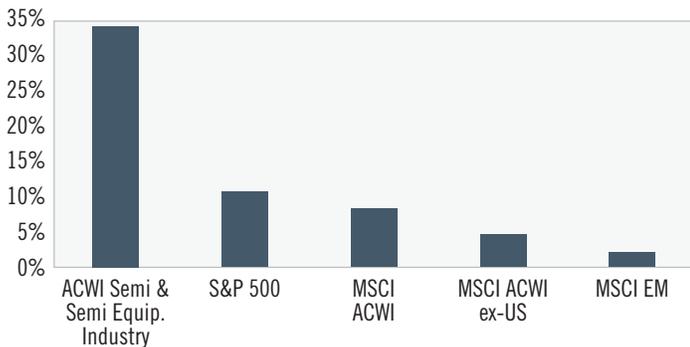


MARKET REVIEW

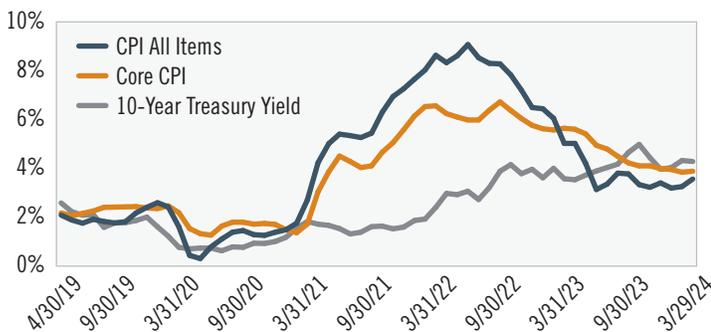
Continued improvement in the macroeconomic backdrop supported another strong quarter for global equities, which rose on the back of strength in developed markets and more modest gains in emerging markets. Fading recession concerns and optimism around economic resiliency in the U.S., driven by moderating inflation, an improving profit outlook, and a still strong consumer lifted U.S. investor sentiment to levels last seen in 2021. Investors shrugged off higher-than-expected inflation data, rising bond yields, and a moderation in expectations of interest rate cuts, which are now expected to be pushed to the second half of 2024. Enthusiasm around AI continued with semiconductor companies outperforming the rest of the market by a wide margin in the first quarter.

FIRST QUARTER 2024 PERFORMANCE



As of 3/31/24. Source: FactSet. **Past performance is no guarantee of future results.**

U.S. CPI & 10-YEAR TREASURY YIELD

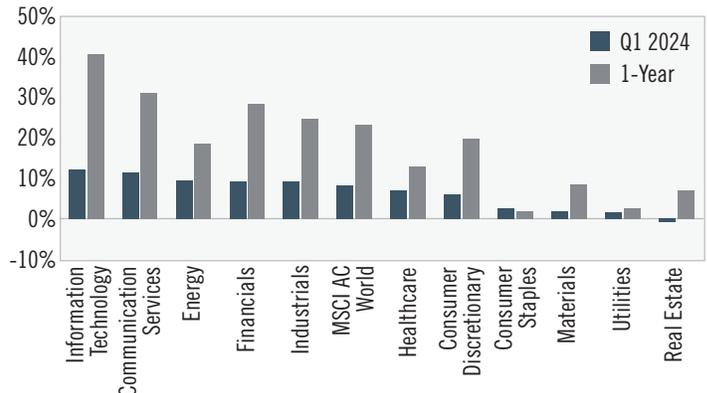


As of 3/31/24. Source: FactSet. **Past performance is no guarantee of future results.**

Developed markets performed best in the quarter led by strength in European and Japanese stocks, while continued weakness in Chinese stocks and a pullback in Latin American markets weighed on emerging markets, which underperformed despite strong performance in Taiwan. Aside from the strong performance of AI-related technology stocks, economically sensitive areas of the market generally performed strongly given the more supportive backdrop, while companies with less sensitivity to an improving macro environment lagged, including many companies in the consumer staples and

healthcare sectors. Among the better performing areas of the market were energy stocks, which benefited from higher oil prices amid tensions in the Middle East and concerns around supply, along with financials and industrial stocks.

MSCI ACWI PERFORMANCE BY SECTOR



As of 3/31/24. Source: FactSet. **Past performance is no guarantee of future results.**

Growth expectations for the global economy and corporate profits continued to inch higher during the quarter. The IMF raised its 2024 and 2025 global growth projections to 3.1% and 3.2%, respectively, reflecting greater resiliency in the U.S. and strong and improving growth outlooks in India, Brazil, and Mexico, along with improvements in the European macro backdrop. While recent upward revisions to estimates reflect better-than-previously-expected growth in the coming years, the longer-term outlook remains muted with global GDP growth expected to be below the prior decade's trend.

Looking beyond the next few years, we believe developments in AI are likely to enhance growth in many businesses, although we see several headwinds for the global economy, including deglobalization, rising geopolitical tensions, higher interest rates, fading fiscal support amid high sovereign debt levels, and slowing secular growth in China. These issues are likely to drive greater volatility in global economic growth and higher macroeconomic uncertainty, which in our view, should provide support for higher-quality companies that can grow earnings and cash flows with greater durability and predictability.

NEXT DECADE UNLIKELY TO LOOK LIKE THE LAST

The Past

- Globalization
- Peace dividend
- Unprecedented monetary accommodation
- The Chinese growth engine
- Tremendous fiscal stimulus
- Internet opportunities

The Future

- Deglobalization and greater supply chain control
- Geopolitical conflicts rising in multipolar world
- Higher interest rates
- China's growth slowing, worsening demographics
- Unsustainable sovereign debt levels
- AI opportunities

Greater optimism around the macroeconomic backdrop is also evident in earnings expectations, which continued to rise in the quarter. Current growth estimates for major markets reflect expectations for a reacceleration in growth in coming years and hope for markets to deliver growth in most cases significantly above their longer-term averages. In contrast, we expect our portfolios to deliver growth in line with their long-term averages of the mid-teens range. We have higher confidence in the ability of the companies in our portfolios to meet current expectations with less volatility and see more uncertainty around the growth expectations for broad-based market indexes.

EARNINGS GROWTH: HISTORICAL VS. FUTURE EXPECTATIONS



As of 3/31/24. Source: FactSet. Past performance is no guarantee of future results.

OUTLOOK

The market environment reflected a continuation of trends that began in 2023 when optimism around a more resilient global economy gained steam and earnings estimates started to inflect higher. Despite current enthusiasm around a soft landing and expectations for interest rate cuts by monetary authorities, we continue to believe that a higher level of interest rates than those experienced over the past few decades, more stringent lending practices by banks, and growing geopolitical tensions are likely to lead to a higher level of uncertainty and potential market volatility. We expect companies with greater sales stability or recurring revenue streams, which have underperformed in the rebound since the pandemic, are well positioned to outperform as uncertainty over market growth increases. We remain confident that our focus on quality growth companies and valuation discipline should be an effective investment approach over the next several years of likely higher market uncertainty and volatility.

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 All Country World (ACWI) measures equity performance of developed and emerging markets. 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. The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The indexes are unmanaged, returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

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Past performance is no guarantee of future results.

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