# SGA Global Growth Equity

## Q3 2021 Portfolio Review

# Philosophy

Identify those few differentiated global businesses that offer predictable, sustainable growth over the long term

Perform deep company research with coverage by multiple analysts to enhance objectivity

Wield valuation as an essential element of growth stock selection; cash flow metrics best reflect reality

Focus on a longer-term time horizon to take advantage of short-term inefficiencies and volatility

Invest with conviction based solely on opportunity and not benchmark active weights

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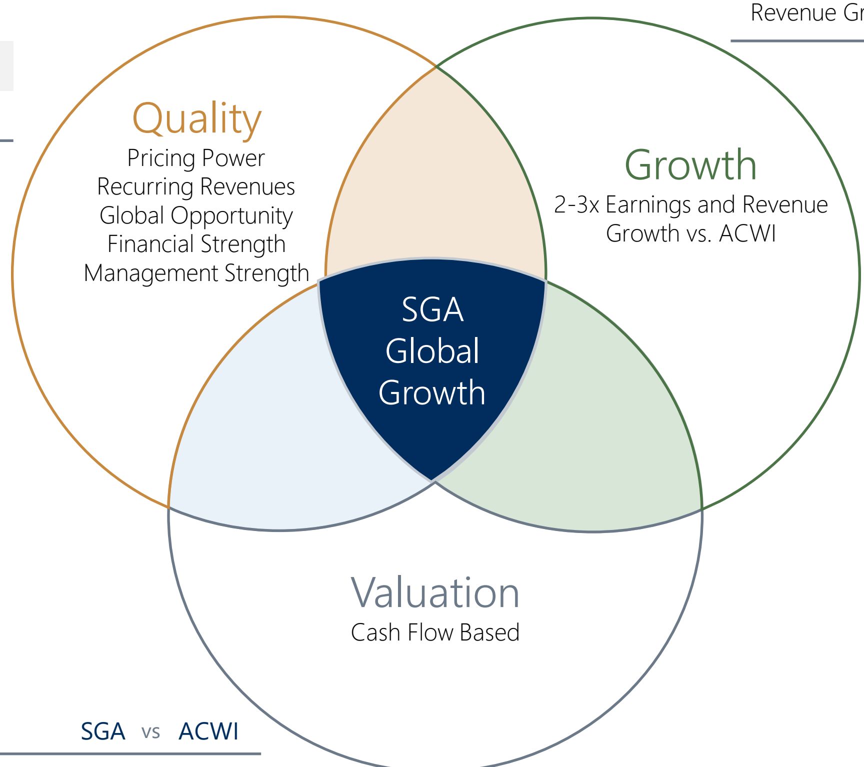
# SGA Global Growth

| | SGA | vs | ACWI |
|---|---|---|---|
| Gross Margin | 58% | | 44% |
| Cash Flow/Earnings | 96% | | 66% |
| Debt/Equity | 77% | | 169% |
| Earnings Variability | 5.4% | | 14.5% |

| | SGA | vs | ACWI |
|---|---|---|---|
| EPS Growth | 14.2% | | 1.1% |
| Revenue Growth | 12.7% | | 1.0% |




| | SGA | vs | ACWI |
|---|---|---|---|
| Enterprise Yield | 2.7% | | 3.0% |

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Cash Earnings Ratio is a measure of proportion of earnings that is converted into cash (CFATS / Earnings). Cash Flow Available To Shareholders (CFATS) = Op Cash Flow – Cap X – Sustaining Acquisitions – Unfunded Obligations (pensions, legal). Enterprise yield (EY) is a proprietary measure of the free cash flow truly available to investors as a percentage of market value (CFATS / Market Capitalization). Source: Bloomberg, FactSet, and SGA estimates and adjustments. Data as of 9/30/2021. C/E Ratio, EY exclude financials. SGA C/E ratio and Enterprise Yield projected. EPS and Revenue Growth are historical values since inception of the SGA Global Growth composite. SGA Global Growth composite inception is 2/1/2011. Earnings Growth data is through 12/31/2020 (last full calendar year of reported EPS data) for SGA's longest tenured account. SGA EPS Growth data is based upon portfolio companies' non-GAAP operating earnings. EPS calculations exclude companies with earnings going from (i) positive to negative or (ii) negative to positive, year to year.

# Our Firm

Our ideal client believes strongly in being very selective in company identification and benchmark indifferent in portfolio construction

## Founded
2003

## Location
Stamford, Connecticut

## Assets Under Management
$24.6 billion

- U.S. Equities: $14.1 bn
- Global Equities: $10.5 bn

## 32 Employees
17 of which are equity owners

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It is not known whether the listed clients approve or disapprove of Sustainable Growth Advisers or the advisory services it has provided. References provided upon request. The names included herein were selected as being representative of the different types of institutional clients and businesses serviced by Sustainable Growth Advisers. Performance was not a determining factor for inclusion or exclusion of client names on the list. You may have a different experience than the clients listed above. As of 6/30/2021, $24.6 billion in assets includes $21.0 billion from discretionary accounts and $3.6 billion from emulated (Model) accounts.

# Investment Team

## Analysts and Portfolio Managers

**Tucker Brown**
Analyst, PM
SGA Since 2006

**Julian Cochran**
Analyst
SGA Since 2019

**George Fraise**
Analyst
SGA Since 2003

**HK Gupta**
Analyst, PM
SGA Since 2014

**Alexandra Lee, MD**
Analyst, PM
SGA Since 2004

**James Li, CFA**
Analyst
SGA Since 2019

**Peter Madej, CMT**
Analyst
SGA Since 2005

**Gordon Marchand, CFA**
Analyst, PM
SGA Since 2003

**Kishore Rao**
Analyst, PM
SGA Since 2004

**Jon Richter**
Analyst
SGA Since 2019

**Rob Rohn**
Analyst, PM
SGA Since 2003

**Luying Wang, CFA**
Analyst
SGA Since 2017

PORTFOLIOS

| U.S. | Global | Emerging Markets | International | Global Mid Cap |
|---|---|---|---|---|
| Gordon Marchand, CFA<br>Kishore Rao<br>Rob Rohn | HK Gupta<br>Gordon Marchand, CFA<br>Rob Rohn | HK Gupta<br>Kishore Rao<br>Rob Rohn | Tucker Brown<br>Alexandra Lee, MD<br>Gordon Marchand, CFA | HK Gupta<br>Kishore Rao<br>Rob Rohn |

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# K Invest Account Performance

| Cumulative Returns | Q3 2021 | YTD 2021 | Since Inception |
|---|---|---|---|
| K Invest (Gross) | -0.8% | 8.7% | 9.6% |
| MSCI ACWI (Net TR) | -1.1% | 11.1% | 12.3% |
| MSCI ACWI Growth (Net TR) | -0.7% | 9.5% | 10.7% |

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Gross of fees performance is through 9/30/2021. K Invest account inception date is 12/18/20. The performance figures shown do not reflect the deduction of investment advisory fees. The prospective return will be reduced by advisory fees and any other expenses incurred in the management of the account. Trailing returns and since inception returns are annualized for periods longer than one year. Returns reflect the reinvestment of dividends, interest and other earnings. For interest and capital gains, SGA does not withhold taxes, for dividends SGA will withhold taxes as reported by the client's custodian. This information is supplemental and complements full disclosure presentation on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Performance

| Cumulative Returns | Q3 2021 | YTD 2021 | Annualized Returns 1-Year | 3-Year | 5-Year | 7-Year | 10-Year | Since Inception |
|---|---|---|---|---|---|---|---|---|
| SGA Global Growth | -0.5% | 9.1% | 21.4% | 19.8% | 18.9% | 17.1% | 16.7% | 15.2% |
| MSCI ACWI (Net TR) | -1.1% | 11.1% | 27.4% | 12.6% | 13.2% | 9.9% | 11.9% | 9.5% |
| MSCI ACWI Growth (Net TR) | -0.7% | 9.5% | 23.8% | 18.3% | 17.8% | 13.8% | 14.7% | 12.1% |
| Relative Return vs ACWI | +0.6% | -2.0% | -6.0% | +7.2% | +5.7% | +7.2% | +4.8% | +5.7% |

| Calendar Year Returns | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 (Partial) |
|---|---|---|---|---|---|---|---|---|---|---|
| SGA Global Growth | 31.9% | 33.4% | -0.9% | 34.3% | 4.5% | 9.8% | 2.4% | 21.8% | 17.6% | 4.9% |
| MSCI ACWI (Net TR) | 16.3% | 26.6% | -9.4% | 24.0% | 7.9% | -2.4% | 4.2% | 22.8% | 16.1% | -8.8% |
| MSCI ACWI Growth (Net TR) | 33.6% | 32.7% | -8.1% | 30.0% | 3.3% | 1.5% | 5.4% | 23.2% | 16.7% | -7.8% |
| Relative Return vs ACWI | +15.6% | +6.8% | +8.5% | +10.3% | -3.4% | +12.2% | -1.8% | -1.0% | +1.5% | +13.7% |

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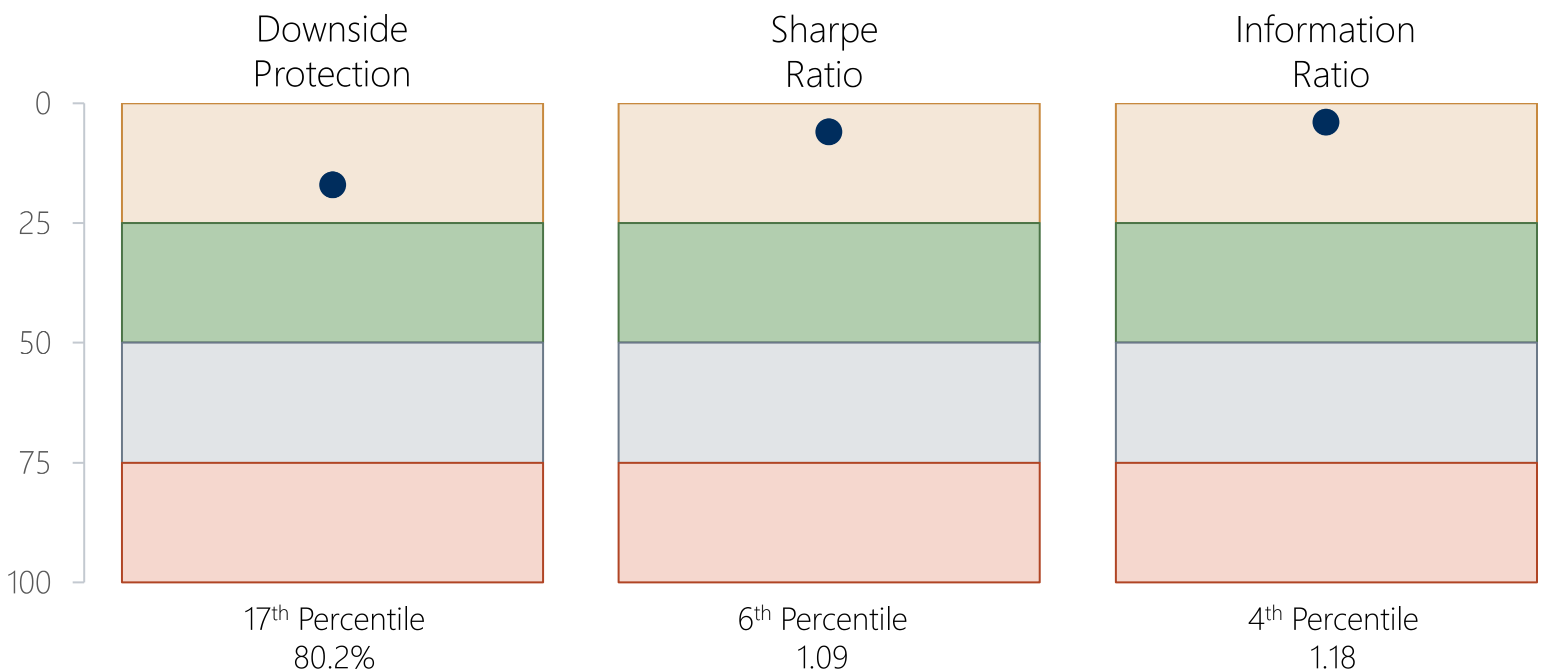
Trailing returns and since inception are USD gross annualized and as of 9/30/2021. MSCI ACWI is Net Total Return (MSCI Net Total Return indexes reinvest dividends after the deduction of withholding taxes). The performance figures shown do not reflect the deduction of investment advisory fees. The prospective return will be reduced by advisory fees and any other expenses incurred in the management of the account. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. SGA Global Growth composite inception is 2/1/2011. Returns reflect the reinvestment of dividends, interest and other earnings. For interest and capital gains, SGA does not withhold taxes, for dividends SGA will withhold taxes as reported by the client's custodian. This information is supplemental & complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Lower Risk By Most Measures – Global Growth

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Data is from 2/1/2011 (inception) to 6/30/2021. Source is eVestment. Universe is eVestment All Global Equity. Peer size is 815. Peer universe data and SGA data based on monthly gross returns and do not reflect the deduction of investment advisory fees. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. Actual fees charged to clients may vary depending on, among other things, the applicable fees schedule and portfolio size. It should not be assumed that future results will be reflective of past performance.

# Global Market Performance Summary

Q3 2021

- Global markets took a breather in Q3 as concerns over rising COVID-19 cases, stubborn inflationary pressures, and growing geopolitical threats clouded outlook, valuations remained high
- European markets performed best while Asian markets lagged with Chinese equities among the worst performers; Developed Markets outperformed EM's
- Market leadership fluctuated with large caps and growth leading initially, then small caps and value outperforming strongly to end the quarter
- Energy and Financials performed the best, while Consumer Discretionary and Materials performed the worst
- The reward to higher business quality characteristics fluctuated widely during the quarter; companies with earnings outperformed modestly

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# Global Investment Environment and Outlook

Q3 2021

- Markets have been heavily influenced by COVID-19 related developments leading to ongoing volatility given higher valuations
- U.S. economic growth forecast to moderate with higher taxes, more expensive regulation, and a steep reduction in fiscal stimulus; any new fiscal stimulus effects to take time
- Regulatory changes in China and Evergrande problems to slow growth and impact broader global economic growth
- Monetary accommodation expected to remain a tailwind to economic growth in 2022, but rising inflationary pressures likely to push rates higher in some markets
- Non-U.S. markets offering attractive opportunities given the earlier stages of their economic recoveries

## Focus on Sustainable Growth, Cash Generation, Balance Sheets

# Contribution Analysis – Global Growth

## Quarterly Contribution

| | Company | Avg. Weight | Q3 Return | CTR |
|---|---|---|---|---|
| Top Five | Recruit | 2.9% | 24.4% | 0.63% |
| | Novo Nordisk | 2.8% | 16.2% | 0.41% |
| | Salesforce.com | 3.4% | 11.0% | 0.35% |
| | Yum! Brands | 3.6% | 6.7% | 0.32% |
| | MercadoLibre | 2.6% | 7.8% | 0.25% |
| | Alcon | 2.0% | 14.5% | 0.25% |
| | Dassault Systemes | 3.0% | 8.6% | 0.23% |
| | Regeneron | 3.0% | 8.4% | 0.21% |
| | Alphabet | 3.2% | 6.3% | 0.21% |
| | Intuitive Surgical | 2.5% | 8.1% | 0.18% |
| | IHS Markit | 3.2% | 3.7% | 0.18% |
| | Microsoft | 3.8% | 4.3% | 0.16% |
| | Infosys | 3.1% | 5.0% | 0.15% |
| | Workday | 3.0% | 4.7% | 0.12% |
| | Abbott | 3.0% | 2.3% | 0.07% |
| | FleetCor | 3.0% | 2.0% | 0.05% |
| | Mengniu Dairy | 0.3% | 3.4% | 0.04% |
| | Linde | 2.0% | 1.8% | 0.04% |
| | HDFC Bank | 4.0% | 0.3% | 0.03% |
| | CP All | 2.7% | 0.3% | -0.01% |
| | Nike | 2.8% | -5.8% | -0.01% |
| | Autodesk | 3.2% | -2.3% | -0.03% |
| | Equinix | 2.9% | -1.2% | -0.04% |
| | SAP | 2.1% | -3.9% | -0.08% |
| | Facebook | 3.5% | -2.4% | -0.08% |
| | Medtronic | 2.0% | -3.5% | -0.11% |
| | Walt Disney | 3.0% | -3.8% | -0.12% |
| | XP | 0.3% | -16.4% | -0.15% |
| | Visa | 3.9% | -4.6% | -0.17% |
| | AIA Group | 3.3% | -6.6% | -0.20% |
| | Amazon | 4.2% | -4.5% | -0.24% |
| | Illumina | 1.8% | -14.3% | -0.24% |
| Bottom Five | PayPal | 3.4% | -10.7% | -0.37% |
| | Alibaba | 0.7% | -15.4% | -0.38% |
| | Heineken | 3.0% | -13.5% | -0.43% |
| | Tencent | 0.8% | -23.6% | -0.69% |
| | New Oriental Education | 0.5% | -64.2% | -0.87% |

## 1-Year Contribution

| | Company | Avg. Weight | CTR |
|---|---|---|---|
| Top Five | Alphabet | 3.2% | 2.21% |
| | HDFC Bank | 4.1% | 2.08% |
| | Kansas City Southern | 1.8% | 1.67% |
| | IHS Markit | 3.2% | 1.60% |
| | Infosys | 2.8% | 1.54% |

| | Company | Avg. Weight | CTR |
|---|---|---|---|
| Bottom Five | New Oriental Education | 2.5% | -2.54% |
| | Alibaba | 3.1% | -1.55% |
| | Tencent | 2.1% | -0.26% |
| | Walt Disney | 1.8% | -0.16% |
| | SAP | 2.1% | -0.16% |

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Representative list of portfolio holdings as of 9/30/2021. The Q3 returns referenced for each of the portfolio holdings illustrate the gross Q3 return and does not consider fees charged. 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. Portfolio holdings are subject to change daily. Under no circumstances does the information contained within represent a recommendation to buy or sell securities. It should not be assumed that investments in the securities were or will be profitable. The list provided may not represent all the securities recommended for advisory clients. A complete list of all securities recommended for the strategy in the preceding year can be obtained free of charge by contacting SGA at (203) 348-4742. Results include the reinvestment of all income. For the global portfolio's interest and capital gains, SGA does not withhold taxes. For dividends, SGA will withhold taxes as reported by the client's custodian. This information is supplemental & complements the GIPS Report on composite performance on the last pages of this presentation. It should not be assumed that future results will be reflective of past performance.

# New Oriental Education

## Company Description

New Oriental Education (EDU), headquartered in Beijing, is the largest private educational company in China, based on the number of its program offerings, total student enrollments, and its geographic presence. The company has offered English test preparation courses to students taking language and entrance exams used by educational institutions abroad in countries including the U.S. and U.K. EDU has also provided after-school tutoring courses for K-12 students to better prepare them for higher education entrance exams, as well as overseas school application consulting services, and adult language training courses.

## Recent Action Taken

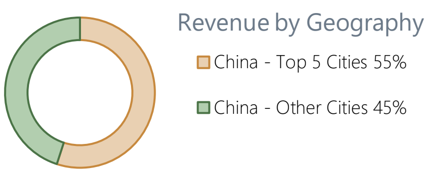
Liquidated the position in July 2021

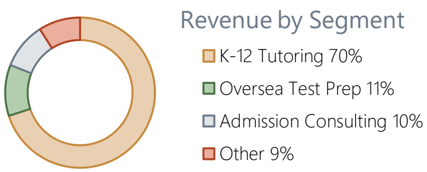
## ESG

New Oriental Education helps students improve testing scores and has been known for helping students to catch up in learning progress, but they charge a slight premium and therefore could create a perception of unfairness due to the affordability of their services. The company has a VIE structure; investors do not own equity interests in the operating company, instead they only share profits via contractual arrangements that are subject to enforcement risks.

| | |
|---|---|
| Market Cap (USD) | $4B |
| 3Yr EPS Growth (Est.) | 3% |
| 3Yr Revenue Growth (Est.) | 24% |
| C/E Ratio | 115% |
| Enterprise Yield | 12.5% |

## Business Model Drivers




## Investment Concept

### Pricing Power

EDU's brand name, large scale, and technological capabilities led to strong pricing power and a competitive advantage. The company had the best-known private education brand in China, with many parents being Alumni of the company's programs. Their strong brand and large scale allowed them to charge higher prices, pay teachers better, and innovate to maintain industry leading content and services.

### Recurring Revenues

The wide range of products offered by EDU across categories and age groups allowed for cross-selling and recurring enrollments. The business was also somewhat insulated from economic swings as education is often prioritized at such times. However, recent regulation that restricts tutoring hours over weekends and holidays will significantly reduce its revenue stream.

### Global Opportunity

Industry trends, including teaching content digitalization, enabled high quality geographic expansion, and EDU stood to gain share within the fragmented industry. However recent regulation that eliminates new learning center licensing and restricts teaching hours will significantly reduce the industry's total addressable market.

## Current Issues

- Recent government regulation on 1) Restricting academic tutoring over weekends and holidays, and limiting the offline tutoring hours to before 8:30pm on weekdays; 2) Requiring a majority of the K12 subject tutoring businesses to convert to non-profit; 3) No longer issuing new licensing to tutoring institutions; will eliminate most the industry's revenue and profit, making the industry no longer investable
- To survive, the company will need to pivot its businesses towards non-academic areas, such as sports and arts tutoring. However, the demand for these will not be as large as academic tutoring, and the competition will be intense as other institutions will be pivoting at the same time

## SGA Perspective

- EDU's strong brand and cash position should enable it to withstand policy changes better than peers, however while the business may be able to pivot and continue, the investors will not be able to share the same economics given the conversion to a non-profit organization for most of its K-12 business
- The level as well as the predictability and sustainability of the company's revenue and earnings growth looking forward has declined significantly due to the changes being imposed by China's regulators. This led us to remove EDU from our Qualified Company List



Data as of 8/3/2021. Source: Bloomberg, FactSet, SGA Estimates and Adjustments. Earnings growth rates are based upon SGA estimates of portfolio companies' non-GAAP operating earnings. This information contains the opinions of SGA which are subject to change without notice and should not be considered as investment advice, a recommendation to purchase or sell a specific security or as indicative of the investment performance of our portfolio. A complete list of all securities recommended for the strategy in the preceding year can be obtained free of charge by contacting SGA at (203) 348-4742. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. **It should not be assumed that future results will be reflective of past performance.**

# Tencent

## Company Description

With over 1.2 billion users, Tencent (700 HK) is among China's leaders in social media, video gaming, streaming media, financial technology and cloud computing. Its mission is to use technology to enrich the lives of internet users. The company was founded in 1999 and is headquartered in Shenzhen, China.

## Recent Action Taken

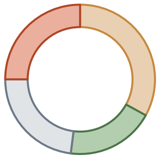
Liquidated the position in July 2021

## ESG

The Chinese government has targeted gaming's impact on society and closely monitors all media companies. Tencent has staked out a leadership position in terms of compliance with regulations. The company has a VIE structure.

| | |
|---|---|
| Market Cap (USD) | $565B |
| 3Yr EPS Growth (Est.) | 9% |
| 3Yr Revenue Growth (Est.) | 14% |
| C/E Ratio | 80% |
| Enterprise Yield | 2.8% |

## Business Model Drivers



Revenue by Product

- Online Games 33%
- Advertising 19%
- Content 23%
- Online Financial Services & Cloud 25%

## Investment Concept

### Pricing Power

Tencent owns and operates a number of leading Chinese internet media properties. QQ and WeChat, in particular, are social communications platforms that benefit from network effects and growing mobile device usage.

### Recurring Revenues

Hundreds of millions of daily users create a diversified set of revenue opportunities such as in-video game micro-transactions, premium value-added communication services, online advertising and, increasingly, digital financial services.

### Global Opportunity

The company's video gaming business has grown domestically and increasingly overseas. Its online advertising business has high engagement but very low levels of ad placements relative to domestic and global peers. Its digital financial services and cloud computing units are rapidly-growing with still moderate levels of penetration in China.

## Current Issues

- What are impacts of heightened domestic regulatory pressures?
- How will the company respond to competitive threats in online media consumption?
- How will the company deploy its free cash flow?

## SGA Perspective

- The company has historically been a leader in social media, video game and financial technology regulatory compliance. As such, given current regulatory pressures, the company has chosen to invest more in societal responsibility, while also voluntarily tightening video game time-playing limits on teens beyond regulations, delayed video game launches, and reduced take rates on payment processing for smaller businesses. These actions will weigh on near-term profitability, but we expect more moderate profit growth to resume over the course of time.
- Tencent also has a history of initially being a laggard with new technological initiatives, but eventually succeeding due to its user scale and a ruthless "fast follower" strategy. We expect the same when it comes to the growing 'short video' format but continue to monitor competitive developments
- Investments in international games, online advertising, online video, financial technology and especially cloud computing are poised to drive attractive growth over the long-term
- The company's strategy of making minority investments in a wide array of growth companies has preserved their entrepreneurial culture and execution while also driving ecosystem synergies

# Heineken

## Company Description

Heineken is the second largest global brewer by revenue and the number one international premium beer brand, operating more than 160 brewers across 70+ countries. In addition to Heineken, the company includes 250+ brands such as Amstel, Sol, Bohemia, Dos Equis, Tecate and Red Stripe.

## Recent Action Taken

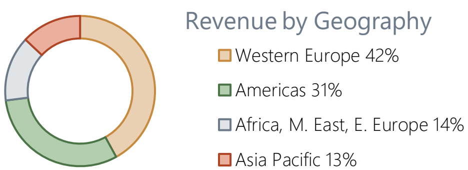
Maintained an average weight position

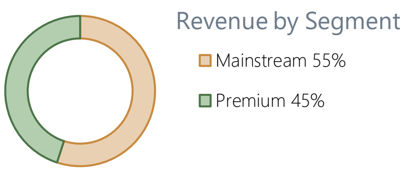
## ESG

Key ESG risks include water stress and contributions to global warming, as well as social issues related to the promotion of alcohol consumption. However, Heineken has a robust set of policies and programs to address these issues. The company led its industry by recently committing to net-zero emissions (scope 1, 2 and 3) by 2040, and an interim Science Based Target of zero emissions for scope 1 & 2 and 30% absolute reduction in 1, 2 and 3 by 2030. The company is 50.01% owned by a holding company majority-controlled by the Heineken and Hoyer families, providing a stable, long-term investment philosophy which benefits the company. A key area of recent SGA engagement has been policies related to modern slavery which was addressed to our satisfaction.

| | |
|---|---|
| Market Cap (USD) | $60B |
| 3Yr EPS Growth (Est.) | 17% |
| 3Yr Revenue Growth (Est.) | 6% |
| C/E Ratio | 100% |
| Enterprise Yield | 3.4% |

## Business Model Drivers




## Investment Concept

### Pricing Power

Heineken has the highest premium beer brand equity globally and is #1 or #2 in 5 of the top 10 premium markets.

### Recurring Revenues

The beer industry has relatively stable, regularly recurring consumption patterns across the world. Heineken is geographically diverse with no region representing more than one quarter of profits and no country accounting for more than 15% of volumes. The company also has brand diversity with the largest brand representing only 15% of volume.

### Global Opportunity

Heineken is well positioned to benefit from two of the key secular growth drivers in the global beer category, the premium segment and developing markets, both of which generate higher than average margins. The company is also targeting additional growth opportunities in cider, draft, craft and low/no alcohol products.

## Current Issues

- With over 1/3rd of volumes coming from on-premise business and 1/3rd of the cost base fixed, pandemic-related reductions in consumer traffic to bars and restaurants continue to pressure operating results; volumes have improved with the rollback of COVID restrictions but remain below pre-pandemic levels
- Loss of exclusivity at OXXO convenience stores, the most important retail partner in the key market of Mexico
- Significant margin pressure as a result of input cost inflation in USD-based input prices in emerging markets as well as adverse channel mix
- Management's 2023 margin targets are lower than many in the market would have expected considering the accompanying cost savings program
- Limited track record of newly appointed CEO Dolf van den Brink

## SGA Perspective

- CEO Dolf van den Brink has been impressive in multiple SGA meetings this year
- Operating results should continue to recover dramatically over the next two years as economies reopen and sales and cost savings initiatives under the company's new "Evergreen" strategic plan gain traction
- The company's significant exposure to emerging and frontier markets, although a negative in the near-term due to inflation, remains a clear positive to the thesis over the long-term given superior secular growth
- Management's 2023 margin guidance is conservative and could be exceeded substantially
- Loss of exclusivity at OXXO should be mitigated by a number of factors including OXXO's intention to expand total beer shelf space, as well as Heineken's increased freedom to pursue other more profitable commercial opportunities with other retail partners and its own store base

# Alibaba

## Company Description

Alibaba is China's e-commerce leader. Employing a 3rd party marketplace model with a hybrid advertising-commission revenue model, Alibaba generates high margins and strong free cash flows. The company is also a leader in cloud services and internet infrastructure, online financial products and payments, and internet content/online video streaming services. Alibaba went public in September 2014.

## Recent Action Taken

Liquidated the position in July 2021

## ESG

Alibaba's technology enables digital commerce and payments, and helps to develop rural areas and empower small businesses. Part of Alibaba's business related to value-added telecommunication, audio/video products, etc. are under VIE structure, meaning foreign shareholders do not truly own the underlying assets based in China. VIE ownership and governance standards are opaque, and government interests are not always aligned with those of shareholders.

| | |
|---|---|
| Market Cap (USD) | $391B |
| 3Yr EPS Growth (Est.) | 14% |
| 3Yr Revenue Growth (Est.) | 23% |
| C/E Ratio | 85% |
| Enterprise Yield | 5.7% |

## Business Model Drivers


## Investment Concept

### Pricing Power

Given the dominant size of its e-commerce platforms (Taobao and Tmall) and the resulting "network effect", the company has significant pricing power and scale advantages. This market leadership appears to be translating to the mobile internet as the company's Taobao App, Alipay app are among China's top mobile apps. Given the lack of entrenched brick-and-mortar retailers, Alibaba is well-positioned for sustainable growth.

### Recurring Revenues

The number of active buyers on Alibaba's platforms has reached over 900 million and continues to grow as Alibaba's customers continue to increase their usage of the platform and become increasingly habituated to online purchases. Other businesses such as Cloud and Logistics also generate recurring revenues given the repeat nature of services.

### Global Opportunity

Chinese consumption as a percent of GDP is well below that of developed countries and is likely to rise: 40% vs 65%+ in the U.S. & U.K. and 52% in Germany. The company also pursues international ecommerce and cross-border trade opportunities via assets such as Lazarda and Cainiao global logistics. Alibaba has a leading market position in Cloud Computing in China, where the shift to Cloud is at a very early stage compared to the U.S.

## Current Issues

- Recent anti-monopoly regulations on Chinese internet along with restructuring of Ant operations could benefit competitors on the margin, negatively impacting Alibaba's competitive position and growth trajectory
- Recent regulations on data security and consumer privacy could hinder BABA's ad algorithm and reduce advertising synergies across its multiple consumer-facing platforms, therefore negatively impacting ad revenue and profit
- Competitive pressure is rising for Alibaba as competitors such as PDD and JD are gaining traction with end customers. Meanwhile other platform companies such as Meituan and ByteDance are also developing ecommerce capabilities, making the industry increasingly competitive
- Alibaba will enter into an investment cycle to expand into categories such as groceries and to further penetrate lower tier cities via promoting discounted product offerings, meanwhile merchant fees will be capped or even lowered for Alibaba to remain competitive, all leading to lower structural margins and heavy initial losses
- Concerns over the trade dispute with the U.S., delisting of Chinese ADRs, vulnerability of its Variable Interest Entity (VIE) structure, and any impact from weakening economic growth on consumer demand could dampen sentiment for its shares

## SGA Perspective

- Regulations and anti-trust investigations are likely to drive some concessions for Alibaba and Ant, aligning interests with the Chinese government and regulators, without significant disruption to long-term business potential
- Increasing online consumption and digital transformation for businesses are long-term secular trends, and Alibaba, with all its digital assets, is well-positioned to capture such secular tailwinds
- Alibaba's investments into Cloud, Logistics, and New Retail are deepening its competitive moat, broadening its presence beyond e-commerce and enabling businesses to transact both online and offline
- Alibaba's other businesses are also category leaders and future growth pillars: Alicloud is the leading cloud provider in China and growing rapidly; Cainiao logistic is enabling end-to-end control of logistic services while expanding its global footprint; International e-commerce expansion has long runways of growth given low penetration



Data as of 9/30/2021. Source: Bloomberg, FactSet, SGA Estimates and Adjustments. Earnings growth rates are based upon SGA estimates of portfolio companies' non-GAAP operating earnings. This information contains the opinions of SGA which are subject to change without notice and should not be considered as investment advice, a recommendation to purchase or sell a specific security or as indicative of the investment performance of our portfolio. A complete list of all securities recommended for the strategy in the preceding year can be obtained free of charge by contacting SGA at (203) 348-4742. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# PayPal

## Company Description

PayPal is a leading technology platform company that enables digital and mobile payments. The company provides safer and simpler ways for businesses to accept payments from merchant websites, mobile devices, applications, and at offline retail locations through a wide range of payment solutions across their Payments Platform, including PayPal, PayPal Credit, Venmo and Braintree products. PayPal has a unique value proposition centered around its brand name as consumers recognize and trust the "PayPal" button. This increases merchant sales conversion rates and leads to more merchants adding the button to their sites, allowing PayPal to charge a higher rate for payment processing. PayPal is also adding merchant services such as data analytics and merchant credit, as well as consumer product offerings such as credit cards, Venmo and one-touch payments, to further strengthen their ecosystem.

## Recent Action Taken

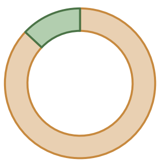
Maintained an average weight position, adding on recent weakness

## ESG

PayPal's products help make transactions easier for individuals and businesses, essentially reducing the cost of moving money and empowering small businesses. The company has a culture that promotes diversity and gender equality. The company has a very strong board that sets high standards for the company's practices; most of the compensation is equity based that aligns with shareholders interests.

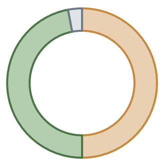
| | |
|---|---|
| Market Cap (USD) | $310B |
| 3Yr EPS Growth (Est.) | 29% |
| 3Yr Revenue Growth (Est.) | 21% |
| C/E Ratio | 90% |
| Enterprise Yield | 1.4% |

## Business Model Drivers



Revenue by Segment

- Transaction 87%
- Other Value-Added Services 13%



Revenue by Geography

- U.S. 50%
- Non-U.S. Developed 47%
- Emerging Markets 3%

## Investment Concept

### Pricing Power

PayPal has a trusted brand name which supports pricing power along with improving scale and technological capabilities. In addition, the company's two-sided platform drives user engagement, trust and merchant conversion rates. The company earns above industry take rates due to 1) higher conversion via branded pay 2) targeting SMBs 3) higher fees from international services. The company has over 400 million active accounts and enabled over 15 billion transactions in 2020.

### Recurring Revenues

E-commerce technology integration by businesses and individuals leads to stickiness in PayPal's technology, and many of the payments made are recurring in nature.

### Global Opportunity

PayPal's growth prospects are supported by secular trends in the growth of digital payment and cross border commerce. The company gains market share through the network effect of their two-sided platform, and their P2P payment network enables customer acquisitions at low costs. It has a diversified portfolio of growth assets including digital payment, bill pay, credit, P2P, rewards/coupon, and digital gateway, along with a strong balance sheet to support continued growth through M&A.

## Current Issues

- PayPal's Total Payments Value (TPV) and revenue are negatively impacted by its exposure to leisure travelling and mobility sectors, which accounts for 10% of TPV, offset by strengthening in ecommerce demand
- PayPal's consumer and merchant credit business is negatively impacted by a lower interest rate , as well as tightened credit conditions
- Termination of its operating agreement with eBay in July 2020 is impacting PayPal's revenue growth, which creates margin and earning headwinds that will last until 1H 2022
- Potential long-term strategic threat from Apple Pay, Amazon Pay, Square Cash App, Buy-Now-Pay-Later options, etc., and the likelihood of downward pressure on take rates due to industry competition

## SGA Perspective

- PayPal's moat as the largest two-sided network in the payment ecosystem and the core thesis around its consumer value proposition are strengthening, and over the medium-term should translate into high-teens-to-low-20s revenue and EPS growth
- COVID-19 has led to significantly increased demand for ecommerce and digital payments, and PayPal is well positioned to benefit from such a secular shift
- PayPal is stepping up investments in omni-channel payment and international expansion. In addition, the acquisition of coupon/rewards company Honey could drive up consumer engagement and market share gain
- PayPal's internal innovation is speeding up as a result of the company's investment in upgrading to a more modern technology platform over the last few years; as a result, new product launches are accelerating
- Strong growth in Venmo transactions and monetization trends validates our expectation that Venmo will be a key growth driver over the intermediate-term

# Purchases and Sales – Global Growth

## Q3 2021

| New Positions |
|---|
| Medtronic |
| XP |
| Mengniu Dairy |

| Liquidated Positions |
|---|
| New Oriental Education |
| Alibaba |
| Tencent |

SGA

Representative account activity as of 9/30/2021. Portfolio holdings are subject to change daily. Under no circumstances does the information contained within represent a recommendation to buy or sell securities. It should not be assumed that investments in the securities were or will be profitable. The list provided does not represent all the securities recommended for advisory clients. A complete list of all securities recommended for the strategy in the preceding year can be obtained free of charge by contacting SGA at (203) 348-4742. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Medtronic

## Company Description

Medtronic is a diversified medical technology company with a presence in more than 150 countries that has pioneered and innovated numerous markets (e.g., pacemaker, prosthetic heart valve, implantable cardiac monitor, etc.) since its founding in 1949. It started as a cardiovascular-focused company but has transformed itself into a diversified medical device manufacturer with product offerings in several verticals, including cardiology, vascular, surgery, spine, neurology, diabetes, and more. In January 2015, Medtronic bought Covidien for ~$47B (largest med-tech deal ever) and changed its HQ to Dublin, Ireland while its operational HQ remains in Minneapolis, MN.

## Recent Action Taken

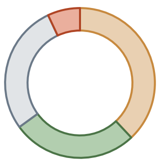
Initiated an average weight position in July 2021

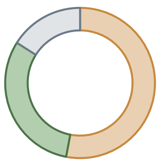
## ESG

Medtronic has a BBB overall MSCI rating, with the volume of its product recalls relative to peers being its key ESG controversy. Several of the company's products, such as insulin pumps, Infuse Bone Graft, and transvaginal mesh, have historically come under scrutiny by both regulatory and non-regulatory bodies. However, while MDT may have a high absolute number of products that have been recalled or scrutinized, the number relative to its overall size is not out-of-line with its peers. Medtronic has been included in the Dow Jones Sustainability North America Index (DJSI North America) and the FTSE4Good Index Series for 12 consecutive years in recognition of its leadership in corporate sustainability.

| | |
|---|---|
| Market Cap (USD) | $170B |
| 3Yr EPS Growth (Est.) | 9% |
| 3Yr Revenue Growth (Est.) | 6% |
| C/E Ratio | 81% |
| Enterprise Yield | 3.3% |

## Business Model Drivers




## Investment Concept

### Pricing Power

Medtronic faces aggregate price pressure of ~1.5% a year, but offsets it on the gross margin line via continuous innovation to develop and launch new products, as well as continuous improvements in operational efficiency. The company expects ~40-50bps of operating margin expansion (on ex-FX basis) each year via operating leverage.

### Recurring Revenues

Medtronic's product portfolio is highly diversified with products addressing numerous chronic health conditions. As long as patients continue to be afflicted with these chronic conditions, Medtronic's products (and innovations) should continue to have utility in their treatment.

### Global Opportunity

Globalization is a cornerstone of Medtronic's strategy. It sees providing access to healthcare to the billions of people in emerging markets as a significant long-term opportunity. The company's emerging markets footprint grows at a low double-digit rate (vs. developed markets at 3-5%). In FY20, Medtronic's products touched >72M patients in >150 countries.

## Current Issues

- COVID-19 pandemic has disrupted surgical procedures and routine doctor visits, negatively impacting Medtronic's sales
- CEO Geoff Martha has transitioned the company to a new decentralized operating model aimed at accelerating innovation and growth
- Medtronic participates in a wide variety of medical technology markets where new product innovations and/or regulatory decisions can drive material changes in the competitive landscape and/or market outlook
- Emerging markets, where Medtronic's growth rate has been strong, could slow

## SGA Perspective

- The new decentralized operating model should enable Medtronic an enhanced ability to protect existing and take additional market share
- Medtronic's current pipeline has a long penetration runway, including several potentially meaningful new products (e.g., Hugo robotic-assisted surgery, Symplicity Spyral renal denervation system for hypertension, Micra transcatheter pacemaker, etc.), which should help drive accelerating and sustainable organic revenue growth over the next several years
- Revenue generation is diverse geographically. As a result, a slowdown in emerging markets should have a relatively limited impact on Medtronic's bottom-line



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# XP

## Company Description

XP is a leading independent broker platform in Brazil. Brazil has a unique financial services market structure such that five banks have maintained dominant market share in all financial products such as brokerage, deposits, loans, etc. and this has resulted in lack of customer choice and poor customer experience for decades. XP capitalized on this opportunity over the last two decades by working on two prongs: driven by technology and customer experience on one spectrum, and better product offering (low fee and very high selection of products) on the other. They have supplemented this offering with educational resources, seminars, conferences, etc. and are thus a preferred way for investors.

## Recent Action Taken

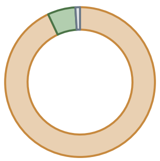
Initiated a below-average weight position in August 2021

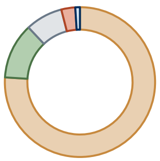
## ESG

The company has an ESG board and intends to lead the Brazilian financial markets in this direction with initiatives related to gender equality, development of ESG ecosystem, employee friendly practices and donations.

| | |
|---|---|
| Market Cap (USD) | $23B |
| 3Yr EPS Growth (Est.) | 21% |
| 3Yr Revenue Growth (Est.) | 33% |
| C/E Ratio | 100% |
| Enterprise Yield | 2.5% |

## Business Model Drivers




## Investment Concept

### Pricing Power

XP offers the lowest prices coupled with great customer experience that is enhanced by technology. This combination allows them to generate multiple revenue streams from customers and overcome the traditional commission pressure in the brokerage industry. Therefore, the margins have expanded nicely over the course of time.

### Recurring Revenues

Given the nature of their client base where more than half of assets under custody and revenue are through independent financial advisors, being retail heavy, it is high on repeatability; and the fact that brokerage transactions generally go higher in times of volatility, there is a natural hedge.

### Global Opportunity

The company is experiencing strong growth as the penetration is still low. Given the low financial savviness of the retail market in Brazil today, they continue have a long runway for growth as financial knowledge improves over time.

## Current Issues

- As witnessed in the brokerage industry globally, commission rates will come down gradually and will thus become a headwind to the growth of the business
- Its competitors are realizing the long-term potential of this industry in Brazil and are also executing. Some are also trying to poach financial advisors from XP
- Itau will likely be liquidating its investment in XP and the expected outcome has become an overhang on the stock
- Investing in Brazil has all the risks associated with an emerging market, particularly the currency risk

## SGA Perspective

- We expect commission rates to gradually decline over time and have built in conservative assumptions for this revenue stream in our financial model. The impact of declining commission rates will be mitigated over time as other revenue streams are picking up
- Financial advisors will work for the business that rewards them best and also provides the platform to help them grow their business. XP will have to continue to pay advisors well, which may offset some margin expansion over time. This assumption is already incorporated into our financial model
- The liquidity event is a short-term phenomena and will clear the cloud for the long-term
- While XP operates in a more volatile currency, we expect the company can outgrow the currency devaluation given its significant growth opportunity

# Mengniu Dairy

## Company Description

Mengniu is the leading manufacturer and distributor of branded dairy products in China. They operate through the following segments: Liquid Milk, Ice Cream, Milk Formula, Cheese and Other. The Liquid Milk Products segment produces and distributes ultra-high temperature milk, milk beverages, and yogurt. The Ice Cream Products segment offers products such as deluxe ice cream, while the Milk Powder Products segment includes infant milk formula brand products such as Yashili, Arla, and Bellamy. Mengniu has roughly 25% market share in China dairy industry and has been gaining shares.

## Recent Action Taken

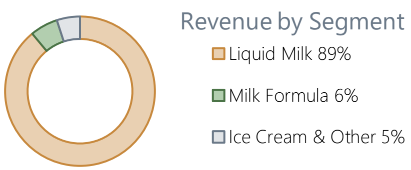
Initiated a below-average weight position in September 2021

## ESG

Although the dairy industry is more carbon intensive by nature, Mengniu is committed to reducing carbon emissions across the supply chain with a target of reaching carbon neutral by 2060. Its ESG efforts are recognized through its inclusion in Hang Seng's ESG Index. To better align management with shareholders and improve talent retention, Mengniu launched an incentivized share-holding scheme for executives in 2020. Although the Chinese government has minority ownership in Mengniu, it does not interfere with the operations and actively promotes dairy industry growth. The company is not a VIE structure.

| | |
|---|---|
| Market Cap (USD) | $25B |
| 3Yr EPS Growth (Est.) | 19% |
| 3Yr Revenue Growth (Est.) | 14% |
| C/E Ratio | 75% |
| Enterprise Yield | 2.0% |

## Business Model Drivers




## Investment Concept

### Pricing Power

Dairy pricing has consistently outperformed inflation despite fluctuations in raw milk prices. This was partly driven by premiumization with consumers willing to pay up for quality, high-end products. Also, dairy is a relatively difficult industry with a high barrier to entry. As one of only two national players in China, Mengniu has scale advantages across distribution, supply, and sales & promotion.

### Recurring Revenues

Dairy products are perceived as healthier than most other beverage categories, and dairy consumption is becoming a part of people's daily diet especially in top tier cities in China. The consumption habit is still forming in lower tier cities, which is part of the growth opportunity.

### Global Opportunity

Going forward, management expects 15% topline CAGR through 2025, which will be driven almost equally by pricing and mix upgrade, underlying industry volume growth, and market share gains.

## Current Issues

- Raw milk prices have been rising since 2020 due to strong market demand and relatively constrained raw milk supply, creating a headwind for Mengniu's gross margin. In addition, increases in packaging and freight costs will also pressure margins in 2021
- In 2021, Mengniu established a new target of doubling revenue by 2025 (implying 15% revenue CAGR), along with margin expansions (from today's ~5% profit margin towards 8-10% overtime)

## SGA Perspective

- Mengniu has pricing power to pass through input cost inflations onto customers, as is evidenced in the past. Besides, industry competition on marketing & promotion tends to ease during periods of raw milk inflations. The margin impacts from input cost inflations tend to be transient and do not impact the long-term margin expansion trajectory which is driven by fundamental fixed cost leverage
- The current raw material inflation reflects strong industry demand, and we expect strong volume growth in the next 3-5 years
- Mengniu has been investing in raw milk supplies, distribution channels, and digital systems in the past 5 years. We expected these investments in the past and have positioned it well to capture market share gains and margin expansions going forward

SGA

Data as of 9/30/2021. Source: Bloomberg, FactSet, SGA Estimates and Adjustments. Earnings growth rates are based upon SGA estimates of portfolio companies' non-GAAP operating earnings. This information contains the opinions of SGA which are subject to change without notice and should not be considered as investment advice, a recommendation to purchase or sell a specific security or as indicative of the investment performance of our portfolio. A complete list of all securities recommended for the strategy in the preceding year can be obtained free of charge by contacting SGA at (203) 348-4742. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Portfolio Holdings

| Communication Services | | 9.3% |
|---|---|---|
| Facebook | United States | 3.4% |
| Alphabet | United States | 3.0% |
| Walt Disney | United States | 2.9% |

| Consumer Discretionary | | 12.2% |
|---|---|---|
| Amazon | United States | 4.6% |
| Yum! Brands | United States | 3.3% |
| MercadoLibre | Argentina | 2.4% |
| Nike | United States | 1.9% |

| Consumer Staples | | 7.9% |
|---|---|---|
| Heineken | Netherlands | 2.9% |
| CP All | Thailand | 2.8% |
| Mengniu Dairy | China | 2.2% |

| Health Care | | 18.1% |
|---|---|---|
| Regeneron | United States | 3.1% |
| Abbott | United States | 2.9% |
| Medtronic | Ireland | 2.9% |
| Novo Nordisk | Denmark | 2.9% |
| Intuitive Surgical | United States | 2.5% |
| Alcon | Switzerland | 2.2% |
| Illumina | United States | 1.6% |

| Materials | | 2.0% |
|---|---|---|
| Linde | United Kingdom | 2.0% |

| Financials | | 8.4% |
|---|---|---|
| HDFC Bank | India | 4.1% |
| AIA Group | Hong Kong | 3.4% |
| XP | Brazil | 0.9% |

| Industrials | | 5.0% |
|---|---|---|
| Recruit | Japan | 3.0% |
| IHS Markit | United Kingdom | 2.0% |

| Information Technology | | 32.2% |
|---|---|---|
| Salesforce.com | United States | 3.9% |
| Microsoft | United States | 3.8% |
| Visa | United States | 3.8% |
| PayPal | United States | 3.4% |
| Workday | United States | 3.2% |
| Infosys | India | 3.1% |
| FleetCor | United States | 3.1% |
| Autodesk | United States | 3.0% |
| Dassault Systemes | France | 2.9% |
| SAP | Germany | 2.0% |

| Real Estate | | 2.8% |
|---|---|---|
| Equinix | United States | 2.8% |

| Cash | | 2.1% |
|---|---|---|

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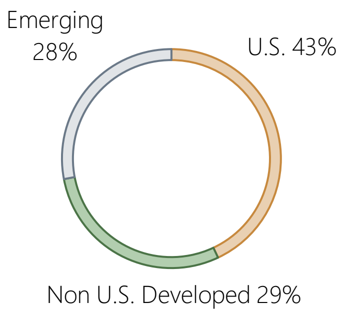
# Portfolio Positioning Summary

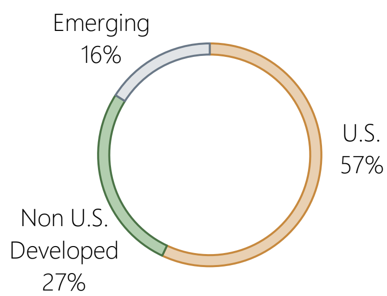
| 3Y EPS Growth Rate | 5-10% | 10-15% | 15-20% | 20%+ |
|---|---|---|---|---|
| Allocation | 20% | 24% | 15% | 41% |
| C/E | 86% | 100% | 85% | 93% |
| EY | 4.4% | 2.7% | 2.9% | 1.8% |
| Fwd. 3 YR Rev. | 8% | 11% | 12% | 17% |

| Market Value | SGA | MSCI ACWI | Diff. |
|---|---|---|---|
| $50 Billion + | 83.2% | 63.9% | +19.3% |
| $25 – 50 Billion | 9.8% | 16.5% | -6.7% |
| $15 – 25 Billion | 7.0% | 9.0% | -2.0% |
| $5 – 15 Billion | 0.0% | 9.5% | -9.5% |
| < $5 Billion | 0.0% | 1.1% | -1.1% |

## Revenue




## Domicile



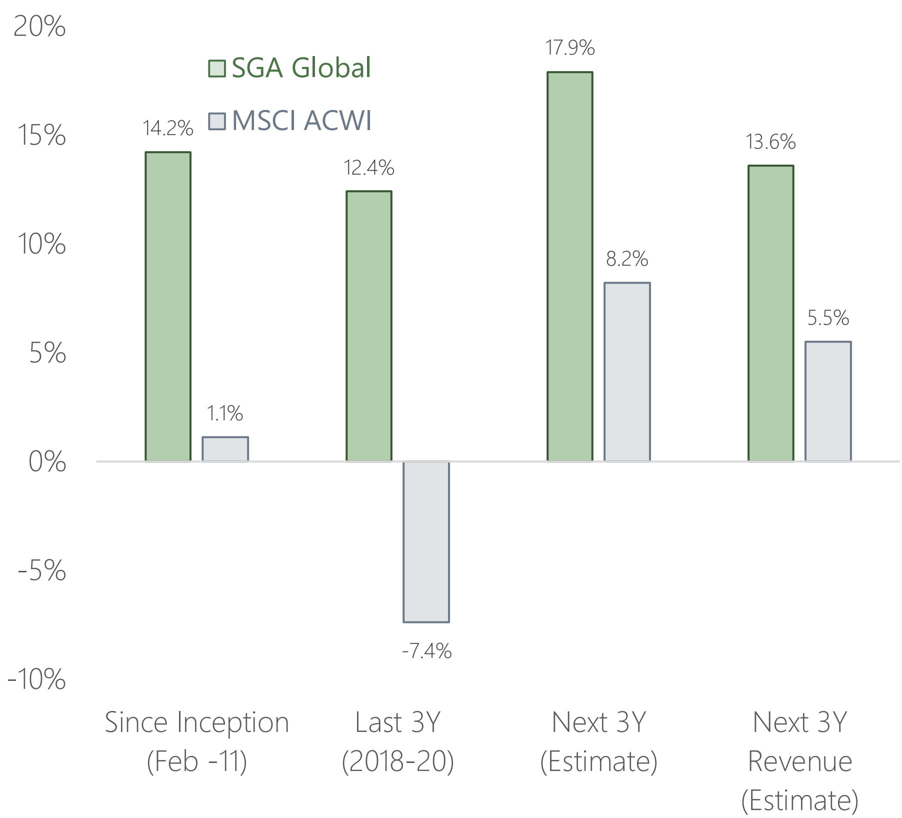

| Sector Allocation | SGA | MSCI ACWI | Diff. |
|---|---|---|---|
| Communication Services | 9.3% | 9.2% | +0.1% |
| Consumer Discretionary | 12.2% | 12.5% | -0.3% |
| Consumer Staples | 7.9% | 6.8% | +1.1% |
| Energy | 0.0% | 3.5% | -3.5% |
| Financials | 8.4% | 14.4% | -6.0% |
| Health Care | 18.1% | 11.7% | +6.4% |
| Industrials | 5.0% | 9.7% | -4.7% |
| Information Technology | 32.2% | 22.3% | +9.9% |
| Materials | 2.0% | 4.7% | -2.7% |
| Real Estate | 2.8% | 2.6% | +0.2% |
| Utilities | 0.0% | 2.6% | -2.6% |
| Cash | 2.1% | 0.0% | +2.1% |

Data as of 9/30/2021. Source: Bloomberg, FactSet, SGA Estimates and Adjustments and representative portfolio. Earnings growth rates are based upon SGA estimates of portfolio companies' non-GAAP operating earnings. EPS calculations exclude companies with earnings going from (i) positive to negative or (ii) negative to positive, year to year. SGA C/E ratio and Enterprise Yield projected. Holdings/weights are subject to change without notice and should not be considered investment advice, a recommendation to purchase or sell a specific security or as indicative of the investment performance of SGA's portfolio. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Portfolio Characteristics

## Annualized Earnings Growth

SGA Global vs MSCI ACWI (p.a.)




| Quality | SGA | MSCI ACWI |
|---|---|---|
| Gross Margin | 58% | 44% |
| Cash/Earnings Ratio | 96% | 66% |
| Debt/Equity | 77% | 169% |
| Earnings Variability | 5.4% | 14.5% |

| Characteristics | SGA | MSCI ACWI |
|---|---|---|
| Weighted Mkt Value | $364B | $356B |
| Median Mkt Value | $109B | $13B |
| Number of Holdings | 34 | 2,979 |
| % in Top Ten | 37% | 16% |
| % Cash | 2.1% | - |
| Active Share | 88% | - |

SGA

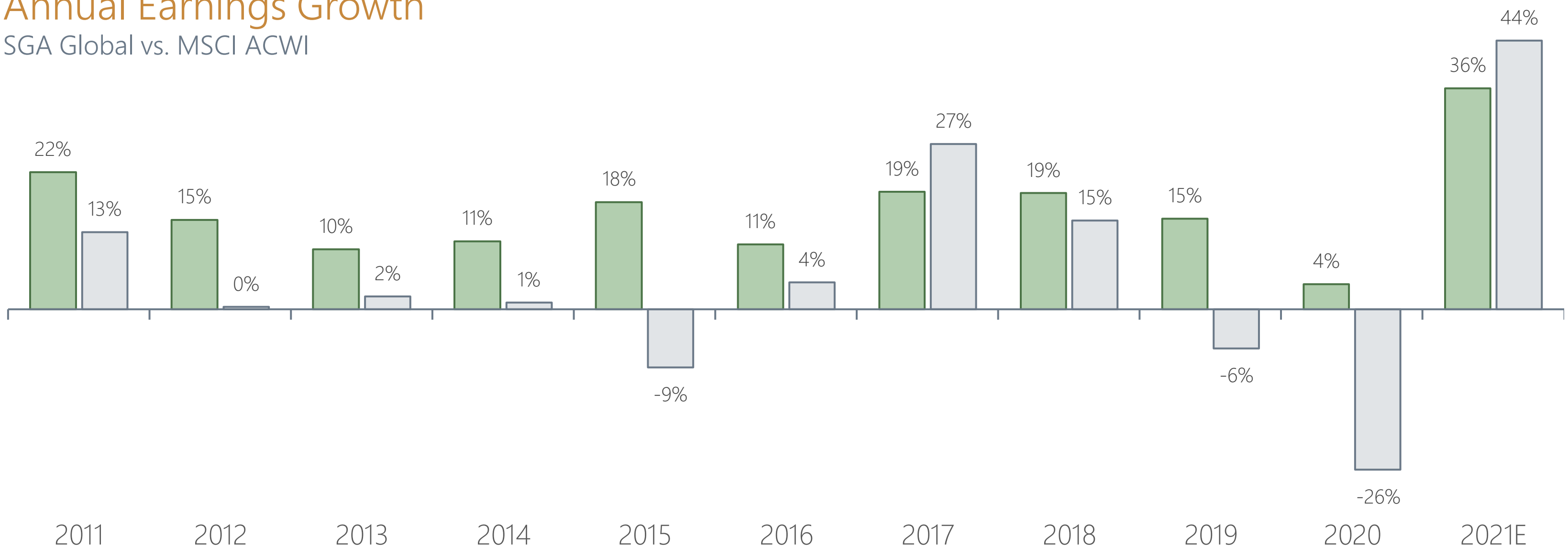
Source: Bloomberg, FactSet, SGA Estimates and Adjustments. Data as of 9/30/2021. Historical growth rates for MSCI ACWI is sourced from MSCI and Bloomberg. MSCI ACWI estimates and characteristics sourced from Bloomberg and FactSet using MSCI data. C/E Ratio exclude financials. SGA C/E ratio projected. SGA weights and characteristics are based on a representative account. SGA EPS Growth data is based upon portfolio companies' non-GAAP operating earnings. EPS calculations exclude companies with earnings going from (i) positive to negative or (ii) negative to positive, year to year. Volatility of Earnings is calculated using standard deviation of annual EPS growth, since inception 2/1/2011. All accounts are modeled in line with SGA's representative account. Account holdings and weights may differ from this representative account. The representative account holdings are subject to change without notice. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. **It should not be assumed that future results will be reflective of past performance.**

# Higher Growth with Lower Variability

## SGA Portfolio Companies have historically grown their earnings at 2-3x the rate of the index with almost 60% less variability

### Annual Earnings Growth

SGA Global vs. MSCI ACWI

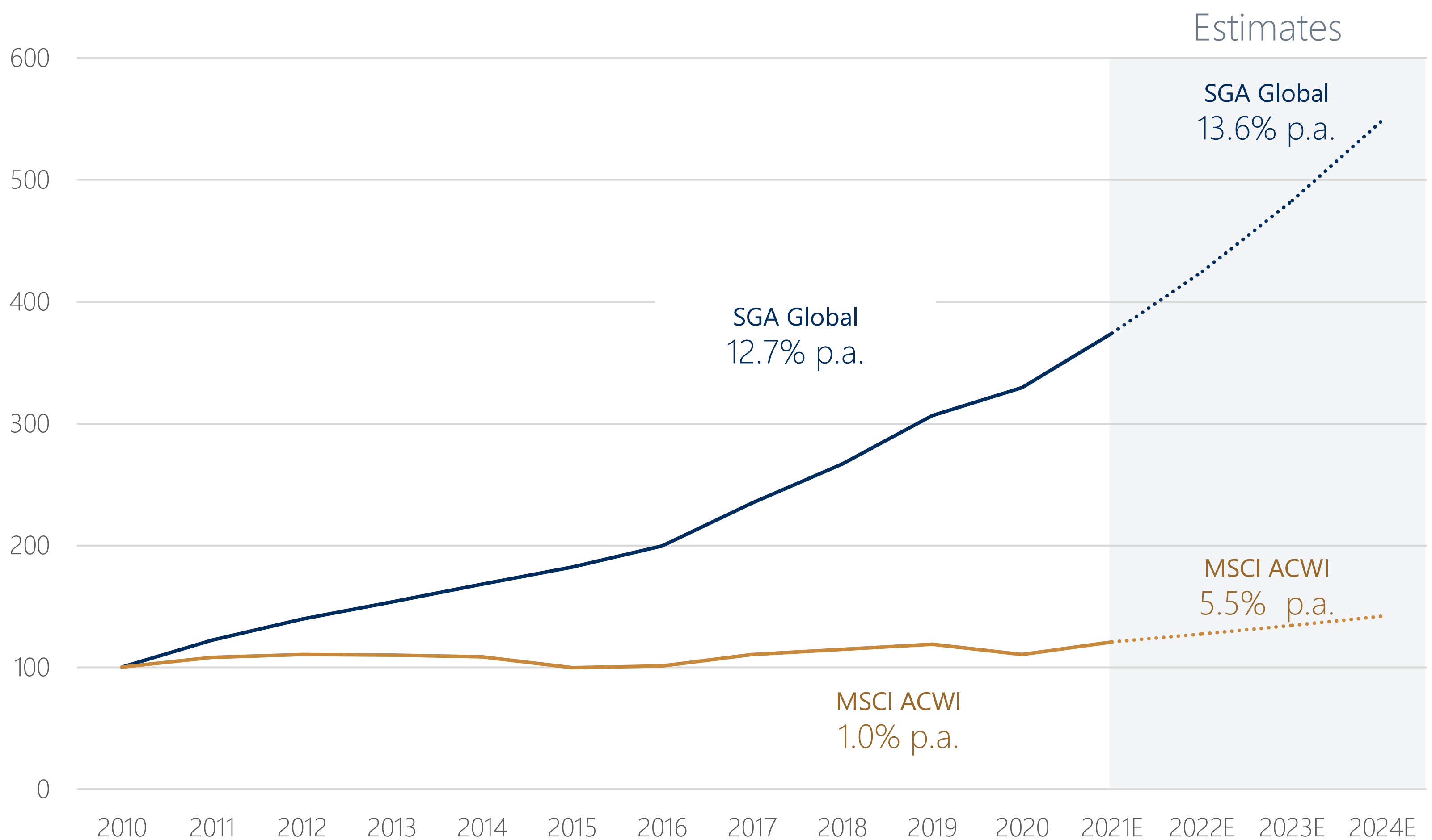



| | Earnings Growth | Earnings Variability |
|---|---|---|
| SGA Global | 14.2% | 5.4% |
| MSCI ACWI | 1.1% | 14.5% |

Source: Bloomberg, FactSet, SGA Estimates and Adjustments. Data as of 9/30/2021. Historical growth rates for MSCI ACWI is sourced from MSCI and Bloomberg. MSCI ACWI estimates and characteristics sourced from Bloomberg and FactSet using MSCI data. C/E Ratio, EY exclude financials. SGA C/E ratio and Enterprise Yield projected. SGA EPS Growth data is based upon portfolio companies' non-GAAP operating earnings. EPS calculations exclude companies with earnings going from (i) positive to negative or (ii) negative to positive, year to year. Earnings Variability is calculated using standard deviation of annual EPS growth, since inception 2/1/11. All accounts are modeled in line with SGA's representative account. Account holdings and weights may differ from this representative account. The representative account holdings are subject to change without notice. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Revenue Growth

## Historical Revenue Growth

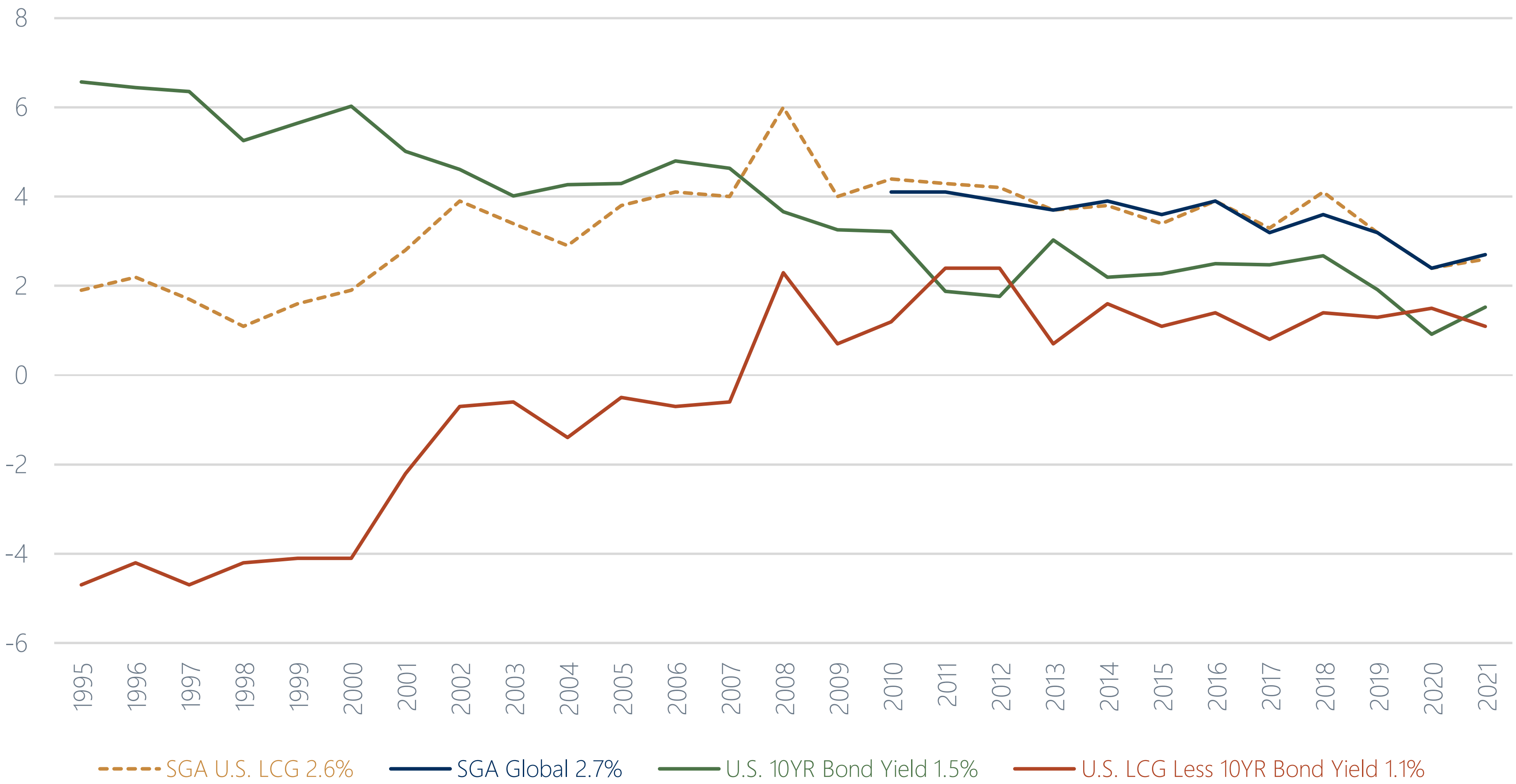



SGA

Source: SGA estimates, Bloomberg, and FactSet as of 9/30/2021. This information is supplemental & complements the GIPS Report on composite performance. It should not be assumed that future results will be reflective of past performance.

# Portfolio Valuation – Enterprise Yield

Enterprise Yield = (Op Cash Flow – Cap X – Acquisitions – Unfunded Obligations ) / Market Capitalization




Data as of 9/30/2021. U.S. data for SGA's longest tenured account. The record presented for the period between April 1, 2000 to July 1, 2003 occurred prior to the inception of SGA, and represents the record established by two of SGA's founders (and investment committee members) Gordon Marchand and George Fraise while affiliated with a prior firm. The data for all prior periods is data obtained from the John Hancock U.S. Global Leaders Fund (during which Gordon Marchand served as one of the fund's portfolio managers) and is provided for informational purposes only and does not constitute part of SGA's portable record. Global data for global portfolio since inception (2/1/2011). SGA Enterprise Yield (EY) is a proprietary measure of the projected free cash flow truly available to investors as a percentage of market value (CFATS / Market Capitalization). SGA EY prior to 2005 utilizes a forward looking simple average of actual cash flows, from 2005 SGA EY utilizes projected cash flows. EY estimates vs. 10-Year Treasury Bond (represents the risk free rate and the benchmark against which all long duration assets must be measured). This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. It should not be assumed that future results will be reflective of past performance.

# Sustainability

Enhancing the predictability of our companies and reducing portfolio risk

## Naturally ESG Compatible

- Focus on business quality and risk
- How sustainable is long-term growth?

## Integrated Process

- Proprietary ESG ranking system
- Cash-flow projections & discount rates
- Portfolio decision making
- Engagement & proxy voting

## External ESG Research

- A supplement to our proprietary research
- MSCI ESG Analytics

## Client Preferences

- Tailored investment universe upon request

## Continuous Enhancements

- Updated ESG & Proxy Voting Policies
- Environmental & Modern Slavery Policies
- Review of Third-party ESG Data Providers
- Appointment of MSCI ESG Research & GHG Portfolio Analysis Services
- Appointment of ISS Sustainability Voting Policy Services
- Adoption of the PRI Framework: Identify-Assess-Model-Engage
- TCFD supporting organization
- Formalized Diversity and Inclusion Policy

SGA

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.

# Appendix

# SGA's ESG Evolution

## 2003

Sustainable Growth Advisers is founded with an investment process that naturally focuses on ESG friendly businesses

## 2010

SGA initiates rankings to guide research discussions that incorporate ESG considerations

## 2014

SGA becomes a signatory to the Principles for Responsible Investment (PRI) and SGA engages independent, third-party ESG research provider Sustainalytics

## 2016

SGA Global Growth Fund ICAV incorporates Norges Bank Exclusionary List of ESG acceptable investments in its investment guidelines

## 2018

SGA's U.S. Global Leaders Growth mutual fund* is named a sub-advisor to Ameriprise Sustainable Investing World Portfolios offering

## 2019

SGA's U.S. Global Leaders Growth mutual fund* ranked in top five of 188 of "The Top Sustainable Funds" by Barron's Magazine which utilized Morningstar sustainability rankings

## 2020

Publication of the SGA Environmental Policy, Statement on Modern Slavery, updated ESG Policy and Proxy Policies

SGA replaces Sustainalytics with MSCI for third-party ESG research support

SGA becomes a supporting organization for TCFD and a signatory to CDP

## 2021

Formalized Diversity & Inclusion Policy

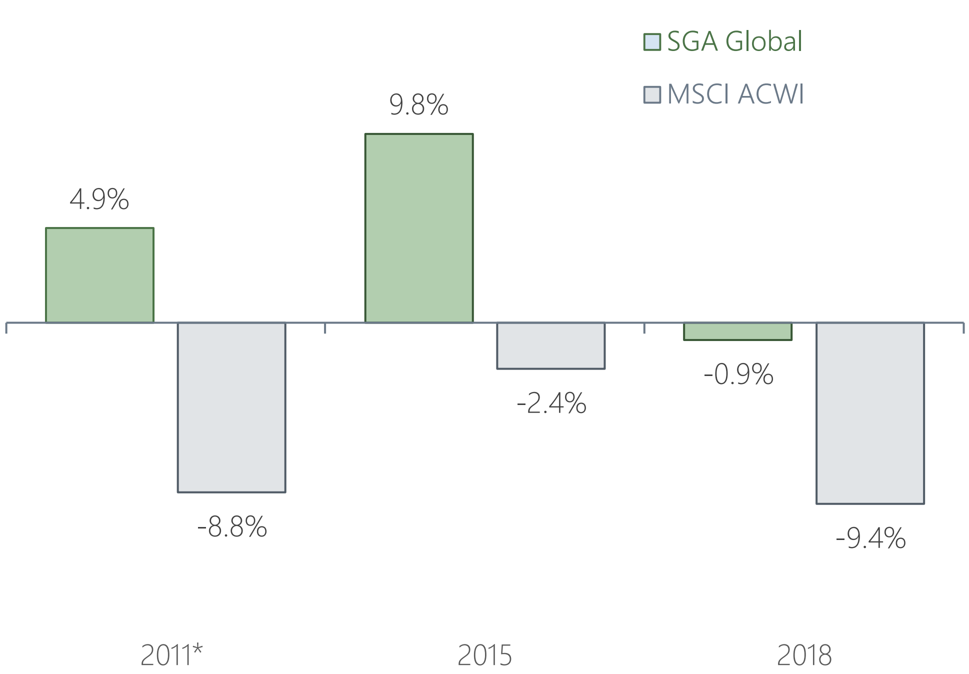
SGA

*SGA serves as sole-sub advisor to the John Hancock U.S. Global Leaders Growth fund. 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.

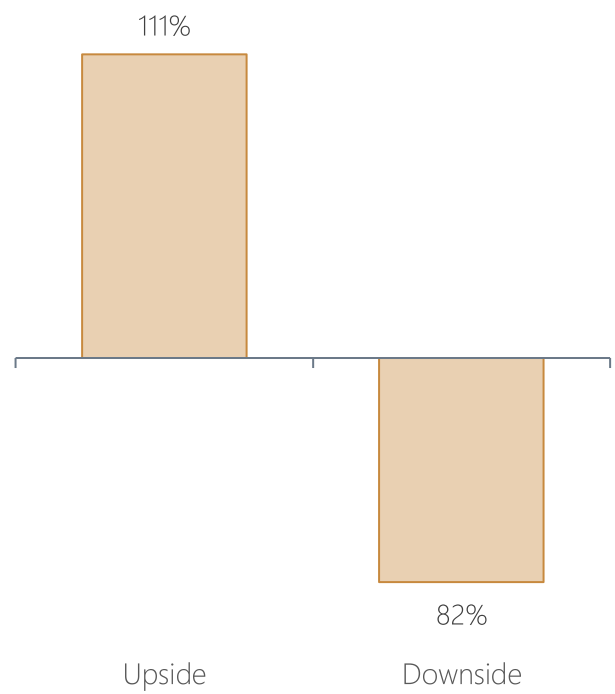
# Downside Protection

## To compound long-term wealth, protect capital from losses

### Down Years Since Inception



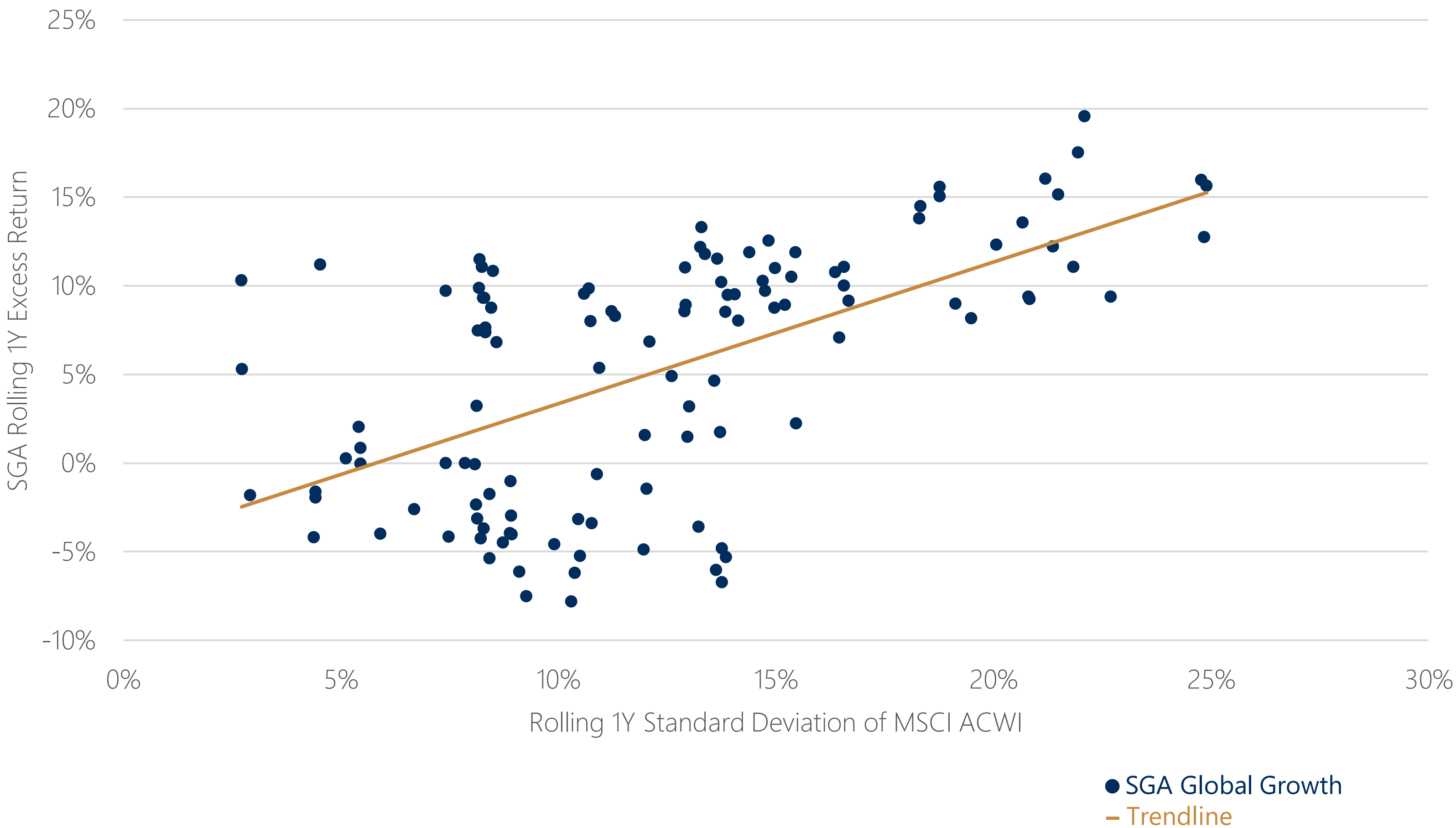

### Upside & Downside Capture




*Partial year. SGA Global Growth composite inception is 2/1/2011. MSCI ACWI is Net Total Return (reinvest dividends after the deduction of withholding taxes). The performance figures do not reflect the deduction of investment advisory fees. The prospective return will be reduced by the advisory fees and any other expenses incurred in the management of the account. SGA's fees are available upon request and may be found in Part 2A of its Form ADV. Returns reflect the reinvestment of dividends, interest and other earnings. For interest and capital gains, SGA does not withhold taxes, for dividends, SGA will withhold taxes as reported by the client's custodian. This information is supplemental and complements the GIPS Report on composite performance found on the last pages of this document. Upside and Downside capture based on monthly gross returns compared to the MSCI ACWI Net TR Index, since inception of the SGA Global Growth composite. It should not be assumed that future results will be reflective of past performance.

# Correlation to Volatility

## Our strategy has been rewarded during periods of heightened volatility




SGA

Source: FactSet, MSCI and SGA calculations. Rolling 1-Year Excess Return and Standard Deviation based on gross monthly return observations from 2/1/2011 – 9/30/2021. This represents 117 rolling 1-Year observations over this period. SGA Global Growth composite inception is 2/1/11. Past performance is no guarantee of future results.

# Portfolio Changes – Global Growth

| Sector Allocation | Q3 2021 | Q2 2021 | Change |
|---|---|---|---|
| Communication Services | 9.3% | 12.4% | -3.1% |
| Consumer Discretionary | 12.2% | 18.3% | -6.1% |
| Consumer Staples | 7.9% | 6.1% | +1.8% |
| Energy | 0.0% | 0.0% | - |
| Financials | 8.4% | 6.7% | +1.7% |
| Health Care | 18.1% | 14.5% | +3.6% |
| Industrials | 5.0% | 5.2% | -0.2% |
| Information Technology | 32.2% | 30.8% | +1.4% |
| Materials | 2.0% | 2.0% | - |
| Real Estate | 2.8% | 2.9% | -0.1% |
| Utilities | 0.0% | 0.0% | - |
| Cash | 2.1% | 1.1% | +1.0% |

| Geographic Revenue | Q3 2021 | Q2 2021 | Change |
|---|---|---|---|
| United States | 43% | 40% | +3% |
| Non-U.S. Developed | 29% | 27% | +2% |
| Emerging Markets | 28% | 33% | -5% |

| Portfolio by Domicile | Q3 2021 | Q2 2021 | Change |
|---|---|---|---|
| United States | 57% | 56% | +1% |
| Non-U.S. Developed | 27% | 24% | +3% |
| Emerging Markets | 16% | 20% | -4% |

| Valuation | Q3 2021 | Q2 2021 | Change |
|---|---|---|---|
| Cash/Earnings Ratio (CE) | 96% | 95% | +1% |
| Enterprise Yield (EY) | 2.7% | 2.5% | +0.2% |
| EY/10 YR Bond | 175% | 169% | +6% |

| Capitalization | Q3 2021 | Q2 2021 | Change |
|---|---|---|---|
| Weighted Mkt Value | $364B | $378B | -$14B |
| Median Mkt Value | $109B | $122B | -$13B |

SGA

SGA weights and characteristics are based on representative account as of 9/30/2021. SGA C/E ratio and Enterprise Yield projected. Account holdings and weights may differ from this representative account. Holdings/weights are subject to change without notice and should not be considered investment advice, a recommendation to purchase or sell a specific security or as indicative of the investment performance of SGA's portfolio. The list provided does not represent all the securities recommended for advisory clients. A complete list of all securities recommended for the strategy in the preceding year can be obtained by contacting SGA at (203) 348-4742. This information is supplemental & complements the GIPS Report on composite performance found on the back pages of this document. It should not be assumed that future results will be reflective of past performance.

# Annual GIPS Report – Global Growth

| Period | Total Return: Before Fees | Total Return: After Fees | Total Return: MSCI ACWI Net TR Index | Total Return: MSCI ACWI Growth Net TR Index | Number of Portfolios | Composite Dispersion | 3 Year Standard Deviation: SGA Composite | 3 Year Standard Deviation: MSCI ACWI Net TR Index | 3 Year Standard Deviation: MSCI ACWI Growth Net TR Index | Total Assets in Composite at Period End (USD millions) | Total Firm Assets at Period End (USD millions) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Since Inception (Feb. 1, 2011) | 15.39% | 14.42% | 9.04% | 12.09% | | | 14.06%* | 14.07%* | 14.30%* | | |

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 Standard Deviation based on Gross Returns.

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm that 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, 2020.

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, 2020. 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.

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.