACWI ex USA: NTM EPS Year-over-Year % Change



Source: FactSet, MSCI

While recent upward revisions to GDP and profit estimates reflect better-than-previously-expected near-term growth, the longer-term outlook remains muted with global GDP growth expected to be below the prior decade's trend. Looking beyond the next few years, several factors add to uncertainty for the global economy, namely de-globalization, rising geopolitical tensions, higher interest rates, fading fiscal support given high sovereign debt levels, and slowing secular growth in China. These issues are likely to drive greater volatility in global economic growth and higher macro-uncertainty which in our view should provide support for higher quality companies that can grow earnings and cash flows with greater durability and predictability.



Source: IMF staff calculations, October 2023. The predicted variable is real GDP growth. Forecasts from April World Economic Outlook (WEO), horizontal axis years refer to the year for which a forecast is made, for example 2028 forecast based on April 2023 WEO. "AEs" is advanced economies, "EMMIEs" is emerging market and middle-income economies, "LDICs" is low-income developing countries.

Despite a challenging start to 2024 for the portfolio, we remain enthusiastic about the longer-term opportunity given the attractive growth opportunities we continue to identify through our bottom-up research process and still attractive cash-flow based valuation of the portfolio, which is currently trading at a 3.2% enterprise yield.

Largest Contributors

Novo Nordisk, a global pharmaceutical company with leading positions in the large and growing diabetes and obesity markets, was the largest contributor in Q1. We have owned Novo Nordisk for more than a decade in our portfolios given its highly predictable and attractive financial and growth profile, exemplified by its high and stable margin structure supported by its ability to innovate and the continuous transition of its portfolio towards newer drugs, such as its higher margin GLP-1 franchise, and away from lower priced insulins which face pricing pressure. The company's scale and ability to drive manufacturing efficiencies also help the company maintain its overall level of profitability. As Novo Nordisk's drugs target chronic diseases that are treated over the lifetime of patients, its revenues are highly recurring leading to a high degree of predictability. The rising prevalence of diabetes and obesity around the world and increasing adoption of their drugs earlier in the treatment process provides a secular growth tailwind for Novo Nordisk. Novo's shares benefited from another set of strong results with Q4 revenues up 43% quarter-over-quarter and operating profits up 66% year-over-year. The strong results were driven by continued strength in diabetes (29% sales growth in 2023), led by GLP-1 drugs Ozempic and Rybelsus, and high demand for their obesity drug Wegovy (154% sales growth in 2023). While Novo remains supply constrained on Wegovy, which is limiting growth in the near term, the company has taken some steps to alleviate this supply issue in the medium term, by announcing the acquisition of Catalent, a leading third-party fill finish provider. Additionally, positive results from Novo's next generation oral GLP-1 drug amycretin provides further evidence that the company is continuing to raise the bar and strengthen its obesity franchise for the long term. We remain enthusiastic about the company's execution and growth opportunity despite some concerns on continued pricing pressure and government negotiations (Inflation Reduction Act) and trimmed the position on strength, maintaining an above-average weight in the company.

SAP, the global leader in Enterprise Resource Planning (ERP) application software market, was the second largest contributor to performance in Q1. SAP's software helps enterprises organize, automate, and improve operations, supply chains, finances, customer relationships and partner collaborations. SAP's leadership position in an oligopolistic industry provides the company with a high degree of pricing power given the critically important nature of ERP systems in companies' ability to manage and control complex operations. 80% of SAP's revenues – and a larger portion of profits – are generated by high-margin recurring cloud subscription and software maintenance fees with +97% renewal rates. The ERP software market continues to offer attractive growth and with SAP's clients upgrading to its cloud solutions the company should enjoy revenue accretion as the customer relationship value more than doubles with a cloud transition. SAP's Q4 results were mixed with total revenues largely in-line with expectations, growing 9% in constant-currency, but cloud revenue growth of 25% (constant-currency) slightly below expectations. Operating profit growth was also relatively weak in the quarter, up just 2%, however, for the year profits grew 13%, ahead of its guidance. The market reacted favorably to the company's announced 8,000 headcount restructuring program, amounting to 7% of its workforce, and higher 2025 operating profit and free cash flow targets. The company also expect margins to improve in 2025 and beyond along with a return to double-digit revenue growth that should accelerate from 2025 to 2027. We trimmed the position on strength during the quarter due to valuation considerations but continue to see a solid growth opportunity ahead for SAP.

ICON, a leading global contract research organization (CRO) that engages in outsourced development services to the pharma, biotech, and medical device industries was the third largest contributor to performance in Q1. ICON specializes in the strategic development, management and analysis of programs that support clinical development, helping biopharma companies run clinical trials and manage the complex FDA approval process. ICON benefits from its scale and comprehensive service offerings, which allows it to charge a premium relative to smaller peers. Price is often seen as a secondary consideration for customers behind quality, speed, expertise, and reliability of the CRO. As drug trials are very expensive and time consuming, ICON's ability to save time is highly valuable for its clients, increasing the runway for patent protected profits. High switching costs and long-term client contracts, along with the strategic nature of many client relationships provides a high degree of repeatability, stickiness, and longer-term visibility into ICON's revenues. We see ICON as well-positioned in an attractive growth industry. ICON's shares benefited from solid Q4 results, highlighted by 4% organic revenue growth (high single digits excl. COVID revenues), 11% EPS growth, and 10% backlog growth. Management also noted strong and improving business momentum in the form of improving customer sentiment and accelerated RFP activity among both the large pharma and smaller biotech segments, which could provide some upside to current guidance if current trends continue through the year. Continuing efficiency improvements from a focus on automation and stronger employee retention has resulted in rising operating margins, which should continue to expand from current levels. Overall, we continue to have conviction in ICON's future growth opportunity and maintained an average weight position.

Aon and **Adyen** were the fourth and fifth largest contributors to performance.

Largest Detractors

AIA Group, a leading life insurer across Asia, was the largest detractor from performance in Q1. AIA benefits from a strong brand and balance sheet, along with an extensive network of direct agents which enable the company to control its distribution and margins over time. The company supports its agents with technology and focuses on higher margin protection-type products which are less likely to be commoditized and are subject to less competition over time. AIA's business offers a high degree of visibility into future cash flows as there is very low churn from existing policy holders. A high persistency ratio (the percentage of policies that continue to pay premiums) and reliance on regular long-term policies provide a steady stream of cash flow and repeat revenues. Longer-term, we view the company as being well-positioned to capitalize on the growing demand for insurance and health products across its markets in Asia given the rising wealth and limited penetration in many of its key markets. While AIA reported strong growth in the value of new business and annualized new premiums for 2023, up 30% and 41% respectively, weak after-tax operating profit growth of -4%, driven largely by higher medical claims and greater demand for lower margin savings products weighed on its shares in Q1. Given that medical policies are re-priced annually, we view those pressures as short-term in nature. Greater demand for long-term savings products in Hong Kong and China, while lower margin, is attracting new customers and we expect the company to be successful in cross selling higher value protection policies over time. Additionally, as AIA is focused on the wealthier segment of the population in China, they are more resilient to ongoing macro headwinds while also having the opportunity to expand their geographic footprint in the country. In ASEAN markets, the company delivered strong double-digit growth outside of

Vietnam, where there are ongoing industrywide issues. We continue to view the company as being well-positioned to deliver attractive growth over our investment horizon but acknowledge ongoing questions and concerns about risks in China with regards to overall macroeconomic environment as well as geopolitical tensions with the USA.

HDFC Bank, the second largest bank in India by assets and the largest by market capitalization, was the second largest detractor in Q1. HDFC is a unique franchise that benefits from high ROA/ROE relative to international and domestic peers, which is supported by interest revenues and lower borrowing costs on retail deposits. India, as a country, has low leverage in the retail sector and an underbanked population which forms the basis for an attractive secular growth opportunity for HDFC. The pricing power of the company is based on its low-cost funding, which is supported by retail deposits at a countrywide network of branches that is not easily replicated by competitors. HDFC's business is recurring and very predictable with 75% of its interest income derived from multi-year loans and 15% is from fees & commissions. A mixed fiscal Q3 earnings report put pressure on HDFC's stock in Q1. While HDFC reported better-than-expected operating profit, deposit and loan growth of 3% and 4.9% respectively were lower than historical trends and its net interest margin of 3.4% was flat quarter-over-quarter. Post acquisition of its parent company, the proportion of deposits to liabilities has fallen and in a tighter liquidity environment, investors are questioning whether they can continue to deliver on deposit growth expectations. A combination of factors led to last quarter's short-term disappointment, including a seasonally weak quarter from a deposit growth perspective which was exacerbated by the tightening of liquidity by the central bank. Looking forward the bank is committed to growing deposits and will prioritize margins and ROE over loan growth. We remain confident in the opportunity ahead for HDFC Bank and view it as being well-positioned to continue to benefit from growing demand for banking services in India. We maintained an above-average weight position and bought more shares on weakness during the quarter.

Shandong Weigao, a leading Chinese medical device company, was the third largest detractor from performance in Q1. Shandong Weigao benefits from its manufacturing scale and strong R&D capabilities which enable the company to launch innovative, higher margin products over time. As most of the company's products are consumables, which must be replaced on an ongoing basis, the company's revenue generation has a high degree of repeatability. While Shandong Weigao remains well-positioned to participate in the growth of healthcare consumption in a rapidly aging China, the company continues to see pricing pressure from the Chinese government's volume-based procurement (VBP) policies. The company's stock came under additional pressure in Q1 after releasing a profit warning due to worse-than-expected impacts from VBP in its ortho business in addition to continued pressure on margins across other areas of its business. The reported results showed revenues declining -4% and profits declining -30% in 2023. While we continue to expect the company to gain market share and see further improvement to volumes due to government policies and its scale advantages, the continued uncertainty around the severity and duration of pricing pressure led us to liquidate the position during the quarter and re-allocate the proceeds to higher conviction opportunities.

Temenos and **Atlassian** were the fourth and fifth largest detractors from performance.

Portfolio Activity

New positions in LVMH, Lululemon, Haleon, and Waste Connections were initiated during the quarter, replacing positions in CP All, Temenos, and Shandong Weigao. Positions in Sartorius, Novo Nordisk, SAP, Recruit, Adyen, and Linde were trimmed on strength. Positions in Dassault Systemes, FEMSA, HDFC Bank, and MercadoLibre were added to on weakness.

New Positions

We initiated a new position in **LVMH** in Q1 given an expectation that concerns about weakness in its Chinese business were already factored into its valuation and given the company's more defensive growth algorithm. The company was created by the merger of Louis Vuitton and Moet Hennessey in 1987, and the company now has over 75 "maisons" or businesses that include fashion, leather goods, spirits/wine/champagne, beauty and cosmetics, and jewelry. It sells luxury products globally, spanning the Asia Pacific region, Europe, and the U.S. These areas represent 38%, 25% and 25% of sales respectively. LVMH has grown its sales more quickly than the luxury goods market over the last decade, benefiting from a significant competitive advantage due to its vertical integration which enables it to control the retail/customer/creative experience for its brands. This helps it to reduce large creative missteps with its brands as well as reinvest quickly and pivot with product development to create more desirable products. This drives higher brand equity and ultimately better pricing power. It also allows them

to create a better playbook to fuel more efficient organic and inorganic growth, with the company taking cash and lessons from its businesses that are growing well and then investing them into smaller brands helping them to scale and unlock value more quickly. Its 2017 investment in Dior is an example of this with the business growing at a 50% CAGR over the past five years.

About one-third of LVMH's product sales are consumable in nature with consumers being brand loyal and driven by habits in their wine/spirits and cosmetic/fragrance purchases. The remaining two-thirds of the business is comprised of leather goods, fashion, and luxury jewelry which also enjoy customer loyalty. While we acknowledge that some higher-priced goods may be more sensitive to macroeconomic weakness, luxury goods have been one of the more durable areas, with the segment down just 4% during the great financial crisis for example. LVMH's growth has been driven by a combination of product mix, price increases, and volume growth. Solid top-line growth together with moderate margin expansion as smaller brands gained scale benefited results. While we anticipate China-related growth slowing given demographic, debt, regulatory, and geopolitical headwinds there, LVMH's growth is likely to slow from its mid-teens rate but sustain in the mid to high single digit range given that it is serving an ultra-high-income clientele (roughly the top 25 million versus a population of about 1.4 billion) which is likely to be less impacted by such macro factors.

The company offers a relatively clean balance sheet with low leverage and a cash flow/earnings ratio of about 82% over the last 10 years indicating solid cash flow generation.

Among the key risks we are monitoring are the company's ability to continue to acquire attractive complementary businesses and apply its playbook to enhance growth and margins. We also will be monitoring the company's experience in China and its ability to withstand slowing economic growth as they have done in the past. At its current valuation, we expect that much of the slowdown in its Chinese business is already priced in. Finally, we are cognizant that the company will likely face succession issues as Bernard Arnault, who has been CEO of LVMH since its inception and guided the company very effectively, is 74 years old. While this presents a risk, we believe the company has a deep bench of talent and expect that the eventual new CEO will come from the management of one of LVMH's strong brands.

We plan to continue to build the position opportunistically moving forward.

Athleisure apparel maker **Lululemon** was added to the portfolio during the quarter. Lululemon opened its first store in Canada 20 years ago to address a void in women's athletic apparel and has since grown into a powerful global brand, operating over 700 stores globally. Lululemon offers a premium product with strong points of differentiation and is market leader in the athleisure category which is benefiting from the increasing fluidity between athletic apparel and everyday apparel. In contrast to other performance brands which lead with a very athlete- and performance-centric product and brand strategy, Lululemon's brand is grounded in the "living the sweatlife". This brand ethos blends the worlds of athletic performance and everyday life and allows Lululemon to attract customers and build a community that is very loyal to the product. Its positioning as a premium brand, with trusted quality and proprietary fabrics enables the company to charge premium prices relative to its competitors. In the absence of any serious brand or quality issues, their premium pricing should be sustainable. Lulu's significant investments in its omni-channel experience has been helped increase customer engagement while higher overall digital penetration in recent years shows strong customer retention. With over 90% retention among its high value customers, which is estimated to account for roughly 50% of revenues, we see a sufficiently high level of recurring buying behavior among its customers to provide good visibility into future revenues. Lulu's attractive growth opportunity is supported by further penetration in women's apparel as they expand into new product categories such as Tennis and Hiking, as well as a significant opportunity to penetrate men's apparel, which accounts for just 24% of revenues today, along with international expansion, which is just 20% of revenues today but growing 40%+. In aggregate we expect Lululemon to grow earnings 14% per year over the next three years and to deliver double-digit earnings growth over the coming decade.

Among the key risks for our thesis include a deterioration in its perceived brand value among customers, which could negatively impact its pricing power, competition from established athletic apparel companies and new emerging players in the athleisure space, which could negatively impact the company's growth potential. A significant macro downturn impacting consumer's ability to spend on discretionary products could also negatively impact Lululemon's profitability.

Haleon, a leading global consumer healthcare business which was spun out of GlaxoSmithKline in 2022, was added to the portfolio during the quarter. Haleon is present in three major OTC therapeutic areas, (pain relief, digestive health, respiratory health), in addition to vitamins/minerals/supplements ("VMS"), and oral health. The business has a wide geographic footprint with more than 30% of revenues generated in faster growing emerging markets. Haleon's pricing power is supported by the strength of its brands, which are #1 in all its main categories, the large percentage of revenues coming from needs-based or event-driven categories where demand is less sensitive to pricing/promotion, and lastly its ability innovate and continuously bring new products to market. With consumers actively seeking and regularly buying consumer healthcare products, Haleon's business benefits from a high degree of recurring purchase behavior and high visibility into future revenue generation. Additionally, the majority of its products are recommended by healthcare professionals, which helps build consumer trust and drive recurring purchases. Haleon's growth opportunity is supported by several structural tailwinds, including rising demand for consumer healthcare products due to aging populations globally, the growth of the middle class, and increasing focus on immunity, health and wellness. Haleon is well-positioned to capitalize on these trends by increasing household penetration via innovation and reaching new customers. The company also has opportunities to capitalize on new and emerging growth opportunities in areas like e-commerce expansion and maximize its presence in emerging markets.

Some of the key risks we are monitoring include the company's initially high leverage as it was spun out GSK and the potential for that to weigh on its ability to participate in attractive M&A opportunities in the coming years as they bring debt levels down. Pfizer and GSK remain large shareholders, with 23% and 4% ownership respectively, which causes some uncertainty and overhang to the stock in the near-term as both companies have indicated an intent to monetize their stakes. Litigation risk related to Zantac, a heartburn relief drug removed from markets in 2019, is another risk despite Haleon not being named as a defendant in current lawsuits given its prior relationships with named defendants GSK and Pfizer.

Waste Connections (WCN), a leading North American waste collection and disposal company, headquartered in Ontario, Canada, was added to the portfolio in Q1. WCN has operations across 43 U.S. states and 6 Canadian provinces and has differentiated itself through its orientation towards suburban or rural markets and decentralized operating structure. Its high local market share and vertical integration has helped it build a sustainable competitive advantage and enabled it to drive industry-best pricing due to lower competition and exclusive landfills. With its industry having consolidated over time, larger vertically integrated companies like WCN 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. The relatively low price for waste collection allows WCN to take price with minimal resistance from end customers. Customer churn for the business overall is in the low-to-mid-single digit range with multi-year contract lengths providing a high degree of visibility into future revenues. In more challenging economic environments, they have shown an ability to offset a slowdown in volumes with positive pricing.

We expect WCN to deliver resilient and predictable mid-single digit organic topline growth which combined with operating leverage, continued acquisitions of smaller-scaled operators and share buybacks should lead to low-mid teens EPS growth. Additional upside from investments into Renewable Natural Gas facility projects, which focus on converting landfill gas to valuable renewable natural gas, should provide incremental growth in the coming years. The company's management team, including founder Ron Mittelstadt who returned as CEO in 2023 after having stepped down in 2019, have historically been highly effective acquirers of smaller operators to drive inorganic growth.

Among the risks for WCN include the potential for a less conducive M&A opportunity-set, which could adversely impact future growth, a challenging labor market, and changes in environmental regulations.

Sold Positions

Temenos, a provider of software solutions to banks and financial institutions, was liquidated from the portfolio in Q1. The stock came under pressure in Q1 following the release of a short-seller report alleging aggressive accounting and customer dissatisfaction. While execution has been improving slightly in recent quarters, we concluded that the allegations will make it more difficult to recruit a good CEO as the search has been ongoing for a while already. Additionally, potential new customers may take pause, creating some uncertainty, especially as we have some lingering concerns on the health of their customer base following pressures on the banking sector earlier in 2023. We thus exited the position.

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 sold from the portfolio in Q1. While we continue see an attractive growth opportunity for CP All moving forward, given more attractive investment opportunities elsewhere we decided to liquidate the position and re-deploy the proceeds.

Shandong Weigao was sold from the portfolio to fund higher-conviction opportunities due to the reasons cited above relating to uncertainty around the duration of pricing pressure arising from the Chinese government's VBP policies.

Market Performance

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

Outlook

The market environment in Q1 reflected a continuation of trends which began in 2023 when optimism around a more resilient global economy gained steam and earnings estimates started to inflect higher. Prior periods of rising investor optimism and growth estimates, such as those experienced in 2016 and 2021, were also difficult for the portfolio's relative performance as

investors gravitated towards areas of the market more exposed to an improving macro-economic backdrop while more predictable and reliable growth companies went unrewarded. Like in the past, we remain committed to our bottom-up benchmark-indifferent process and focus on highly predictable growth companies despite variations in short-term performance. We have confidence in the ability of the companies in our portfolio to deliver better fundamental results over time, which should ultimately be rewarded by the market and lead to superior risk-adjusted outcomes. Over the next three years we expect the portfolio to generate 14% annual earnings growth, in line with its long-term average, and ahead of the 10% expected for the MSCI ACWI ex USA Index. Despite an uncertain future, our portfolio of high-quality companies offers more predictable and reliable growth compared to broad markets while trading at an attractive 3.2% enterprise yield.

As always, we thank you for your continued support and welcome any questions or comments.

Organizational Update

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.

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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	Q1 2024	1-Year	3-Year	5-Year	Since Inception
SGA International Growth (Gross)	0.1%	10.0%	2.0%	8.6%	8.2%
SGA International Growth (Net)	-0.1%	9.1%	1.2%	7.7%	7.3%
MSCI ACWI ex USA (Net TR)	4.7%	13.3%	1.9%	6.0%	4.6%
MSCI ACWI ex USA Growth (Net TR)	5.9%	11.2%	-0.8%	6.2%	5.3%

International 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)	Percentage of non-fee paying accounts
	Before Fees	After Fees	MSCI ACWI ex-USA Net TR Index	MSCI ACWI Growth ex-USA Net TR Index			SGA Composite	MSCI ACWI ex-USA Net TR Index	MSCI ACWI Growth ex-USA Net TR Index			
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.

Q1 2024 Sustainability Report

SGA
Sustainable Growth Advisers

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.