Inflation showed signs that it may have peaked in the fourth quarter, sparking broad rallies across stock and bond markets globally. Investors cheered lower oil prices, a weaker U.S. dollar, lower interest rates, and the prospect that monetary tightening by central banks was poised to slow. In this environment, non-U.S. markets outperformed during the quarter.

In the U.S., longer term interest rates declined as the Federal Reserve (Fed) communicated slowing the pace of rate increases, although longer-duration growth equities continued to underperform. The U.S. market underperformed most other markets during the quarter after being among the best performers in the third quarter.

In the European Union, GDP growth slowed amid ongoing pressures related to the war in Ukraine, higher interest rates, tight energy supplies, and weak exports to China. The U.K. saw its markets rebound in the period as a new government took over and immediately took steps to rescind tax and spending policies, which wreaked havoc on its markets in the third quarter. With Russia's setbacks in its war with Ukraine and better than expected energy supplies for the winter across Europe, market optimism led the MSCI Emerging Europe and MSCI Europe Indexes to produce strong returns for the quarter, led by Turkey, Poland, and Hungary.

After being one of the worst performing markets last quarter, Chinese stocks performed better amid signs that the government was finally stepping back from its zero-COVID policies that had severely hampered economic growth over the course of 2022. Other Asian and Pacific markets rallied amid the potential benefits that a reopening of the Chinese market could offer to regional growth. With great uncertainty over Chinese regulatory policies, as well as questions over how the country emerges from the current COVID crisis, we continue to believe that investing in China entails greater risk and we remain highly selective.

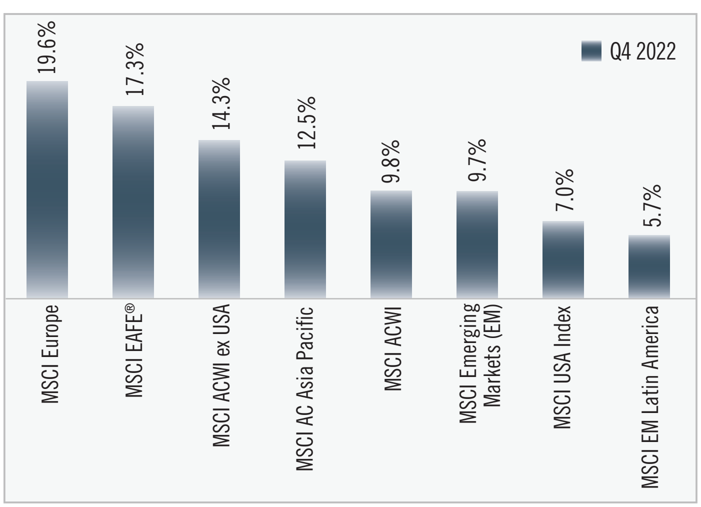
All but one sector of the MSCI AC World Index (ACWI) delivered positive returns during the quarter. Energy was the strongest performer during the quarter, followed by industrials, and materials. In contrast, consumer discretionary was the only sector to generate a negative return in the quarter, while communication services and information technology also underperformed.

OUTLOOK

Over the course of the second half of 2021 and most of 2022, high business quality, long-duration growth companies that we seek to own in our portfolios faced a stiff headwind. Quality characteristics such as pricing power, which affords control over margins, recurring revenue streams, free cash flow generation, and long runways of growth, were penalized as the market remained focused on the energy sector benefiting from higher oil prices. Our approach, which is focused on owning sustainable growth companies that generate superior and more predictable earnings growth, tends to lag broader markets in periods that favor more cyclically sensitive companies. We have historically found that such weakness is typically limited in duration.

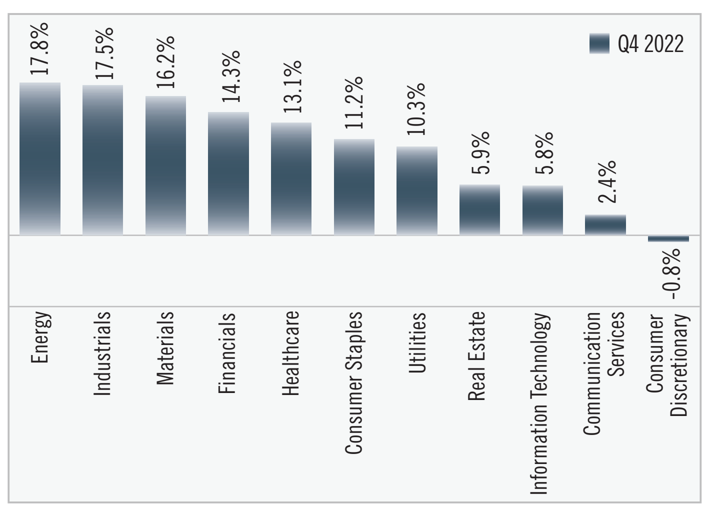
With interest rates now significantly higher, valuations of cyclicals less attractive, and economic growth showing initial signs of weakening, we believe the greater predictability and sustainability of the companies we seek to own should be rewarded. In our view, much of the increase

GLOBAL INDEX RETURNS



As of 12/30/2022. Source: FactSet. See MSCI Index definitions on last page.
Past performance is no guarantee of future results.

MSCI ALL COUNTRY WORLD INDEX – SECTOR RETURNS



As of 12/30/2022. Source: MSCI.

in interest rates is already factored into growth stock prices, although slowing profit growth is not. We expect this to change over the course of 2023 and both should become tailwinds for our approach as inflation pressures recede and corporate profit growth slows.

It is clear to us that the cyclical rebound that drove growth rates higher for more economically sensitive companies is losing steam, and a reduction in consensus earnings growth estimates for the Indexes is likely to follow. Such slowing in growth expectations has historically been very favorable for our investment approach, as the more predictable and sustainable growth of the companies we seek to own stand out. We are excited by today's attractive valuations of higher-quality-growth businesses and expect them to generate double-digit revenue growth and mid-teens earnings growth, exceeding the market's growth rates by a wide margin.

Authored by:
The SGA Investment Team

Sustainable Growth Advisers (SGA) is a growth equity firm specializing in managing high-conviction U.S., global, international, and emerging market portfolios. SGA uses a team-oriented approach and a consistent investment philosophy based on fundamental research and investing in the equities of sustainable growth companies.

Index definitions: MSCI USA Index measures the performance of the large and mid cap segments of the U.S. market. **MSCI AC Asia Pacific** measures large and mid-cap equity performance of developed and emerging markets countries in the Asia Pacific region. **MSCI All Country World (ACWI)** measures equity performance of developed and emerging markets. **MSCI EAFE®** measures developed foreign market equity performance, excluding the U.S. and Canada. **MSCI AC World ex U.S.** measures equity performance of developed and emerging markets, excluding the U.S. **MSCI Emerging Markets** measures equity market performance in global emerging markets. **MSCI Europe** measures equity market performance of Europe's developed markets. **MSCI Emerging Markets Latin America** measures equity performance of Latin America's emerging market countries. Indexes are free float-adjusted market cap-weighted and calculated on a total return basis with dividends reinvested.