SGA INTERNATIONAL GROWTH PORTFOLIO

Second Quarter 2019 | Managed Accounts

SGA Sustainable Growth Advisers
A VIRTUS INVESTMENT PARTNER

HIGHLIGHTS FOR THE QUARTER

- The SGA International Growth portfolio generated attractive absolute and relative returns in the second quarter as market volatility increased worldwide.
- Stock selection was the key driver of excess returns and was additive across most market sectors; sector allocations also contributed positively to performance.
- New positions in sports apparel company Adidas and eye care company Alcon were initiated in the quarter, while the portfolio's positions in brewer Ambev, pharmaceutical company Sinopharm, and digital financial company Wirecard were liquidated.

PORTFOLIO CONSTRUCTION

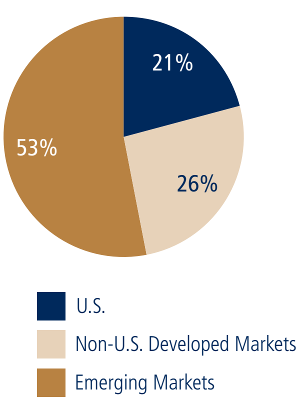
Holdings	Position Size	Max Exposure to One Sector	Max Exposure to One Industry	Expected Annual Turnover
25-35	2-6%	40%	25%	30-45%

PORTFOLIO STATISTICS

Style	International Growth
Total Assets in Strategy	$320M
Portfolio Holdings	29
Composite Inception	March 1, 2015
Top 10 Positions	48%
Portfolio Turnover (Trailing 12 Months)	28%
Active Share	92%

PORTFOLIO EXPOSURE

By Revenues



TOP 10 HOLDINGS

	Weight
Aon	5.4%
AIA Group	5.3%
IHS Markit	5.3%
HDFC Bank	5.0%
L'Oreal	5.0%
Heineken	4.9%
SAP	4.9%
Linde	4.3%
Nestle	4.1%
Alibaba	4.0%

Founded in 2003, Sustainable Growth Advisers is a growth equity manager focused on high-conviction U.S., global, emerging markets, and international large-cap portfolios.

Our approach strives to generate excellent absolute and relative returns over time by aligning client objectives with differentiated global businesses that we believe offer predictable, sustainable growth and have the ability to generate meaningful wealth.

INVESTMENT PHILOSOPHY

IDENTIFY
only those few differentiated global businesses that offer predictable, sustainable growth over the long term.

CONDUCT
deep company research with coverage by multiple analysts to enhance objectivity.

INCLUDE
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.

Source: Bloomberg, SGA analyst estimates and adjustments. Data as of 6/30/19. SGA weights and characteristics are based on a representative account. All accounts are modeled in line with SGA's representative account. Account holdings and weights may differ from this representative account. Holdings/weights are subject to change without notice and should not be considered to be 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 of 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. **Past performance is not indicative of future results.**

PORTFOLIO REVIEW

The SGA International Growth portfolio returned 7.25% (gross) and 6.47% (net) in the quarter, while its benchmark, the MSCI ACWI ex-USA Index (net), returned 2.98%. The portfolio's outperformance was due to strong performance by stock selection, particularly in information technology (SAP, Wirecard), consumer staples (Danone), and financials (AON, HDFC Bank). In contrast, stock selection in the consumer discretionary sector detracted the most, primarily due to our exposure to Chinese stocks Alibaba and Ctrip.

SAP and IHS Markit were the two largest contributors to performance in the quarter.

- Enterprise software company SAP's sales and profit growth exceeded consensus expectations and our own, reporting attractive software license growth and strong results in its cloud division. Additionally, management raised its 2019 operating profit target and focus on long-term margin improvement. Our research continues to point to an attractive growth runway for SAP's business, as it transitions from the traditional software licensing model to higher margin cloud-based offerings. We maintained our above-average weight in the company.
- Global information provider IHS Markit generates a high level of recurring revenues from subscriptions, with renewal rates of about 90%. As a leading provider of critical data and insights that are deeply embedded into client workflows, the company is able to increase its organic subscription revenues on a consistent basis while leveraging its resources to develop new products and insights. IHS also continued to show attractive margin expansion across the board. We maintained an above-average weight in the company.
- Aon, HDFC Bank, and Linde were the third, fourth, and fifth largest contributors to performance in the quarter.

Ctrip and Alibaba were the two largest detractors from performance.

- Online travel agency Ctrip was the largest detractor despite solid Q1 results. The company's weakness reflects broader softness in Chinese ADRs as a result of escalating trade tensions and China's challenging macroeconomic outlook. The longer-term outlook for Chinese travel growth remains intact, and Ctrip has an improving fundamental picture: margin improvement was well ahead of expectations, and it has gained market share at an accelerated pace with solid execution. We maintained a below-average weight in the company.
- Chinese e-commerce company Alibaba suffered from the same market-wide pressure on Chinese stocks as Ctrip. Fundamentally, the company remained strong and its earnings displayed resilience in the face of uncertainty. As China's consumption continues to grow and online commerce penetration increases, Alibaba remains well-positioned to benefit, given the size of its e-commerce platforms and resulting "network effect." In addition, Alibaba is China's largest cloud computing provider. We maintained an above-average weight in the company, adding on recent weakness.
- Chr. Hansen, Shandong Weigao, and Novo Nordisk were the third, fourth, and fifth largest detractors from performance.

PORTFOLIO ACTIVITY

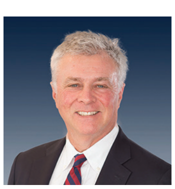
Portfolio turnover was about average for the period. We initiated new positions in Adidas and Alcon, and liquidated our positions in Ambev, Sinopharm, and Wirecard to free capital for other opportunities. We also added to positions in Alibaba, Asian Paints, Heineken, and Tencent, among others, on weakness, while trimming positions in MercadoLibre and HDFC Bank on strength.

- We bought Adidas, the second largest active footwear and apparel company in the world. Its pricing power is supported by strong brand equity as well as product innovation. In addition, the company's increasing mix of direct-to-consumer sales is margin accretive, while its increasing utilization of data and investment to create a faster supply chain has led to quicker feedback loops and production cycles and improved price yields. Adidas' revenues are highly recurring given the broad nature of its sales geographically and across products.
- Alcon is a medical devices company with a leadership position in ophthalmology. Its eye surgical division is the source of about $4 billion of its $7 billion in revenues, while its vision care division serving optometrists and consumers contributes the balance. High barriers to entry have resulted in an oligopolistic global market where Alcon benefits from highly recurring revenues and attractive pricing power. The company's runways of growth are driven by increasing demand for eye surgeries and contact lenses, continued penetration of healthcare services in emerging markets, and the shift towards higher technology products.
- Ambev, the largest brewer in Brazil, was sold to fund more attractive opportunities. Given the rise in market volatility and the evolving opportunities being created, we saw the chance to upgrade growth and valuation.
- We sold Chinese pharmaceutical distributor Sinopharm in light of continued issues with regard to collections and cash productivity, and there are more attractive growth opportunities on our qualified company list.
- We sold credit card and online electronic payments company Wirecard in order to reallocate capital to higher-confidence business opportunities on our qualified company list. We became uncomfortable with the company's accounting practices such as ballooning accounts receivables.

OUTLOOK

Rising market volatility has been positive for SGA portfolios in general, and the second quarter continued this historical trend. We continue to see ample reason for volatility to remain high given that rolling three-year trends show volatility below long-term averages. The opportunity to buy unique high-quality businesses that reliably generate above-average levels of revenue and earnings growth, with significant free cash flow, at attractive valuations excites us. Periods like the month of May give us the chance to do this, while periods like April and June allow us to reallocate capital toward other businesses on our qualified company list that offer more attractive long-term investment opportunities.

MANAGEMENT TEAM



Gordon Marchand, CPA, CIC, CFA
Founding Principal
With SGA since 2003

Tucker Brown
Principal
With SGA since 2006

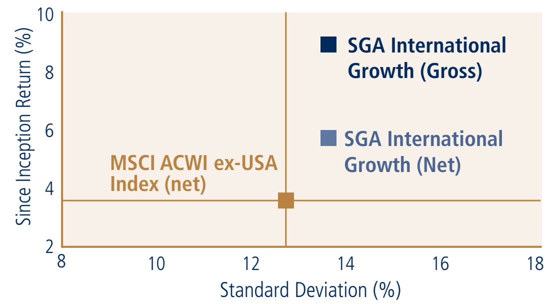
Alexandra Lee, M.D.
Principal
With SGA since 2004

COMPOSITE RETURNS

	QTD	1-Year	3-Year	Since Inception (3/1/2015)
SGA International Growth (Gross)	7.25%	11.14%	13.84%	8.90%
SGA International Growth (Net)	6.47%	7.87%	10.50%	5.69%
MSCI ACWI ex-USA Index (net)	2.98%	1.29%	9.39%	3.52%

The **MSCI ACWI ex-USA Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets, excluding the U.S. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

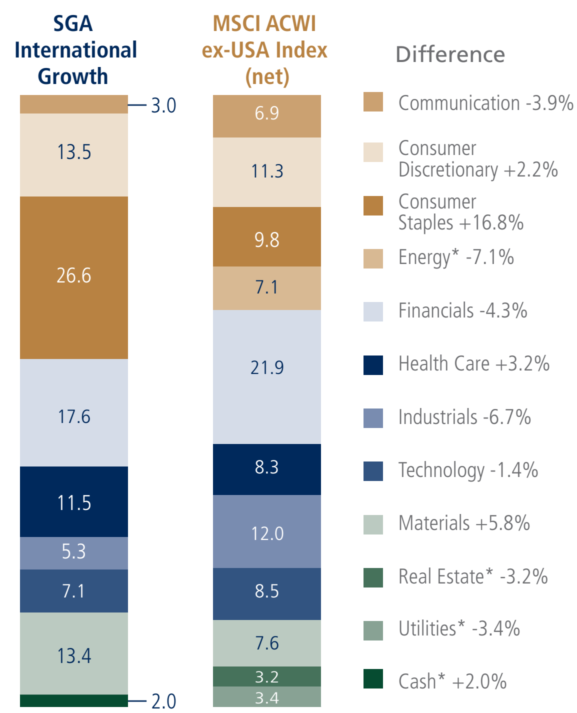
RISK VS. RETURN



ANNUAL RETURNS

Period	SGA International Growth (Gross)	SGA International Growth (Net)	MSCI ACWI ex-USA Index (net)
Mar. 1–Dec. 31, 2015	-4.63%	-7.00%	-10.32%
2016	0.65%	-2.33%	4.50%
2017	37.83%	33.85%	27.19%
2018	-12.42%	-15.04%	-14.20%

SECTOR ALLOCATION (%)



*Portfolio had 0% allocations to energy, real estate, and utilities. Index had 0% allocation to cash.

PORTFOLIO CHARACTERISTICS

	SGA International Growth	MSCI ACWI ex-USA Index (net)
Weighted Avg. Market Cap	$103B	$71B
Median Market Cap	$46B	$8B
Estimated 3-Year EPS Growth	13.6%	6.2%
Estimated 3-Year Revenue Growth	11.2%	3.4%
Forward Price/Earnings	26.6x	13.6x
Forward Price/Sales	3.7x	1.2x
Gross Margin	46.5%	27.7%
Debt/Equity	62%	116%
Cash Flow/Earnings Ratio (C/E)	88%	45%
Enterprise Yield	3.1%	n/a

Source: Bloomberg, FactSet, Baseline, and SGA analyst estimates and adjustments. Data as of 6/30/19. 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. 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 C/E Ratio and EY exclude financials, and are projected. SGA weights and characteristics are based on a representative account. All accounts are modeled in line with SGA's representative account. Account holdings and weights may differ from this representative account. The Net Returns are calculated based upon the highest published fees. The net performance has been reduced by the amount of the highest published fee that may be charged to SGA clients, 3.00%, employing the International Growth WRAP equity 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. Returns reflect the reinvestment of dividends, interest, and other earnings. SGA International Growth WRAP composite inception is 3/1/2015. This information is supplemental and complements full disclosure presentation on composite performance found on the back page of this document. **Past performance is not indicative of future results.**

SUSTAINABLE GROWTH ADVISERS INTERNATIONAL GROWTH EQUITY WRAP COMPOSITE

	Total Return						3 Year Standard Deviation			Total Assets at Period End (USD millions)			
Period	Before Fees	After Fees	MSCI ACWI ex-USA Net TR Index	MSCI ACWI Growth ex-USA Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI ex-USA Net TR Index	MSCI ACWI Growth ex-USA Net TR Index	Composite	Firm	Percentage of non-fee paying accounts	Percentage of WRAP accounts
Mar 1–Dec. 31, 2015	-4.63%	-7.00%	-10.32%	-6.77%	Five or Fewer	N/A	–	–	–	0.096	5,318	100%	0%
2016	0.65%	-2.33%	4.50%	0.12%	Five or Fewer	N/A	–	–	–	0.097	5,672	100%	0%
2017	37.83%	33.85%	27.19%	32.01%	Five or Fewer	N/A	–	–	–	0.133	9,971	100%	0%
2018	-12.42%	-15.04%	-14.20%	-14.43%	Five or Fewer	N/A	12.85%	11.38%	11.55%	89	9,096	0%	0%
2019 YTD (June)	24.86%	23.07%	13.60%	17.20%	Five or Fewer	N/A	12.92%	11.24%	11.96%	112	11,410	0%	0%
Since Inception (March 1, 2015)	8.90%	5.69%	3.52%	5.01%			13.64%*	12.74%*	12.73%*				

N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
3 Year Standard Deviation is not shown for 2015, 2016, and 2017 as 36 months of returns are not available.
*Since Inception Annualized Standard Deviation

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm and an affiliate of Virtus Investment Partners. The SGA International Growth WRAP Composite was created in March 2019. 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, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

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

The composite includes non-wrap accounts only, from 3/1/15 to 6/30/19.

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. Wrap fees include management, transaction, custody and other administrative fees. 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 wrap fee that may be charged to SGA clients, 3.00%, employing the International Growth WRAP 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 for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is not indicative of future results.

The standard wrap fee schedule in effect is 3.00% on total assets. Actual investment advisory fees incurred by clients used in the composite may vary from the standard fee schedule.