Global Growth Commentary

1Q 2021

Performance

SGA's Global Growth portfolio returned 2.2% (gross) and 1.4% (net) in Q1 versus 4.6% for the MSCI All Country World (ACWI) Index and 0.3% for the ACWI Growth Index.

Highlights

- Our approach faced a headwind as smaller cap, lesser quality more economically sensitive stocks outperformed on rising expectations for a strong economic recovery
- The portfolio trailed the MSCI ACWI with residual sector weights and stock selection detracting from relative returns
- The portfolio's underweight in the strongly performing Financials sector and lack of exposure to Energy stocks presented a headwind for performance, while stock selection in the Consumer Discretionary also hurt relative returns; strong selection in the Industrials and Communication services sectors boosted relative returns
- The portfolio's position in Fast Retailing was sold due to valuation and the proceeds reinvested in media leader Walt Disney
- We continued to trim positions that had appreciated substantially such as Alibaba, HDFC Bank and Kansas City Southern, while buying additional shares of other stocks that remained attractively valued such as Dassault, Equinix, and Workday among others

A Global Economic Recovery Underway

As vaccination rates around the world rose, forecasts for economic growth continued to improve with growth in the U.S. now expected to reach almost 10% in Q1, up from 4.1% in Q4. Employment continued to improve with the unemployment rate dipping down to 6.0% versus 14.8% at the height of the pandemic. With a massive amount of new fiscal stimulus being applied, in addition to the trillions of dollars already spent, and almost $5 trillion in U.S. consumer savings on the sidelines, 2021 and 2022 are likely to witness rates of growth well in excess of anything seen in recent years. At the same time, China reiterated that its GDP would grow 6% in 2021 up from 2.5% in 2020. Chinese equities trailed during the period given concerns about fiscal and monetary tightening by Chinese authorities to rein in risky lending and curtail financial asset bubbles. Additionally, concerns about regulation of China's internet and technology companies weighed on sentiment.

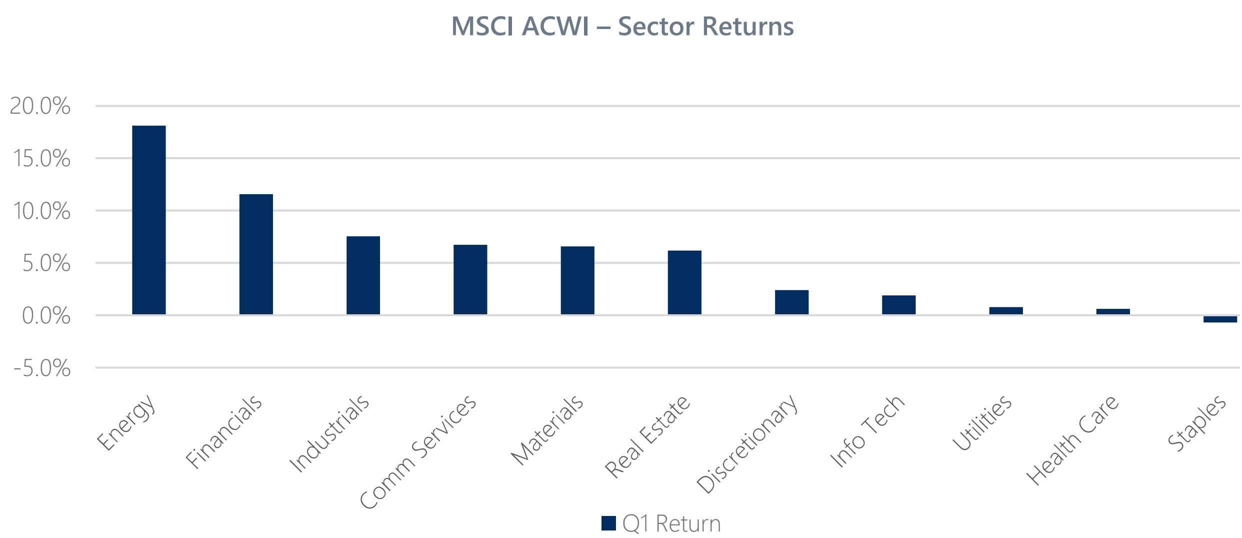
With harsh lockdowns coming to an end after an aggressive vaccination program, the UK looked to see a strong rebound in growth as well. At the same time, the rest of Europe remained mired in pandemic-related weakness with extensive new lockdowns announced in France and Italy and other parts of the continent. In the Emerging Markets, quickly rising COVID-19 caseloads in Brazil, which surpassed the U.S. in terms of virus related deaths, and India negatively impacted growth forecasts. Rising geopolitical tensions between the U.S. and China posed an additional risk. Additionally, while economic growth in the U.S. is rebounding strongly at the moment, proposed significant changes in tax policy and rates could pose a headwind to U.S. growth and corporate profits in 2022. With this in mind, we have adjusted the assumed tax rates we use in modeling companies on our Qualified Company List.

U.S. 10YR Treasury Yield

Source: FactSet

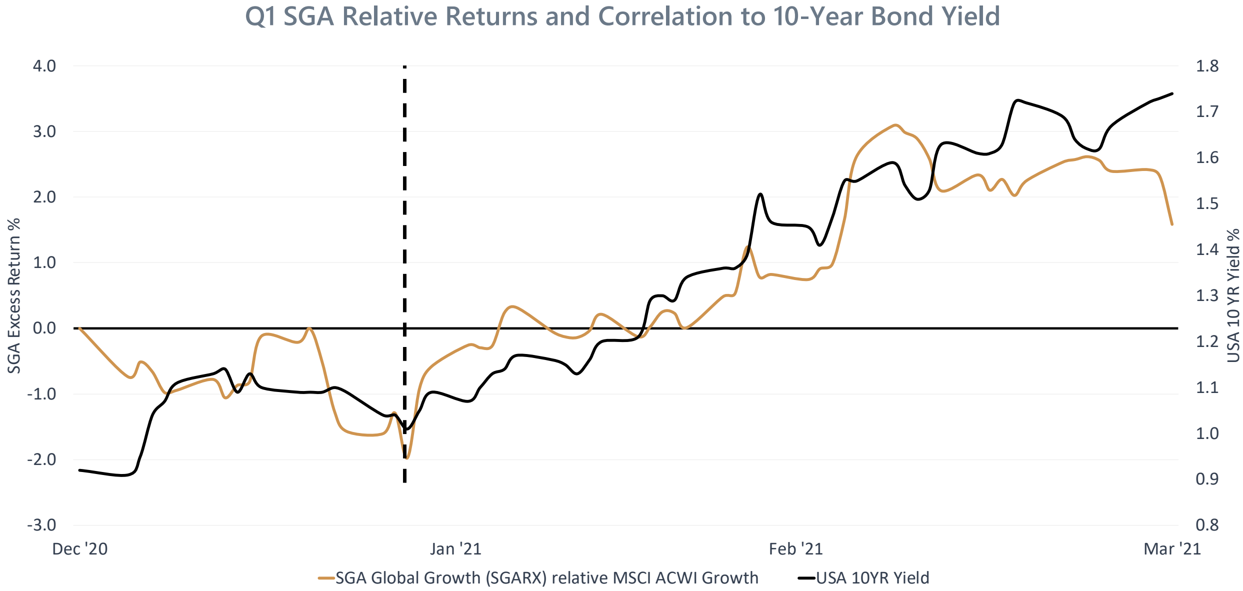
Market Attribution

Market leadership varied over the course of the quarter with more economically sensitive companies outperforming strongly, particularly during January. Quickly rising U.S. bond yields together with a fourth COVID-19 wave in Europe and Brazil and rising cases in the U.S. served to moderate optimism. Higher interest rates put pressure on longer duration high growth stocks particularly in the Information Technology and Consumer Discretionary sectors in February and March. For the overall period, value outperformed growth, higher beta stocks beat lower beta stocks, and small caps outperformed. Higher quality business metrics went unrewarded with firms generating low returns on equity, high debt levels, or no earnings performing best. The willingness of investors to take on higher levels of risk and earnings variability posed a headwind to our approach which is focused on owning the most predictable and sustainable growth businesses we can identify around the world.



Source: MSCI

From a sector standpoint, the Energy and Financials sectors performed best, returning +18.1% and 11.6% respectively, as both sectors benefited from rising expectations for stronger global growth. The Industrials sector also benefited from the desire by investors to buy cheap exposure to the economic cycle. Not surprisingly, more defensive areas of the market such as the Consumer Staples, Health Care, and Utilities performed the worst. Information Technology, which comprised about 22% of the ACWI Index, also underperformed by a wide margin as longer duration growth stocks in that area were negatively impacted by quickly rising bond yields. Large contributors to market returns from last quarter and 2020 such as Apple and Tesla underperformed in Q1 providing some benefit to our portfolio on a relative performance basis.



The performance figures shown are for the institutional share class of the Virtus SGA Global Growth Fund, SGARX, relative to the MSCI ACWI Growth Index.

Source: MSCI

Portfolio Attribution

The portfolio underperformed on a relative basis in the first half of the quarter as cyclical stock headwinds were most intense but saw a turn in relative results beginning in late January as interest rates rose quickly and negatively impacted higher growth companies, particularly in the Information Technology and Consumer Discretionary sectors. Concern over the widening spread of COVID-19 variants and the potential impact this could have on U.S. reopening's despite the quickly increasing number of people being vaccinated also moderated investor optimism as the quarter went on. Sector allocations and stock selection each detracted from relative returns. An underweight in the strongly performing Financials sector and no exposure in the strongly performing Energy hurt most. Stock selection within the Consumer Discretionary sector was the largest detractor overall due largely to positions in New Oriental Education and Nike.

Selection in the Consumer Discretionary and Financials sectors also had a negative impact due to positions in New Oriental Education, Nike, Yum! Brands, and AIA Group. Strong stock selection in the Industrials and Communication Services sectors due to positions in Kansas City Southern, IHS Markit, and Alphabet helped mitigate some of the weakness.

Largest Contributors

Kansas City Southern received a $25 billion merger offer from Canadian Pacific Railroad which would form a company that would create the first freight railway network linking the U.S., Canadian, and Mexican borders. The deal faces scrutiny from U.S. regulators but, with little geographic overlap between the respective rail networks of the two companies, both parties committed to it. With the ability for the new entity to help expedite and enhance service for customers, we consider the chances of approval to be high. This is further supported by the fact that a similar deal was approved in the late 1990's where it was determined that there was little negative impact on competition. Along with the chance to enhance service for shippers and thereby strengthen the new company's value proposition, we see the potential for meaningful synergies on both the top and bottom line for the company over our 3-5-year investment horizon. Given the increase in KSU's share price with the announcement of the deal, and the potential risk that it may not be approved, we took profits in the position but maintained an average weight at quarter-end.

Internet search leader **Alphabet** was the portfolio's second largest contributor in Q1 after reporting impressive revenue growth led by an unexpectedly strong rebound in Search, despite travel related headwinds, as well as strong margins. Strong controls over operating expenditures led to more than a 60% rise in operating profits. The stock also benefited from a strong increase in the company's cloud backlog which increased from $19 billion in Q3 to $30 billion in Q4. The company cautioned that operating expenditures and capital spending would reaccelerate in 2021, but we remain comfortable with its ability to temper spending as needed to protect earnings and cash flow in periods of economic weakness. We maintained an average weight position in the company during the quarter.

HDFC Bank was the third largest contributor to portfolio performance in Q1 as it posted a strong earnings report and benefited from improving economic activity in India. Its results benefited from reduced provisioning for bad loans as their balance sheet is in solid shape and has sufficient floating provisions to account for any future issues. The company reported strong deposit growth on a year-over-year basis along with strong loan growth and well-controlled costs which all led to attractive profit growth of about 18%. We maintained an above-average weight position.

Tencent and **Facebook** were the fourth and fifth largest contributors to portfolio performance for the quarter.

Largest Detractors

Chinese private education company **New Oriental Education** was the largest detractor from portfolio performance in Q1 after announcements by government regulators led to increased concerns about how EDU and other private education companies may be impacted by new regulations. Following a review of the issue, we determined that the main tenets of our original thesis for EDU remained intact and that we expect the company to potentially benefit from the change in regulations which may lead to a further consolidated industry. We continue to see EDU as being well-positioned to benefit from demand for higher quality education in China and purchased additional shares of the stock on weakness through the quarter.

Leading computer assisted design company **Autodesk** was the second largest detractor from performance during the quarter despite a solid Q4 report with revenues exceeding expectations and strong bottom line growth. Billings for the year declined by only 1% which, given the issues associated with the pandemic, was quite strong and better than the company's guidance. Their guidance called for softness in the first half of 2021 which is not abnormal given the seasonality in their business. This coupled with very strong performance by the stock in Q4 last year led to its underperformance this quarter. We used the weakness to add to our position after we had trimmed on strength earlier.

Premium brand brewer **Heineken** was the third largest detractor from performance in Q1 as the company continued to be negatively impacted by the closure of restaurants, bars, and pubs due to COVID-19 restrictions in many of its key markets. We see these issues being temporary in nature and continue to focus on the company's strong brand presence in the premium brand markets, its geographically diverse and normally stable consumption patterns and exposure to the key secular growth drivers (premium brands and participation in the developing markets) in the global beer business. We maintained an average weight position in the company during the quarter.

Intuitive Surgical and **Novo Nordisk** were the fourth and fifth largest detractors from performance during the quarter.

Portfolio Activity

Turnover during the quarter was in-line with long-term averages. A new position was initiated in Walt Disney while the portfolio's position in Fast Retailing was liquidated given its valuation and the better forward-looking opportunity in Disney. We were also active in trimming back positions in select positions on strength, consistent with our valuation discipline. Positions in Autodesk, AIA Group, Alcon, Alibaba, New Oriental Education, Facebook, HDFC Bank, Illumina, Kansas City Southern, PayPal and Tencent were trimmed. Given volatility during the quarter, we reallocated more capital to other growth businesses where valuations had become more attractive. Those included Autodesk, Dassault, New Oriental Education, Equinix, Facebook, IHS Markit, Novo Nordisk, PayPal and Workday. You will note that some positions were both added to and trimmed during the quarter given large swings in stock prices over the period.

New Positions

Global media leader **Walt Disney** was reintroduced to the portfolio in February as the company posted impressive user growth for its Disney+ streaming service. While its theme parks and studios have been negatively impacted by the COVID-19 pandemic given state-mandated closures to parks, movie theaters, and the reduction in travel, we see attractive opportunity for the business in the rebound expected in 2021 and 2022. We also see continued investments in content for the company's key direct-to-consumer media offerings. However, given wide acceptance by consumers and a strategy that emphasizes quality over quantity, we see it becoming profitable over our 3-5-year time horizon with attractive long-term margin and cash flow potential. As consumers increasingly embrace streaming services, which are still priced at a significant discount to traditional cable subscription rates, we see ample room ahead for Disney to lift pricing and gain share of the consumer's wallet. This business will increasingly be a key driver of Disney's growth helping the company monetize its premium content in more effective ways.

Disney continues to meet the key business quality criteria we focus on, offering attractive pricing power due to the unique value of their branded content. The company's ESPN, Pixar, Lucas Films, Marvel brands and Fox assets provide it with strong content relative to peer media businesses. The company enjoys a high level of recurring revenues despite the somewhat cyclical nature of their theme parks given their emphasis on longer-term contracts and distribution, and the unique and ongoing demand for their content. Finally, our research indicates that Disney's direct-to-consumer distribution network offers significant long-term growth opportunities albeit in conjunction with increased content expenses. Meanwhile, a successful direct-to-consumer relationship will lead to flywheel effects among the Park, Consumer Products, and Studio businesses, which we see as advantages that are unique to Disney.

While we see enhanced growth opportunities for Disney looking forward, we remain cognizant that the streaming industry has become highly competitive and Disney's growth will be affected by how it continues to build its offering and differentiate itself from peers. We also understand that its theme park business, while expected to rebound strongly as the pandemic recedes, may face difficulty growing its margins significantly further. However, we do see opportunity for improved efficiencies in this business, some of which have become more apparent as a result of the pandemic. While the Fox acquisition turned out to be less attractive to Disney's business in the short-term, we do see that it has brought meaningful benefits to the company's content library and expect that it will be accretive. While cord-cutting has been a threat to ESPN in the past, we see the impact mitigated by Disney's direct-to-consumer steps. We initiated a below-average weight position in the company and expect to build it opportunistically moving forward.

Sold Positions

The portfolio's position in **Fast Retailing** was sold due to valuation following significant appreciation and the identification of other more attractive growth opportunities over our 3-5-year investment horizon.

Summary

The portfolio's return pattern over the quarter was consistent with our expectations and history as it lost some relative ground in the early part of the quarter amid high optimism over the potential for life to get back to normal as vaccination programs gained traction. While the cyclical advance continued through the quarter, its strength moderated as the quarter went on as a result of hiccups in the rollout of vaccines, virus variants spread in Europe, Brazil, and the U.S., and U.S. bond yields rose. With vaccine supplies gradually building, global manufacturing humming and massive monetary and fiscal stimulus being piled on, we are not surprised by the optimism or the market's willingness to embrace cyclicals. Q1, however, illustrates the basis for our continuing focus on businesses and the key quality characteristics we demand. Likewise, it underlines our expectation that the path out of the pandemic is likely to be volatile and marked by periodic reversals and fluctuations in sentiment.

The businesses we invest in are expected to grow at above-average rates, despite the volatility and variations in investor sentiment, compounding over our longer time horizon. Over the next three years, the portfolio is expected to generate 12.9% revenue growth and 23.0% earnings growth while the MSCI ACWI is expected to generate 5.8% and 16.5% revenue and earnings growth respectively. This predictability and sustainability of growth should provide a much smoother ride for our clients over time, generating strong risk-adjusted and absolute returns. We've seen headwinds from the bounce in cyclicals before and have confidence that our approach to growth investing will generate attractive performance for our clients over the long-term.

Please let us know if you have any questions regarding the quarter or the portfolio's positioning, and thank you for your continued confidence in our team.

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Results are presented gross and net of management fees and include the reinvestment of all income. 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 Global 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. 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. Upon request, free of charge, SGA can provide a list of all portfolio holdings held in SGA's Global Growth portfolio for the year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. SGA's earnings growth forecast data is based upon portfolio companies' Non-GAAP operating earnings.

	Total Return						3 Year Standard Deviation					
Period	Before Fees	After Fees	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Number of Portfolios	Composite Dispersion	SGA Composite	MSCI ACWI Net TR Index	MSCI ACWI Growth Net TR Index	Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of WRAP accounts
Feb. 1 - Dec. 31, 2011	4.91%	2.07%	-8.78%	-7.85%	Five or Fewer	N/A				1	2,686	0%
2012	17.61%	14.18%	16.13%	16.69%	8	N/A				1,204	4,278	0%
2013	21.77%	18.22%	22.80%	23.17%	10	0.3%				1,482	5,611	0%
2014	2.40%	-0.63%	4.16%	5.43%	12	0.3%	11.26%	10.50%	10.53%	1,368	5,332	0%
2015	9.82%	6.59%	-2.36%	1.55%	13	0.2%	11.99%	10.79%	10.73%	949	5,318	0%
2016	4.47%	1.39%	7.86%	3.27%	14	1.0%	12.92%	11.06%	11.28%	1,234	5,672	0%
2017	34.27%	30.40%	23.97%	30.00%	15	0.5%	12.36%	10.36%	10.72%	2,309	9,971	0%
2018	-0.87%	-3.81%	-9.41%	-8.13%	21	0.3%	12.00%	10.48%	11.47%	2,935	9,096	0%
2019	33.42%	29.56%	26.60%	32.72%	24	0.4%	11.58%	11.22%	12.09%	3,727	12,347	0%
2020	31.88%	28.06%	16.25%	33.60%	24	0.8%	16.67%	18.13%	18.16%	6,238	18,780	0%
2021 (Mar)	2.20%	1.44%	4.57%	0.28%	26	0.2%	16.13%	17.64%	17.63%	6,103	19,071	0%
Since Inception (Feb. 1, 2011)	15.23%	11.85%	9.29%	11.81%			13.90%*	13.92%*	14.13%*			

N/A- Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

The 3 Year Annualized Standard Deviation for years 2011, 2012, and 2013 is not shown as 36 months or returns not available

* Since Inception Annualized Standard Deviation. SGA Composite Dispersion based on Gross Returns.

Sustainable Growth Advisers, LP ("SGA") was formed in 2003 and is a registered investment advisor under the Investment Advisers Act of 1940. SGA manages portfolios of publicly traded equity assets according to its "Large Cap Growth Equity" investment approach for pooled funds, institutions, trusts and private accounts. SGA is an operationally independent investment management firm that and is an affiliate of Virtus Investment Partners. The SGA Global Growth WRAP Composite was created in September 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, 2019. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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. Verification does not ensure the accuracy of any specific composite presentation.

SGA Global Growth WRAP 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).

The composite includes non-wrap accounts only, from 2/1/11 to 3/31/21.

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 Global 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 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 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.

Indices are unmanaged, hypothetical portfolios of securities that are often used as a benchmark in evaluating the relative performance of a particular investment. An index should only be compared with a mandate that has a similar investment objective. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or management fees.

Risks: Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. Geographic Concentration: A portfolio that focuses its investments in a particular geographic location will be sensitive to financial, economic, political, and other events negatively affecting of that location. Foreign & Emerging Markets: Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. Market Volatility: Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.