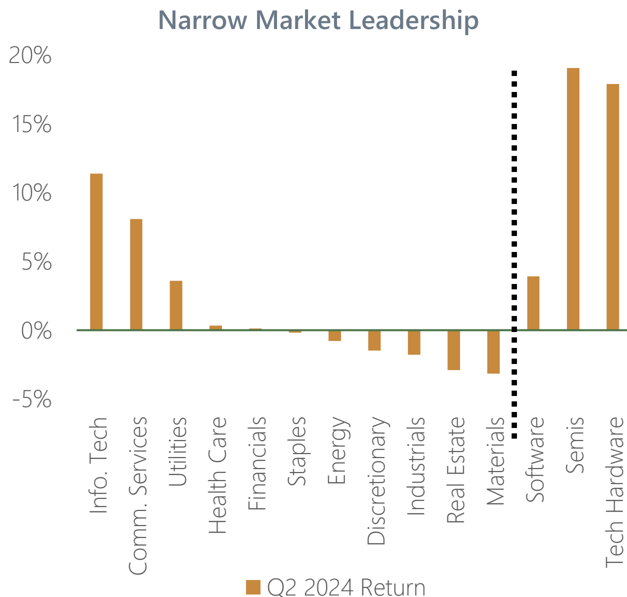
Global Growth Commentary

Q2 2024

SGA
Sustainable Growth Advisers

Performance

The Global Growth portfolio returned 1.0% (Gross) and 0.7% (Net) while the MSCI ACWI returned 2.9% and the ACWI Growth returned 6.2%.



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

Strong returns from Apple and NVIDIA hurt relative returns, and disappointing quarterly reports from some software companies led to concern over the group's prospects moving forward should economic growth slow. The market's penalization of these software stocks and the portfolio's underweight in semiconductor stocks accounted for most of the quarter's performance shortfall.

Highlights

- The portfolio returned 1.0% (Gross) and 0.7% (Net) in Q2 versus 2.9% for the MSCI ACWI and 6.2% for the ACWI Growth.
- Market leadership was narrow in Q2 with Information Technology and Communication Services outperforming the Index by wide margins; our performance was negatively impacted by an underweight to strongly performing semiconductor and technology hardware stocks as well as the underperformance of select software stocks.
- The largest contributors to performance were NVIDIA, HDFC Bank, and Alphabet; the largest detractors from performance were Workday, MSCI, and Aon.
- We upgraded the quality and expected growth of the portfolio initiating new positions in Meta, Synopsys, Apple, and ServiceNow while selling positions in Mengniu Dairy, Equinix, Heineken, Linde, and Medtronic where the valuations had become less attractive, or we moved to higher confidence or higher growth opportunities.
- We also trimmed positions in Alphabet, MercadoLibre, and others on strength, and added to positions in Atlassian, Salesforce, and Workday on weakness in software stocks among others where we continue to see attractive business quality and 3–5-year growth.

Optimism Continued

Global equities delivered positive returns in Q2 with emerging markets outperforming developed markets. U.S. stocks continued to lead developed markets due to strength in large technology stocks, while European markets were flat during the quarter and Japanese stocks lost momentum and delivered negative returns as the Yen weakened amid uncertainty around the country's monetary policy. Global inflation rates continued to moderate in Q2 leading to reductions in policy rates by central banks in Europe, Latin America, and Canada. While the U.S. Federal Reserve held rates steady during the quarter, renewed hopes for rate cuts drove a strong rally in Information Technology stocks led by a relatively narrow group of AI-related beneficiaries. The top five contributors to ACWI performance in Q2 (NVIDIA, Apple, Alphabet, Microsoft, and TSMC) accounted for 100% of Index performance.

Emerging Europe was the strongest performing region while emerging Latin America was the weakest. Political uncertainty and surprising election results drove significant market volatility in key markets, including India, Mexico, South Africa, and France. Emerging markets benefited from a rally in Chinese stocks due to further signs of government stimulus and strong results for Taiwanese stocks, amid strength in semis. Indian stocks overcame concerns about Prime Minister Narendra Modi's underwhelming election results, helping to offset weakness in Latin America driven by the surprising outcome in the Mexican general election.

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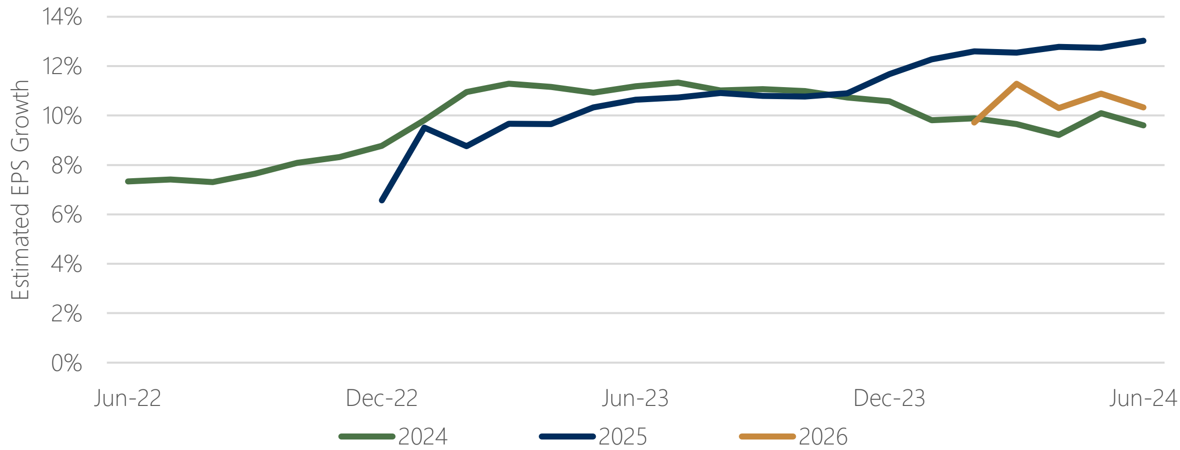
Despite signs of slowing economic data in the U.S., anemic growth in Europe, and uncertainty around future growth in China, earnings growth expectations for the broad global Index remained resilient and high in Q2.



Source: FactSet, MSCI

Current expectations are above long-term trends reflecting enthusiasm around AI and expectations for a soft landing or no landing scenario in the U.S. In contrast, the SGA portfolio is expected to generate earnings growth of 17% over the next three years which is in line with its long-term average, and historically less susceptible to macroeconomic effects.

Relative performance over the last three years has been challenging in part due to a less favorable market backdrop. As the world emerged from the Covid pandemic awash in stimulus, an unexpectedly strong and reflationary economic recovery drove nominal growth to levels not seen since the years leading up the Great Financial Crisis. As we witnessed back then, the more predictable and durable growth companies that meet SGA's definitions of quality through high levels of recurring revenue generation, have not been rewarded. This is evident in the below chart showing the three-year performance of various market factors we view as proxies for our key qualitative criteria. The performance of the 'sales stability' factor, a proxy for our focus on recurring revenues, has underperformed significantly and been a drag on performance as areas of the market we tend to have less exposure to have benefited from a resilient global economic backdrop.

Source: FactSet, MSCI

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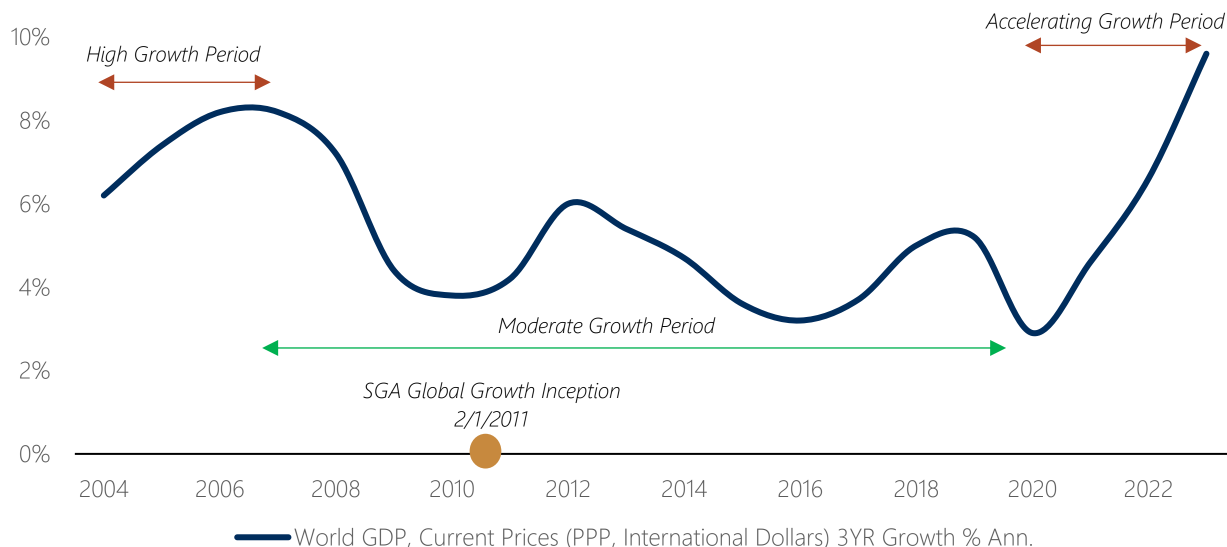


	2005 – 2007	2008 – 2019	2020 – 2024
Avg. World GDP Growth	7.9%	4.7%	5.9%
Avg. Annual Sales Stability Ret.	-2.9%	+3.4%	-8.9%
SGA Global Growth (Net)	-	12.7%*	7.4%
MSCI ACWI Net TR	-	8.3%*	9.6%
Peer Rank	-	7th*	64th

*Source: FactSet, MSCI, IMF. Sales stability and performance data as of 5/31/2024. GDP data through 2023. *Performance data for 2008-2019 period since SGA Global Growth Composite inception 2/1/2011 – 12/31/2019.* ***Please see performance slide included in these materials for the full performance presentation. SGA paid a standard fee to eVestment for access to rankings and other services. Peer rank based on gross returns.*** *World GDP is the annualized three-year GDP growth rate. Peer Rank data as of 5/31/2024. Universe is eVestment All Global Equity. Peer size ranges from 931 to 999 depending on the period under review.*

The chart above shows the annualized three-year World GDP growth rate over the long-term, varying between periods of high and accelerating growth and moderate growth. The table below it illustrates the performance of the portfolio during the periods of high nominal growth, when repeatable revenues weren't rewarded by investors, as well as performance in a period of more moderate GDP growth from 2011-2019 where companies with more repeatable revenues were rewarded by investors.

Key Contributors

NVIDIA was the largest contributor to performance in Q2 as it reported revenues for Q1 that beat the average analyst's estimate as well as ours. Revenues grew from $7.2 billion to $26 billion on a year-over-year basis with data center related revenues totaling $22.6 billion and growing to 87% of revenues. The company generated almost $15 billion in free cash flow on a year-over-year basis, up from $2.6 billion, and adjusted gross margins rose to 78.9% from 66.8%. The growth of the data center business is expected to continue as AI is integrated into more applications. Recent launch announcements and the expectation that such launches will be on an annual cadence have increased the visibility into the company's technological lead. Overall, NVIDIA continues to provide an attractive growth story over our 3–5-year investment horizon and we increased the portfolio's target to an average weight.

HDFC Bank was the second largest contributor to portfolio performance in Q2 after being the largest detractor from performance in Q1. Slower deposit growth in the previous quarter had caused concerns about the bank's ability to deliver on promised growth, and tighter system liquidity exacerbated this fear. The Bank's deposits rose about 26.4% on a year-over-year basis with retail deposits showing particular strength increasing 27.8% and continuing to provide HDFC Bank with access to attractive low-cost capital. Current (checking) and Savings account deposits grew 8.7% quarter-over-quarter specifically

and non-performing assets remained well controlled at 1.24% of assets versus 1.26% as of December 31, 2023. Contingent provisions were increased, and the conservatism will help the bank whenever there is a downcycle. We continue to see an attractive growth opportunity for HDFC Bank over our 3-5 investment horizon, with expected mid-teens earnings growth as India's growing middle class increasingly demands more sophisticated banking services. Accordingly, we maintained an above-average position in the company.

Alphabet was the third largest contributor to portfolio performance in Q2 after it reported 15% revenue growth (16% constant currency) beating consensus expectations and ours. The strength was broad based with results in Advertising, YouTube, Services, and Cloud all exceeding consensus expectations. Likewise, operating profits beat estimates with strength across Services and Cloud, while the company reported operating margins of 32% versus 28.6% expected. We were also pleased to see the company initiate a dividend given its strong free cash flow. However, we remain cognizant that an imminent ruling in the Department of Justice (DOJ) Apple iOS search default lawsuit entails some near-term downside risk despite the likelihood that the remedy and appeal phases may take a couple of years. Longer-term, GenAI poses incremental opportunities but also significant competitive risks for the core Search business. The company asserts that GenAI is leading to more searches and higher click through rates indicative of incrementally higher monetization. However, GenAI may also lead to new direct and indirect competitors including the likes of OpenAI among others. With the stock's valuation less attractive and the risks associated with DOJ and other legal proceedings, we trimmed the position to a below-average weight consistent with our valuation discipline.

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

Key Detractors

Workday was the largest detractor from portfolio returns in Q2 after the company posted generally in line results but provided disappointing guidance looking forward, citing slower than expected increases in customer headcounts and softness in large deals in the EMEA region. The company's 12-month backlog grew 18% which was in line with prior guidance, however many investors expected the company to beat its guidance as it has consistently done in the past under their prior CFO. Adding to this, Q2 backlog guidance was also reduced to mid-teens growth versus the high-teens growth targets provided six months ago. On the positive side, margin improvement and free cash flow guidance was moved higher, and the company maintained its high client retention rate of 95%. While disappointed with management's more cautious short-term guidance, we see key business metrics as continuing to move in the right direction. For example, the total backlog growth of 24% is indicative of customer contract duration lengthening consistent with our thesis. AI opportunities for Workday remain attractive with many new use cases already in production and several said to be in development to assist clients in making more efficient, faster, and profitable decisions. We added to the position on weakness, maintaining an average weight.

MSCI was the second largest detractor from performance in Q2 despite posting solid first quarter results including double digit revenue, profit, and EPS growth. The underperformance of the stock during the period was the result of the market's disappointment regarding elevated sales cancellations due to industry consolidation, fund closures and reorganizations, and client cost pressures. Importantly, we expect these factors to moderate going forward, as much of the industry consolidation impact was the result of one merger (Credit Suisse/UBS) as well as volatility in the hedge fund market and the lagged effect of conservative client budgets set at the end of last year in a more challenging environment. In addition, we have confidence in management's ability to offset any near-term revenue challenges via disciplined expense management and still deliver attractive earnings and cash flow growth this year. Lastly, and most importantly, the company's secular growth drivers remain intact, including portfolio customization and indexation, growth in private asset markets, and global demand for ESG & Climate data and analysis, creating an even more attractive opportunity in the stock. We maintained our average weight in the stock.

Aon was the third largest detractor from performance in Q2 after being one of the portfolio's largest contributors in Q1. The company results were in line with management's guidance but fell short of analyst expectations with organic revenue growing 5% and earnings per share up 9% with results from its Commercial Risk segment (which makes up 44% of revenues) disappointing at 3%+ organic growth, trailing its competitors. Other segments such as Reinsurance (which makes up 29% of revenues), Health Care Solutions (which makes up 19% of revenues), and Wealth (9% of sales), delivered 7%, 6%, and 4% organic growth respectively in line with our expectations. The company's smaller exposure to the middle market in commercial risk as well as continued weakness in M&A related revenues were cited as reasons for relative weakness. As the acquisition of NFP (brokerage firm in middle markets) closed earlier than expected, we do expect Aon will benefit from the

growth in the middle market going forward. We continue to find Aon's long-term growth opportunity attractive given significant investments in its data and analytics capabilities over the years which has enhanced their ability to offer valuable perspective and insights to clients, helping them to better manage risk, employee retirement, and health benefits. Its ability to monetize these insights, mainly through highly recurring commissions and fees (85% of revenues), which provide predictable cash flows should allow it to generate high single digit earnings growth over our 3-5-year investment horizon after the short-term headwinds associated with the NFP purchase and technology investments in 2024 subside. We maintained an average weight position in the company.

The fourth and fifth largest detractors from performance were **Salesforce** and **CPKC**.

Portfolio Activity

Several changes were made during the quarter to improve the growth and quality profile of the portfolio. Positions were initiated in high quality compounders Meta, Synopsys, Apple, and ServiceNow. To fund those positions, Mengniu Dairy, Equinix, Heineken, Linde, and Medtronic were sold. We also trimmed positions in Alphabet, MercadoLibre, and others on strength and added to several positions including some software companies on weakness such as Atlassian, Workday, and Salesforce where we continue to see attractive business quality and 3–5-year growth.

Purchases

We initiated a new position in **Meta** when the stock appeared attractively valued on our cash flow-based valuation measures after reporting disappointing Q1 results. Meta is a global social technology company that operates through its Family of Apps which includes Facebook, Instagram, Messenger, and WhatsApp, and its Reality Labs which offers augmented and virtual reality related consumer hardware, software, and content. The company's leading position among social media networks, and the strength this provides to creators and users has continued to boost its advertising opportunities thereby enhancing its pricing power. With billions of users visiting their platforms daily and high retention, millions of advertisers rely on Meta for ad views and the performance of their ad campaigns. We expect this value to only increase with AI further augmenting the company's competitive position, pricing power, and recurring revenues. The company's growth opportunity is based on this strong position in the growing social media market with its associated advertising benefits. The company's ability to productize AI for consumers is a further significant growth opportunity which we believe to be in its early stages.

We owned what was then Facebook in this portfolio in the past, having sold it in early 2022 due to concerns over their capital allocation practices and the expected high levels of investment in the Metaverse. We were skeptical about this given their lack of traction in that area. We also were concerned by a possible adverse impact on advertising effectiveness as Apple limited user tracking on iOS, as well as the increasingly successful competition from Chinese owned Tik Tok which was beginning to encroach upon Meta's commercial success at Instagram. However, in the period since we sold the stock, Meta implemented their "year of efficiency" which led to dramatically higher margins, free cash flow generation and capital return. Meta also made significant research and product development investments to AI and become a leader, capitalizing on their wealth of user insights, in using it to improve user engagement as well as advertising creation automation, both of which have improved their monetization. We have also seen the company successfully respond to Tik Tok's offering with its own short format video product Reels which is gaining share of user time spent globally. In addition, the company has successfully leveraged AI, first-party data from advertisers, and on-platform signals to maintain its advantage in advertising performance. Accordingly, we now believe Meta is poised for its next leg of growth given that it has addressed our chief concerns by quickly pivoting its strategy toward areas where we think it can be highly successful.

Among the key risks we are monitoring are potential regulations concerning the online safety of children and privacy in the U.S. and EU which may limit Meta's ability to engage users and provide as relevant advertising effectively. We are also monitoring the degree of impact on margins that the company's heavy AI investments may have, and cognizant of the European Data Protection Board's recent opinion that Meta's pay or ok consent model for targeted advertising does not meet its standards. We expect there to be further debate in the EU around this issue before final implementation rules are decided.

We initiated a new position in leading software company **Synopsys** following weakness in the stock due to a second FTC request regarding their pending acquisition of Ansys. Synopsys is the leader in digital electronic chip design as well as the

second largest provider of intellectual property in the semiconductor industry. Electronic digital design automation comprises about two thirds of its sales, while semiconductor intellectual property comprises about a quarter of its sales. The company gains pricing power from the fact that customers prioritize technical strength, comfort of use, ecosystem advantages, and compatibility, all of which are more important than price. With very few competitors and deep, long-term customer relationships, the company has built a unique niche that would be tough to compete with in the foreseeable future. Given the importance of R&D in the space as well as steady and strong customer demand, there is a high degree of repeatability in the company's revenues, with about 75% coming from repeatable sources. Over the past few years, there has been an increase in system and auto companies developing their own semiconductor capabilities, and this phenomenon is poised to accelerate going forward.

Among the key risks we are monitoring are the potential for a ban on support of Chinese R&D Development. About 15% of revenues come from Chinese and non-Chinese clients in China. If such a ban is implemented, we would expect R&D efforts to be moved to other countries in the region such as India or Vietnam. We are also aware of the high level of customer concentration. There are, however, literally hundreds of decision-making teams at its big customers making it less likely that wholesale change would take place. Likewise, the fact that there are very few competitors in the market reduces such a risk. With respect to the Ansys acquisition, we do expect it to take some time as the review process will be thorough. However, we view the acquisition as likely providing upside opportunity to Synopsys over the long-term.

We initiated a new position in **Apple** during Q2 on the expectation that continuing integration of AI into iPhones and other devices will drive an increase in need for computing ability and spur multi-year upgrade cycles for Apple products. Apple's ecosystem continues to gradually expand driven by product extensions and the last upgrade cycle for the iPhone has been extended to the point where new AI capabilities will tax older model phones and, we expect, lead to more consumers willing to pay for Apple's premium price products to enjoy the utilities offered by new AI related attributes. From a pricing power perspective, Apple has commanded high margins by positioning its products in the premium category and maintaining a massive scale of production. This combined with increasing service-related revenues should help the company maintain high margins. With customers essentially locked into the Apple ecosystem and software experience through phones, tablets, wearables and services, there is a high cost to change which promotes higher levels of recurring revenues for the company. We expect the company to grow its revenues in the mid-to-high single digits range over the next three years with double-digit earnings growth. We see Apple benefiting from three growth drivers with each contributing low-single digit growth to the top line: 1.) continued expansion of the iOS ecosystem in emerging markets which remain very early in their penetration, 2.) continued shifts toward the iOS ecosystem in developed markets, and 3.) new products and services. Additionally, in the short-intermediate term, upgrades driven by AI related demands due to greater compute needs will contribute as well. We see the company's growth opportunity over the next few years as benefiting from these key drivers, which combined with its attractive 3.4% Enterprise Yield at the time of purchase led us to introduce it to the portfolio.

Among the key risks we are focused on is the company's exposure to China, which comprises about 19% of sales. We have been conservative in our expectations for sales in the country, acknowledging concerns over the impact of slower growth there, but most recently, sales in China were better than feared. Increased competition from Android and vendors who can design products with similar capabilities to Apple are another watchpoint. While we expect Android to continue to be a solid competitor, we do not see vendors being able to recreate the broad ecosystem and capabilities iOS users have come to expect. Such capabilities would require vast investments in R&D and marketing which would likely be met by Apple.

We initiated a new position in **ServiceNow** during the quarter following broad weakness in software industry stocks. The company develops and sells market leading workflow management software-as-a-service (SAAS) that enables enterprises to digitize and unify work processes and enhance efficiency across far-flung geographically dispersed organizations and teams, helping them to work smarter and faster. It serves over 7,700 corporate and governmental customers worldwide. Its business offers high organic growth, high margins and is the leader in "mid-office" automation software. Given high switching costs and a very stable customer base with a 98% renewal rate, ServiceNow offers the more predictable and recurring type of revenue growth stream we seek. About 20% "same store sales" growth in the installed base drives about 80% of the company's growth. Its highly scalable platform, broadening product suite, and impressive innovation provides it with attractive pricing power and long-term growth opportunities. Its resulting high gross margins are consistent with other best-in-class SAAS companies. We particularly like the fact that its "emerging products" and platform sales currently represent about 45% of new bookings, with new greenfield applications focused on automating business tasks previously conducted manually. With corporate earnings growth becoming more challenging in coming years, and more emphasis on companies maintaining

margins, we see an attractive opportunity for ServiceNow to further enhance its growth, helping companies across the world operate more effectively. We also are very familiar with CEO Bill McDermott due to our long-held position in SAP, where he had been CEO previously, and especially appreciate his ability to effectively lead global enterprise sales organizations. Most recently, the company posted solid Q1 results with subscription revenues growing over 24% on a constant currency basis, which was better than guided, while margins were strong at 30%, improving by 4% on a year-over-year basis. The company maintained its guidance for the year, which disappointed some investors hoping for raised guidance. We took advantage of this, and the general weakness of software stocks in the market for reasons we believe to be short-term in nature, to initiate the position.

Among the key risks we are monitoring at ServiceNow are potential new product competition, service deficiencies that negatively impact its brand and reputation, management turnover, and small-medium sized businesses opting for simpler help desk-oriented software over the company's more expensive software which is geared to larger clients.

Sales

We sold the position in **Mengniu Dairy** as a secular slowdown in the Chinese economy led to a diminishing growth outlook as prior drivers such as real estate investment, the rural to urban migration, and export growth faltered. Additionally, certain product categories, such as room-temperature yogurt, are more discretionary in nature and demand for them has declined since 2022. Industry deflation and consumer trade-downs have also limited their ability to achieve the pricing growth that they had delivered in the past. With growth slowing more than had been modeled, other more attractive opportunities for client capital presented themselves.

We liquidated the position in **Equinix** due to forced attrition and its high valuation. Its business continued to generate solid results, but its valuation looked less attractive, and the company's growth was expected to be limited by the amount of capex it would spend on expansion. It is also likely to face a more difficult pricing environment after having taken significant price increases in 2023. Accordingly, with other opportunities offering higher growth with relatively more attractive valuations, we sold the position.

We liquidated the position in **Heineken** due to forced attrition. Heineken reported solid Q1 sales as it lapped easier comparisons in previously weak areas like Vietnam and Nigeria, while beer volumes in Europe showed renewed growth where it had stalled due to prior large price increases. With the company poised to grow profits likely in the low to-mid-single digits range this year but concern remaining over high inflation and a weakened consumer, we reallocated the proceeds to a higher growth and high confidence alternative.

Linde was sold due to forced attrition and its high valuation. Linde has continued to generate better operating margins, leading to stronger than expected operating leverage despite a relatively flat business environment. Highly attractive synergies from its combination with Praxair have exceeded our expectations. Given higher interest rates and its impact on the company's financial engineering, and the likelihood that it may be difficult for them to sustain the degree of margin enhancement seen, we have become more cautious and sold the position to fund new opportunities.

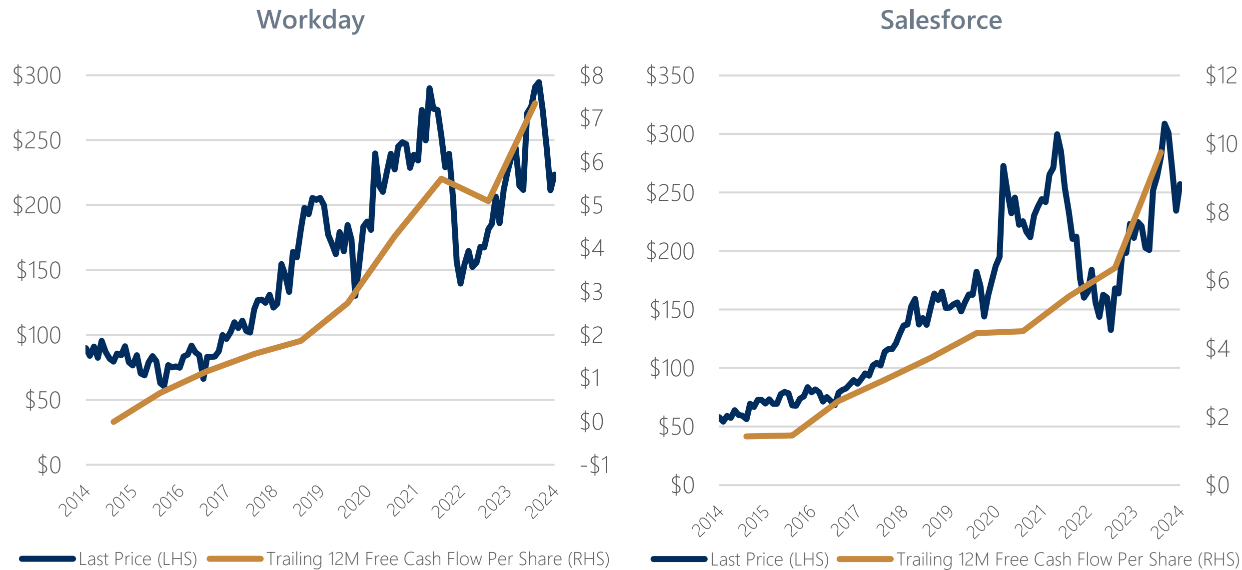
The position in **Medtronic** was sold due to forced attrition to fund new positions in Apple and ServiceNow. The company beat consensus revenues and earnings forecasts for its fiscal Q4, while its fiscal 2024 results met expectations despite continued currency headwinds. While results were in line with our expectations, Medtronic was among the slower growth businesses in the portfolio as it waited for its new robotic assisted surgery machine, its treatment for hypertension and diabetes to begin to make contributions.

Outlook

Q2 was a difficult period for our approach given the continued outperformance of semiconductor and communication services companies, where we are underweight. Additionally, the disappointing performance of highly profitable software stocks that generate attractive recurring revenues and cash flow compounding weighed on performance. While the market was concerned with slower than expected short-term backlog growth at some of these companies, we believe these are temporary issues and saw this as an opportunity for us to leverage our longer time horizon and add to our holdings in these shares. Our research and modeling indicate at least double-digit earnings and cash flow growth over the next 3-5 years for most of these companies. Accordingly, we are comforted by Benjamin Graham's belief that in the short-term, the market is

a “voting machine” reflecting myriad different emotions and beliefs whereas in the long run it is a “weighing machine” that ultimately reflects the cash flow created by businesses. In this case, as we have with other companies which have faced short-term disappointments, we rely on our modeling and perspective around these businesses to make our decisions versus being influenced by the short-term noise.

The charts below illustrate the short-term “noise” and the highly variable stock price action in blue, along with the steady compounding of cash flows from these businesses that we are attracted to in orange. They also show the rebound which occurred in the stock prices of some of the stocks at the end of Q2 as investors looked at the longer-term underlying fundamentals.



Data as of 6/30/2024. Source: Bloomberg

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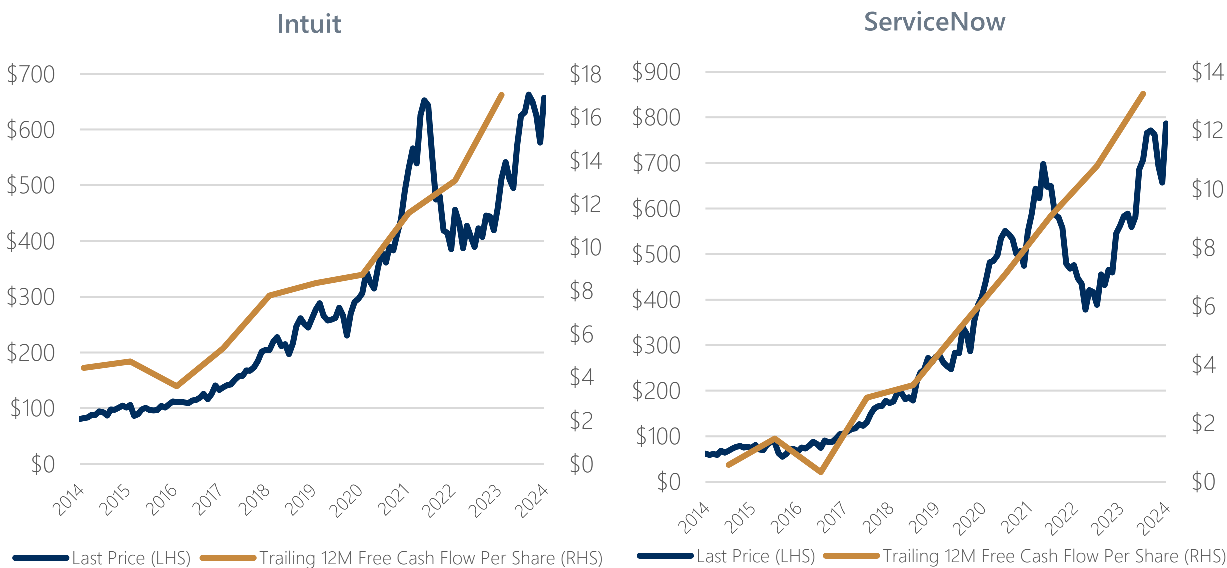

Data as of 6/30/2024. Source: Bloomberg

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A more detailed discussion of some of these application software companies is provided in a recently published paper called “The Search for Linear Cash Flow Compounders: Enterprise Application Software Stocks on Sale”. We are confident that compounding cash flows and the long-term predictable earnings growth from these and other owned businesses will become more attractive to investors as the massive $7 trillion in stimulus applied to the U.S. economy over the past three years gives way to slower growth. Whether this leads to recession or not is unknowable. However, we do believe it is likely that corporate profit growth slows from the unsustainably high levels of the post pandemic period, and market volatility increases with

greater uncertainty. Over the next three years, this portfolio is forecast to generate 13% revenue growth and 17% earnings growth with less variability than the market. Earnings variability hasn't meant much to investors while economic growth was high. We remain confident in the superiority and predictability of our portfolio's earnings and cash flow growth and expect that it will begin to be noticed again amid greater uncertainty and moderating growth.

Our approach to growth investing has seen difficult periods before (2005-2007, 2013-2014) and subsequently generated attractive relative returns as the predictable growth businesses we own began to be recognized and rewarded again. We can't control the indexes or investor emotions, but we can ensure discipline to our approach which over time has generated superior earnings growth with lower earnings variability. We remain confident that this superior growth together with an attractive valuation especially as index valuations approach their 2021 peaks will be handsomely rewarded both absolutely and relative to the indexes over time.

We thank you for your continued confidence. Please let us know if you have any questions.

Organizational Updates

As communicated to you over the past year, co-founder George Fraise retired from SGA effective July 1st after a long and distinguished career and HK Gupta replaced him on SGA's Executive Committee. George will continue to serve on SGA's Advisory Board.

We are also pleased to announce that Joseph Wahba recently joined SGA as a Client Portfolio Manager serving our Australian and Asian Clienteles together with Deana Leong. Joseph joins us from AustralianSuper where he had served as Head of Manager Research for Australia's largest superannuation fund and been a client of SGA's.

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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 Global Growth strategy. Net Returns do not account for custodian and brokerage fees that clients pay to third parties. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. The largest contributors and detractors are determined using a ranking of the absolute contribution to portfolio return by each security held over the period under consideration. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Upon request, free of charge, SGA can provide a list of all portfolio holdings held in SGA's Global Growth portfolio for the past year. SGA's earnings growth forecast data is based upon portfolio companies' non-GAAP operating earnings.

Performance Results	Q2 2024	YTD 2024	1-Year	3-Year	5-Year	10-Year	Since Incep.
SGA Global Growth (Gross)	1.0%	6.9%	16.8%	0.8%	9.7%	11.9%	12.1%
SGA Global Growth (Net)	0.7%	6.4%	15.9%	0.0%	8.8%	10.9%	11.2%
MSCI ACWI Index (Net TR)	2.9%	11.3%	19.4%	5.4%	10.8%	8.4%	8.8%
MSCI ACWI Growth Index (Net TR)	6.2%	16.3%	24.7%	5.5%	13.8%	11.1%	10.9%

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

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

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

Sustainable Growth Advisers, LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sustainable Growth Advisers, LP has been independently verified for the periods July 1, 2003 – December 31, 2022.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The SGA Global Growth composite has had a performance examination for the periods February 1, 2011 - December 31, 2022. The verification and performance examination reports are available upon request.

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

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

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

Global Growth Commentary

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

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

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

Q2 2024 Sustainability Report

SGA
Sustainable Growth Advisers

CDP's 2024 Non-Disclosure Campaign

This quarter we were pleased to join 275 financial institutions in supporting CDP's 2024 Non-Disclosure Campaign. Last year marked our first year supporting the CDP's annual Non-Disclosure Campaign, and we were encouraged by its outcomes. In 2023, the campaign engaged with over 1,500 companies resulting in nearly 20% of targeted companies ultimately disclosing across an array of ESG-related metrics. Companies targeted in 2023's campaign were over two times more likely to disclose to CDP and 90% of companies that disclosed following the 2022 campaign resubmitted disclosures in 2023. Given this strong success rate, the 2024 Non-Disclosure Campaign has increased the number of targeted companies to nearly 2,000. While the majority of our ESG engagement efforts are focused on direct interaction with companies on our Qualified Company List (QCL), we are pleased to collaborate with other organizations on important ESG issues.

Yum Brands!

During 2023, a new European Union (EU) law entered into force requiring companies with material operations in the EU to report on risks and opportunities related to environmental and social issues, as well as the impact of the companies' activities on the environment and society ("Double Materiality"). Starting in 2025, companies must disclose this information annually in a Corporate Sustainability Reporting Directive (CSRD). As part of the process, companies must conduct a Double Materiality assessment, which includes receiving input from an array of stakeholders in the company.

Over the quarter, we participated in a "Double Materiality Assessment Review" conducted by consulting firm Point B on behalf of Yum! Brands. Point B is interviewing various YUM stakeholders to hear their perspective on what ESG factors they think are most material from both the inside-out and outside-in. As one of the largest shareholders in the company, SGA was invited to participate in the review as a material stakeholder. It was a valuable opportunity for us to express our opinion on the most material ESG factors pertaining to risks and opportunities for the company, as well as an opportunity to gain an inside look at the process behind the reporting requirements under the CSRD.

Key highlights from our interview included the following:

1. When asked to identify the ESG factors from a list of 30 that are most important to Yum! Brand's ability to generate value, we cited food safety, safety & human rights in the value chain, franchisee relations, GHG emissions, nutrition, and talent attraction/engagement/retention as the most material.
2. When asked to review the list of risks and opportunities related to DEI considerations that are potentially most impactful, we noticed employee retention (a real challenge in the QSR industry) was not explicitly included on the list of risks and suggested it be added.
3. When asked to review similar lists for Cybersecurity & Data Privacy, Responsible Marketing, and Tax Strategy, we found the lists to be sufficiently thorough with no significant items missed.

ServiceNow

We recently met with ServiceNow management including the General Counsel, Russ Elmer, to continue our discussion on compensation concerns. As a reminder, we have long considered ServiceNow to be among the leaders in the practice of capping share dilution and have frequently referenced their practices as 'best-in-class' in our engagements with other QCL companies. We began the discussion by expressing our support for recent changes to the company's compensation plan, including the addition of relative Total Shareholder Return (TSR) in Performance-based Restricted Stock Unit (PRSU) award calculation, the extension of PRSU vesting to a 3-year cliff, a commitment to make no further one-time equity awards, and a reduction of annual dilution commitment from 2% to 1.5% and gradually to <1% per annum.

We urged management to avoid mid-year modifications to the compensation plan, which Russ Elmer agreed with barring truly exceptional circumstances. We also suggested that management revert the PRSU mix to 80% of the Long-Term Incentive (LTI) plan after the current transition period in the vesting terms; it had been lowered to 60% this year to smooth cash flows to management as a result of the extension of the vesting cliff from 1 year to 3 years. Next, we suggested management consider using Free Cash Flow (FCF) margins as opposed to operating margins in LTI metrics. Russ Elmer asserted that FCF margin and operating margin are similar, however we noted there could be many scenarios under which this is not the

case. Furthermore, given the CEO's continued emphasis on the company's growth in revenue and FCF margins, we would expect FCF margins to naturally be included in Key Performance Indicators (KPIs).

Finally, we inquired whether CEO Bill McDermott's 2024 contract expiration and his promotion to Chairman last year would be the basis for another one-time equity grant. Russ Elmer confirmed that there would not be a one-time grant for such reasons and stated that McDermott's contract allowed for annual extensions.

Universal Music Group

During the quarter, we engaged with Universal Music Group on ESG matters including board independence and share-based compensation ahead of the annual meeting. We discussed the qualifications of the independent board directors and the value they bring to the board. Universal Music Group went public in 2021 and currently only 5 of the 14 directors are independent. The company is working towards increasing the number of independent board members by adding new seats for the independent members while retaining the existing board members. However, we indicated at some point we would like to see some of the non-independent directors replaced by independent directors so that the board does not grow unmanageably large. Separately, we also expressed a desire to see cash-flow based measures implemented in the compensation plan as a part of the incentive compensation as opposed to revenue and EBITDA growth. We will continue to engage with management in future meetings to monitor their progress on board independence and advocate for cash-flow based compensation measures.

Proxy Voting Summary Q2 2024

	Number of Resolutions	For	%	Against	%	Abstain	%
U.S. Large Cap Growth	355	309	87%	46	13%	0	0%
Global Growth	345	300	87%	45	13%	0	0%
International Growth	355	326	92%	29	8%	0	0%
Emerging Markets Growth	211	202	96%	9	4%	0	0%

Source: SGA, ISS.

Carbon Risks Q2 2024

	Carbon Emissions*	Carbon Intensity	Weighted Average Carbon Intensity
SGA Global Growth	5.8	31.8	27.9
MSCI ACWI	75.9	166.7	119.6
SGA Relative Exposure	-92%	-81%	-77%
SGA U.S. Large Cap Growth	7.8	47.4	45.7
Russell 1000 Growth	7.6	42.4	27.5
SGA Relative Exposure	+2%	+12%	+66%
SGA Emerging Markets Growth	23.4	54.5	40.2
MSCI EM	253.6	370.0	344.3
SGA Relative Exposure	-91%	-85%	-88%
SGA International Growth	17.2	65.1	83.8
MSCI ACWI ex-USA	142.5	204.6	170.9
SGA Relative Exposure	-88%	-68%	-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.