

## Performance

The U.S. Large Cap Growth portfolio returned -3.8% (Gross) and -4.5% (Net) versus -3.1% for the Russell 1000 Growth Index and -3.3% for the S&P 500 Index. The S&P 500 Equal Weight Index returned -4.9%, which can be a useful measure of average stock performance, as the dollar weighted indices have become increasingly concentrated.

## Interest Rate Concerns Offset Resilient Economic Backdrop

Resilient U.S. economic data, moderating inflation pressures, and a better-than-feared corporate earnings season raised expectations for an economic “soft landing” and supported the market’s advance early in the quarter. Investors were encouraged as the Federal Reserve paused their monetary tightening program in June even though expectations remained for one or two more rate hikes in 2023. Revised Q1 GDP growth figures indicated the economy expanded at a 2% annualized rate compared to previous estimates of 1.3%.

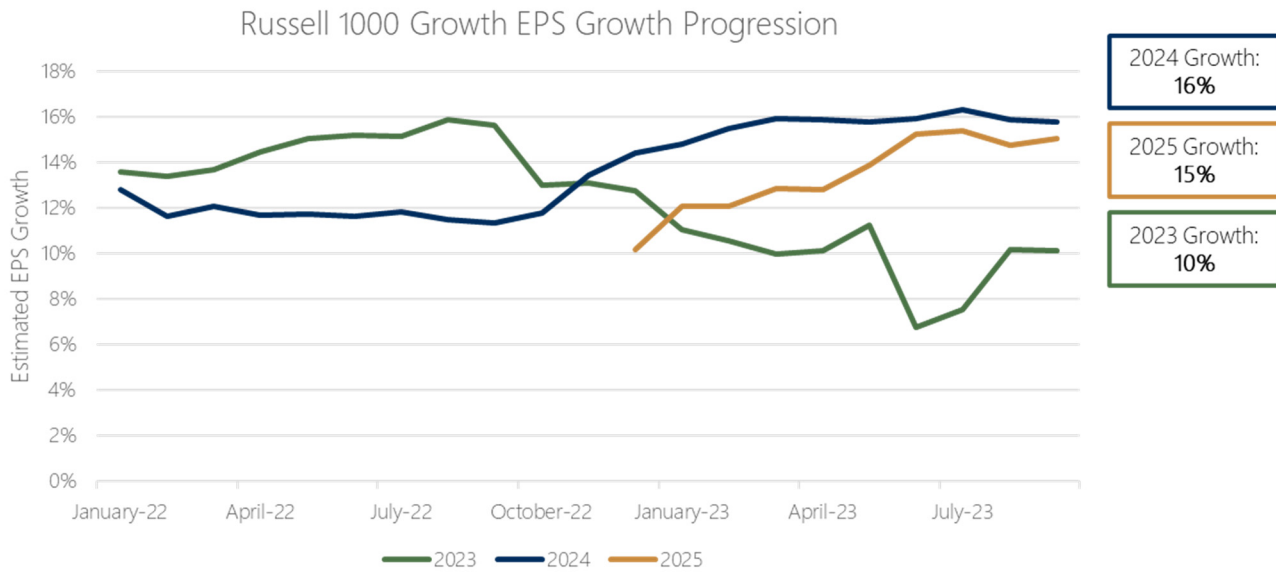
Optimism faded later in the quarter, however, due to rising uncertainty around monetary policy. Persistent inflation precipitated another rate hike at the Fed’s July meeting. The Fed’s announced willingness to hold rates “higher for longer” revived concerns around rates and valuations leading to a pullback in the market in September.

Technology stocks, which had soared earlier in the year, were the largest drag on index performance in Q3. Given higher interest rates, inflation pressures, reduced fiscal stimulus, the prospect of reduced consumption due to declining consumer savings, deglobalization, and ongoing trade headwinds, we continue to expect slowing economic and profit growth.

Growth expectations for this year picked up over the course of the quarter on the back of a better-than-expected Q2 earnings season. 2024-25 expectations remained high given resilient economic growth, and nascent signs that labor market dynamics were improving. At the same time, the risk of a slowdown in consumer spending persists given the exhaustion of pandemic-era excess savings, the resumption of student loans payments, tightening credit standards, rising energy costs, and higher interest rates and mortgage rates. While consumer balance sheets remain relatively healthy, some signs of weakening are beginning to show, including rising credit card losses (albeit from very low levels), falling confidence, and slowing foot traffic at retailers. We humbly acknowledge that we have no expertise in accurately forecasting the future path of the economy but view current growth expectations for the market as optimistic given the headwinds from higher interest rates, tighter credit and bank lending standards, and higher energy costs and lower consumer savings.

## Highlights

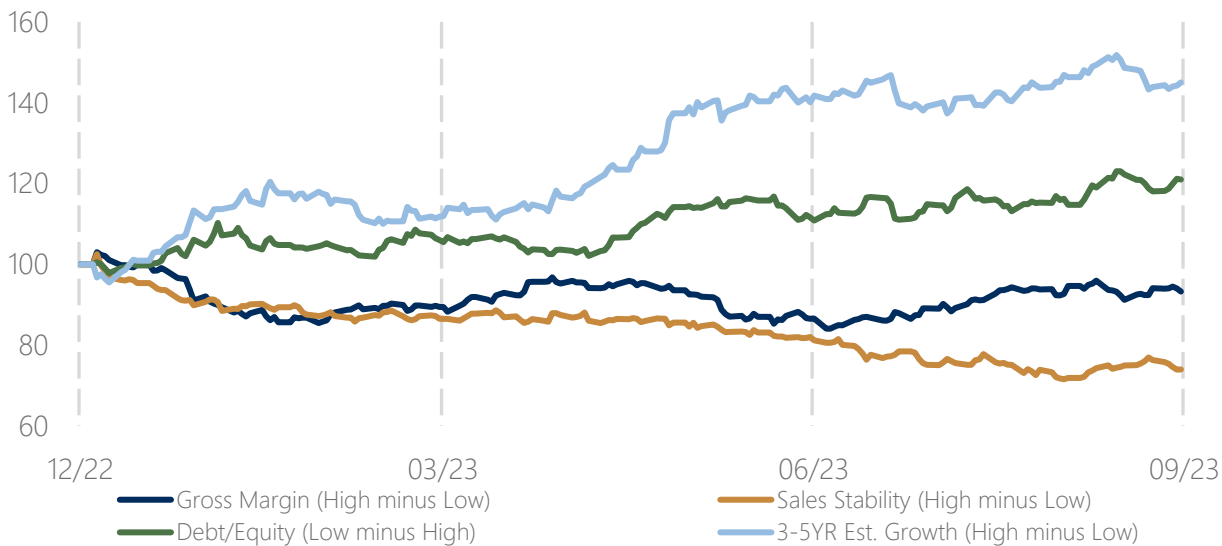
- The portfolio returned -3.8% (Gross) and -4.5% (Net) versus -3.1% for the Russell 1000 Growth Index and -3.3% for the S&P 500 Index.
- Companies with higher sales stability underperformed amid rising interest rates.
- The largest contributors to Q3 performance were Regeneron, Intuit, and MSCI and the largest detractors were Dollar General, Netflix, and Microsoft.
- A new position in Canadian Pacific Kansas City was initiated and we sold positions in Adobe and Intuitive as we managed valuation risk; Dollar General was sold given deterioration in its fundamentals.
- We trimmed the position in Alphabet on strength and added to positions in Microsoft, Netflix, NVIDIA, Yum! Brands, UnitedHealth, and Danaher on weakness.
- Portfolio revenues and earnings are expected to grow by 10.8% and 16.1%, respectively, over the next three years consistent with historical levels.
- Consensus expectations for 14.5% earnings growth for the Russell 1000 Growth Index over the next 3 years presume an acceleration despite mounting evidence of a gradual slowing in macroeconomic and profit growth.



Source: FactSet, Russell

The reward to quality factors was mixed during the quarter with improvement for companies with higher gross margins while companies with greater sales stability underperformed by a wide margin.

### Sales Stability & Gross Margins Not Rewarded YTD



Source: FactSet, Russell

## Largest Contributors

**Regeneron** was the largest contributor to performance after being a detractor last quarter, as it received approval for high dose Eylea, which ended up being delayed only by a quarter. The approval should enable Regeneron to defend its Eylea franchise against competition, and perhaps even take more share from the unbranded market. 2Q results exceeded expectations driven by strong demand for its atopic dermatitis drug Dupixent which saw sales increase 37% year-over-year. Sales of its cancer drug Libtayo grew 131% off a smaller base. Regeneron continues to spend heavily on its pipeline with R&D up 41%. We believe the spend will provide a good return for shareholders over the long term as the company has shown a

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strong ability to bring new drugs forward for FDA approval and get them to market in an effective manner. We maintained a below-average weight position in the company.

**Intuit** was the second largest contributor to performance in Q3 after the company posted a solid report beating expectations across each of its key business segments and raised its consolidated revenue and earnings guidance for 2024 beyond our and most analysts' expectations. Management guided to 11% revenue growth and 13% operating income growth. We were encouraged by stabilizing growth in the mid-teens at MailChimp ahead of its major new product cycle. The stock also benefited from rising expectations relative to its generative AI opportunities. We maintained our average weight position given our continued positive growth outlook for the company.

**MSCI** was the third largest contributor to performance in Q3 after being the largest detractor from results in Q2. The company posted a strong Q2 report with revenues up 13% and earnings per share up 17% while subscription revenues rose 11% and index subscriptions were up by a double-digit rate for the 38<sup>th</sup> consecutive quarter. ESG & Climate revenue growth stabilized at 29%, beating expectations while retention of clients for the segment was a solid 97%. Investors were pleased with notably more positive comments from management regarding trends in the ESG & Climate business segment after their comments last quarter noting regulatory uncertainty in Europe and political headwinds in the U.S. We maintained an average weight position in the company.

The fourth and fifth largest contributors to performance were **Alphabet** and **UnitedHealth**.

## Largest Detractors

**Dollar General** was the largest detractor from portfolio performance in Q3 after it reported disappointing Q2 results and cut full year guidance.

The last few quarters have been a challenging backdrop for the company for several reasons. Its core customers have been under pressure from significant cost of living inflation and the expiration of government benefits, competition in the space has grown with the resurgence of Dollar Tree and the retail industry is suffering from increased shrinkage. In addition, company supply chain issues and underinvestment in store labor led to significant deterioration in the relative shopping experience compared to peers.

These issues have manifested themselves in traffic loss, incremental costs and further investments in labor and IT systems all while the business continues to suffer from excess inventory ordered during Covid.

Through the first half of this year, based on our research and conversations with management, we maintained conviction that the company's plans were sufficient to turn trends in the business around within a reasonable timeframe if the macro and competitive environment had not turned adverse. However, new developments in the third quarter changed our opinion. Recent store visits showed disappointingly little progress in inventory management and overall customer experience, while the latest pricing studies reveal an increasingly challenging competitive environment, and traffic trends versus competitors diverged further. In addition, retail theft issues are worsening and will be structurally difficult to address due to Dollar General's lean store staffing model.

We now believe fundamental deterioration in the business will require significantly more time and cost to address in an increasingly competitive retail environment while also tempering future unit growth and share gain opportunities. Further, we have lost a significant degree of confidence and trust in senior leadership given their series of strategic and execution missteps. With material deterioration in the company's pricing power, runway of growth, and management strength, we believe the investment thesis no longer qualifies for the Qualified Company List. As a result, we liquidated the position during the quarter.

**Netflix** was the second largest detractor from performance in Q3 as the average revenue per member (ARM) came in at -1% on a year-over-year basis compared to expectations for a low-single-digit gain as investors looked for a more pronounced contribution from paid password sharing and advertising. Net added subscriptions were strong across regions, up about 5.9 million. While advertising and paid sharing contributed to revenues only in the low-single-digits this year given their recent launch, we expect their contribution to ARM to become more meaningful over time. While the company did not raise prices in 2023 in preparation for paid sharing, we expect them to resume price increases in 2024 which will benefit ARM. We were also pleased to see attractive improvements in cash flow generation. Given that Netflix plans programming well into the

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future and a significant portion of content comes from overseas, we anticipate minimal impact from the actors and writers strike as we expect a resolution by year end. With perhaps the deepest content today and having demonstrated an ability to monetize previous non-paying watchers in an effective manner via paid sharing or their ad supported version, we continue to view Netflix's growth opportunity over our 3–5-year investment horizon as being attractive and raised our target to an average weight, adding to the position on weakness.

**Microsoft** was the third largest detractor from performance in Q3. The company posted a strong Q2 report, and we were pleased to see all business segments providing in line or better returns. Operating income increased by 21% on a constant currency basis with the company growing at a mid-teens rate overall. But its stock was out of favor during the period as market enthusiasm over AI took a breather. The investor community came to terms with a realistic timeline and eventual financial materiality for its initiatives in AI. While these are in line with our expectations, they perhaps disappointed some with shorter investment horizons. For Azure, despite corporate optimizations presenting a short-term headwind, we continue to see plenty of room for growth even aside from its attractive AI opportunities. While capex is expected to increase in fiscal 2024 as the company invests in its AI capabilities among other opportunities, we see clear focus by management on maintaining margins. We maintained an above-average weight position in the company, adding on recent weakness.

The fourth and fifth largest detractors from performance were **American Express** and **S&P Global**.

## Portfolio Activity

The portfolio's positions in Adobe and Intuitive were liquidated as we managed valuation risk with the strength in the markets. We sold our position in Dollar General after a Man Overboard Drill given weakening in key aspects of the thesis. We initiated a new position in Canadian Pacific Kansas City (CPKC). We also purchased additional shares in Microsoft, Netflix, NVIDIA, Yum! Brands, UnitedHealth, and Danaher on weakness and trimmed the portfolio's position in Alphabet on strength.

## Sales

We sold the portfolio's position in **Adobe** following a significant price advance tied to the market's focus on potential AI beneficiaries, a positive Q2 report, and a rise in management's full year guidance. This led its valuation to a ranking near the bottom relative to other opportunities on our Qualified Company List. This and remaining questions over its recent acquisition of Figma and the actual AI benefits likely to occur led us to sell the stock and reinvest the capital in another high confidence growth opportunity.

We liquidated the portfolio's position in **Intuitive** due to valuation following strong appreciation in the stock. Intuitive reported strong Q2 results with 15%+ revenue growth, 25%+ earnings per share growth, and 22%+ procedure growth, while also raising guidance. While we like the company and its growth opportunity, we believe much of that was already reflected in the stock's price, given that it ranked in the bottom quartile of our Qualified Company List in terms of valuation. Consistent with our valuation discipline we redeployed the capital to other higher opportunity investments.

As described above, the portfolio's position in **Dollar General** was also liquidated following significant price decline when key aspects of its thesis were determined to have changed.

## Purchases

We initiated a new position in Canadian Pacific Kansas City (CPKC). The company was formed following Canadian Pacific's acquisition of Kansas City Southern, a company we had previously owned in this portfolio. The new combined company owns and operates transcontinental freight railways in Canada and the U.S. transporting bulk commodities, merchandise freight, and intermodal traffic. Its route system covers principal business centers across Canada, the U.S. Midwest, and Gulf ports and operates an exclusive concession in Mexico.

CPKC offers best-in-class management with a proven track record of industry leadership in terms of growth, margins, safety, and implementing Precision-Scheduled Railroading (PSR), a strategy intended to increase efficiency and consistency of service levels. Following its merger with Kansas City Southern the company gained



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critical network scale to originate and complete shipments across its new transcontinental network which will result in cost and revenue synergies. The company also stands to benefit from increased focus on near-sourcing, particularly in Mexico, as well as commodity disruptions which increase demand for Canadian grain and potash.

CPKC offers attractive pricing power given its significant structural advantages relative to primary competitors in the trucking industry who face high-cost inflation due to driver shortages, higher insurance costs, deteriorating highways, and rising regulatory burdens. CPKC benefits from strong contract renewal pricing and has achieved consistent increases exceeding inflation over the last decade. With the synergies of the Kansas City Southern merger today, we see pricing power growing stronger as longer lengths of haul and fewer inter-rail exchanges increase the speed and reliability of service. It also generates attractive recurring revenues given contractual relationships with a broad set of shippers for essential agricultural, energy, commodity, industrial, and intermodal shipments that are important to the North American economy. CPKC offers attractive growth over our 3–5-year investment horizon stemming from increasing cross-border trade between the U.S., Canada, and Mexico, and increasingly near-sourcing as well as share gains from trucking and other rail carriers. The increased scale of the network also presents new service line opportunities including refrigerated shipments and a closed loop auto network with multi-directional movements of parts, intermediate product, and finished goods across the continent. Its success with PSR which enhances service reliability and network cost efficiency should help sustain volume growth and pricing power.

In terms of risks, CPKC serves more economically sensitive industries and can therefore be somewhat susceptible to macro-economic fluctuations. We see this risk being largely mitigated by the attractive cost and revenue synergies resulting from the Kansas City Southern merger as well as the critical nature of much of the freight the railroad carries. Longer-term, autonomous trucking could also pose a risk by narrowing rail's cost advantage over trucking; however, we do not see this risk being a concern over our 3–5-year investment horizon given the challenges of operating autonomous trucking in the inclement weather of the U.S. Midwest and Canada and uncertain regulatory acceptance in each country.

## Outlook

Markets weakened in Q3 as the decline in interest rates reversed amid continuing inflationary pressures. While labor markets remained tight, signs of cooling in consumer confidence, significantly higher oil prices, depleting savings, and indications from the Fed that they were prepared to keep monetary policy tighter for longer cast a pall on equity prices. While impossible to predict the market's path over the next 6-12 months, we continue to see the ingredients for slower macroeconomic and profit growth given the lagged effects of the significant monetary tightening. With unprecedented monetary and fiscal stimulus applied during Covid, significant supply chain blockages, and demographics constricting labor force growth, this cycle has defied expectations. While the U.S. economy has been remarkably resilient, global forces including higher oil prices, an anemic rebound in Chinese growth, and signs of longer-term obstacles to global growth, point to further uncertainty.

We remain focused on attributes that should help strong quality businesses grow through difficult periods. In some cases, those theses weaken unexpectedly as we saw with Dollar General this quarter and we make the difficult decision to reallocate the capital to other opportunities. In some cases, we hold the position, despite the difficulty, if we see the weakness being short-term in duration. Positions in Adobe and Intuitive fit that scenario as over the last 12-18 months, we held them through short-term disappointments and added to the positions given our positive longer-term outlook, prior to this quarter's liquidation due to their valuations. We won't always be right, but we will always stick to our discipline which has worked well over the past 20+ years.

We thank you for your support and look forward to answering any questions you may have.

*The opinions expressed herein reflect the opinions of Sustainable Growth Advisers, LP and are subject to change without notice. Past performance is no guarantee for future results. This information is supplemental and complements a GIPS Report that can be found with composite performance. The securities referenced in the article are not a solicitation or recommendation to buy, sell or hold securities. This commentary is provided only for qualified and sophisticated institutional investors.*

*Results are presented gross and net of management fees and include the reinvestment of all income (including 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. Returns are calculated net of withholding taxes on dividends. The Net Returns are calculated based on the deduction of a model fee of 3.00% being the highest applicable fee that may be charged to SGA clients for the U.S. Large Cap Growth WRAP equity strategy. Net Returns do account for custodian and brokerage fees. 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 may be found in Part 2A of its Form ADV. SGA U.S. Large Cap Growth*

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WRAP composite inception is 7/1/2003. 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.**

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. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Upon request, free of charge, SGA can provide a list of all portfolio holdings held in SGA's U.S. Large Cap Growth WRAP portfolio for the past year. SGA's earnings growth forecast data is based upon portfolio companies' non-GAAP operating earnings.

Performance Results	Q3 2023	YTD 2023	1-Year	3-Year	5-Year	10-Year	15-Year	Since Incep.*
SGA U.S. LCG (Gross)	-3.8%	14.4%	21.5%	2.7%	9.9%	12.3%	12.4%	10.1%
SGA U.S. LCG (Net)	-4.5%	11.9%	17.9%	-0.4%	6.6%	9.0%	9.1%	6.9%
Russell 1000 Growth	-3.1%	25.0%	27.7%	8.0%	12.4%	14.5%	13.7%	11.2%
S&P 500	-3.3%	13.1%	21.6%	10.2%	9.9%	11.9%	11.3%	9.7%

\*SGA U.S. Large Cap Growth WRAP Composite inception revised to 7/1/2003 from 4/1/2000 due to SEC New Marketing Rule change relating to use of predecessor performance record.

Period	Total Return				3 Year Standard Deviation			Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	WRAP Accounts % of Composite Assets
	Before Fees**	After Fees	Russell 1000 Growth Index	S&P 500 Index	Number of Portfolios	Composite Dispersion	SGA Composite			
July 1 - Dec. 31,					Five or					
2003	11.16%	9.53%	14.73%	15.14%	Fewer	N/A		747	777	0%
2004	9.96%	6.73%	6.30%	10.88%	6	N/A		1,408	1,460	0%
2005	3.42%	0.36%	5.26%	4.91%	13	0.1%		2,661	2,711	0%
2006	2.70%	-0.34%	9.07%	15.79%	15	0.1%	8.19%	3,467	3,512	0%
2007	4.88%	1.79%	11.81%	5.49%	17	0.2%	8.48%	2,883	2,920	0%
2008	-34.29%	-36.31%	-38.44%	-37.00%	16	0.3%	14.51%	1,324	1,360	0%
2009	46.24%	42.05%	37.21%	26.46%	16	0.4%	18.19%	1,589	1,711	0%
2010	13.20%	9.88%	16.71%	15.06%	19	0.3%	21.30%	1,508	1,600	0%
2011	4.85%	1.76%	2.64%	2.11%	25	0.3%	17.85%	1,637	2,686	0%
2012	21.09%	17.57%	15.26%	16.00%	41	0.3%	16.06%	2,819	4,278	0%
2013	27.94%	24.23%	33.48%	32.39%	53	0.4%	11.91%	4,084	5,611	6%
2014	9.41%	6.20%	13.05%	13.69%	52	0.3%	9.66%	3,842	5,332	6%
2015	9.38%	6.16%	5.67%	1.38%	53	0.3%	11.42%	4,296	5,318	6%
2016	1.81%	-1.20%	7.08%	11.96%	48	0.2%	12.24%	4,181	5,672	5%
2017	26.51%	22.84%	30.21%	21.83%	51	0.4%	11.46%	6,058	9,971	4%
2018	4.69%	1.60%	-1.51%	-4.38%	43	0.2%	11.28%	4,944	9,096	4%
2019	34.57%	30.68%	36.39%	31.49%	42	0.8%	11.37%	6,453	12,347	4%
2020	36.98%	33.03%	38.49%	18.40%	41	0.3%	17.50%	9,318	18,780	4%
2021	20.34%	16.83%	27.60%	28.71%	43	0.2%	17.01%	11,403	22,899	3%
2022	-28.92%	-31.09%	-29.14%	-18.11%	42	0.2%	22.29%	10,260	18,407	2%
Since Inception (July 1, 2003)	9.74%	6.51%	10.35%	9.44%			15.11%*			
										15.74%*
										14.76%*

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

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

\*\*Pure gross returns beginning 2013. Before fees returns for certain wrap and other bundled fee accounts have not been reduced by transaction costs, and composite gross returns are presented as supplemental information.

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 US Large Cap Growth WRAP Composite was created in July 2018. 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, 2022.

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

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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 US Large Cap Growth WRAP composite has had a performance examination for the periods July 1, 2003 - December 31, 2022. The verification and performance examination reports are available upon request.

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SGA US Large Cap Growth WRAP Composite contains fee-paying large cap growth equity portfolios under full discretionary management of the firm. No alteration of the composite as presented here has occurred because of changes in firm personnel. For comparison purposes the composite is measured against the S&P 500 and Russell 1000 Growth indices.

Prior to January 2013, the composite included non-wrap accounts only. Sub-advisory wrap fee portfolios entered the composite beginning January 2013. Each sub-advisory relationship is included in the composite as one account.

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. Gross returns for certain wrap and other bundled fee accounts have not been reduced by transaction costs. Composite gross returns for the periods that include wrap accounts are presented as supplemental information to the net returns. Bundled fees include management, transaction, custody and other administrative fees. 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 U.S. Large Cap 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. For interest and capital gains, SGA does not withhold taxes. However, for dividends SGA will withhold taxes as reported by the client's custodian. Returns are calculated net of withholding taxes on dividends. 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.

### Risk Considerations:

**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, medium, or large-sized companies may enhance that risk.

**Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

**Limited Number of Investments:** Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities.

**Industry/Sector Concentration:** A portfolio that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated portfolio.

**Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification.

**ESG:** The portfolio's consideration of ESG factors could cause the portfolio to perform differently from other portfolios. While the subadviser believes that the integration of ESG factors into the portfolio's investment process has the potential to contribute to performance, ESG factors may not be considered for every investment decision and there is no guarantee that the integration of ESG factors will result in better performance.