

Q2 2024

## Performance

SGA's Emerging Markets Growth portfolio returned -2.8% (Gross) and -3.6% (Net) in Q2, compared to 5.0% and 4.9% for the MSCI EM and EM Growth Indices, respectively.

## A bifurcated backdrop propelled EM equities higher in Q2

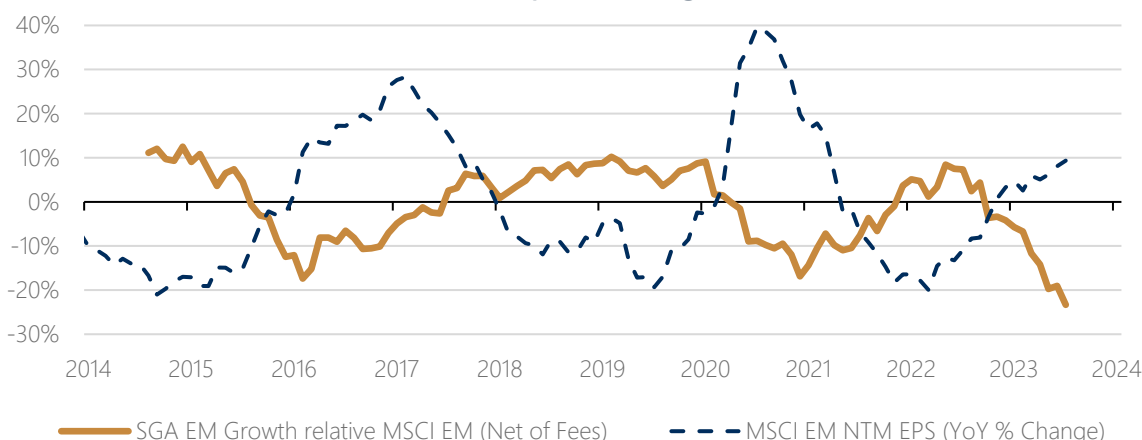
Semiconductor stocks continued to lead the index higher in Q2 with the group returning 19%, accounting for 40%+ of the market's performance, as enthusiasm around AI-related demand persisted. Indian stocks also performed strongly driven by leadership in more economically sensitive sectors such as Industrials, Telecoms, and Materials despite heightened market volatility following the Indian election results. Optimism about government stimulus efforts in China and support for the country's ailing housing sector drove a rebound in Chinese equities with more economically sensitive stocks in the Energy, Financials, and Industrials sectors outperforming. SGA's positions (aside from strong performance in Tencent) did not participate in the cyclically driven rebound in Q2 due to weakness in the consumer backdrop. Latin American markets were the weakest performing in Q2 as an unexpected outcome in the Mexican election raised investor anxiety about a potential leftist shift in government policy and the possibility of constitutional changes. Additionally, renewed inflation concerns and uncertainty around future rate cuts in Brazil weighed on Brazilian stocks. This weighed heavily on the portfolio's Mexican positions in FEMSA and Wal-Mart de Mexico, and Brazilian broker platform XP, which were significant detractors from performance during the quarter.

Broad market earnings expectations remained high in Q2, reflecting a resilient global macro-economic backdrop, expectations for monetary easing, and hopes for improvement in the Chinese economy amid increasing stimulus efforts. As we have discussed in prior letters, periods of rising earnings expectations have historically coincided with challenging relative performance for our portfolio. This has been the case over the past 12 months and both relative performance and absolute performance has been uncharacteristically poor.

## Highlights

- Portfolio declined in Q2, lagging a bifurcated and narrow market advance.
- Market leadership was concentrated in semis and cyclicals in India and China while Consumer Staples companies continued to lag. Election outcomes drove volatility dispersion within country and company performance.
- Positions in HDFC Bank, TSMC, and Sanlam contributed most positively to performance. Positions in XP, FEMSA, and Yum China detracted most.
- A new position in TOTVS was initiated while the position JD.com was liquidated. Positions in H World Group, FEMSA, Adidas, CP All, and HDFC Bank were trimmed with the capital re-allocated to existing positions in AIA Group and TSMC.
- Portfolio is forecasted to grow earnings 14% per year over the next three years, in line with its long-term average, while the 14% expected growth for the EM Index is well-above average and less reliable.

SGA EM Growth WRAP Composite Rolling 1-Year Excess Returns

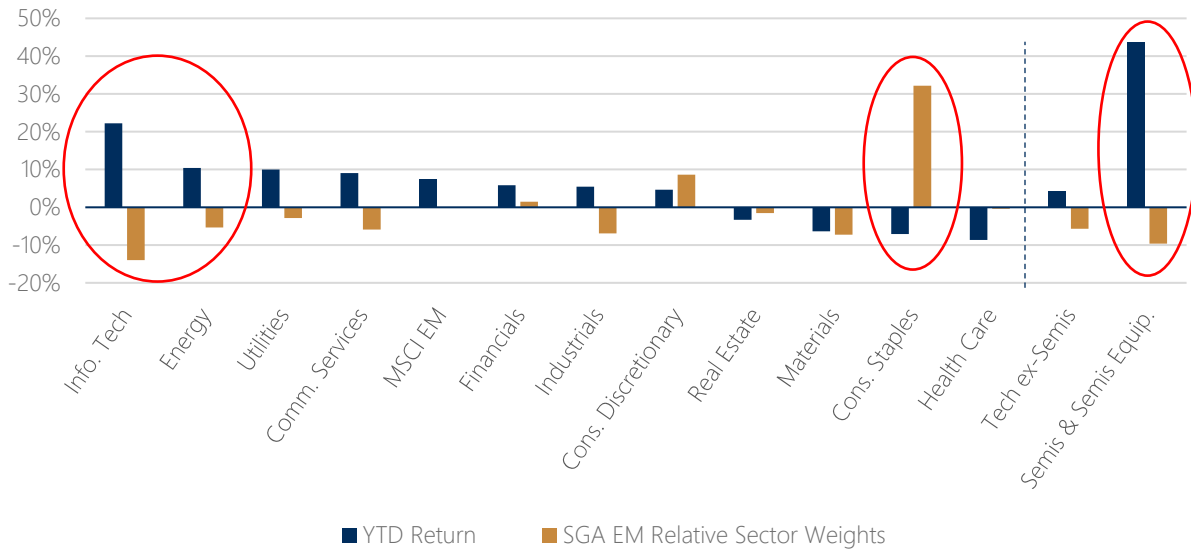


Source: SGA, FactSet, MSCI. Please see table included in this commentary for full performance presentation.

## Emerging Markets Growth Commentary

Our benchmark-indifferent approach to portfolio construction means that the portfolio will at times deviate meaningfully from index returns, especially over shorter-term periods when markets are driven by a narrow group of companies or certain sectors and industries where we have less exposure based on our quality growth discipline. These allocation differences have been a key source of the relative shortfall over the last year as the market has been driven by AI-related enthusiasm for semis and cyclicals, including energy stocks and certain areas of financials. At the same time, predictability of growth has largely gone unrewarded, highlighted by the extremely poor performance of Consumer Staples companies, which have a significant weight in the SGA portfolio.

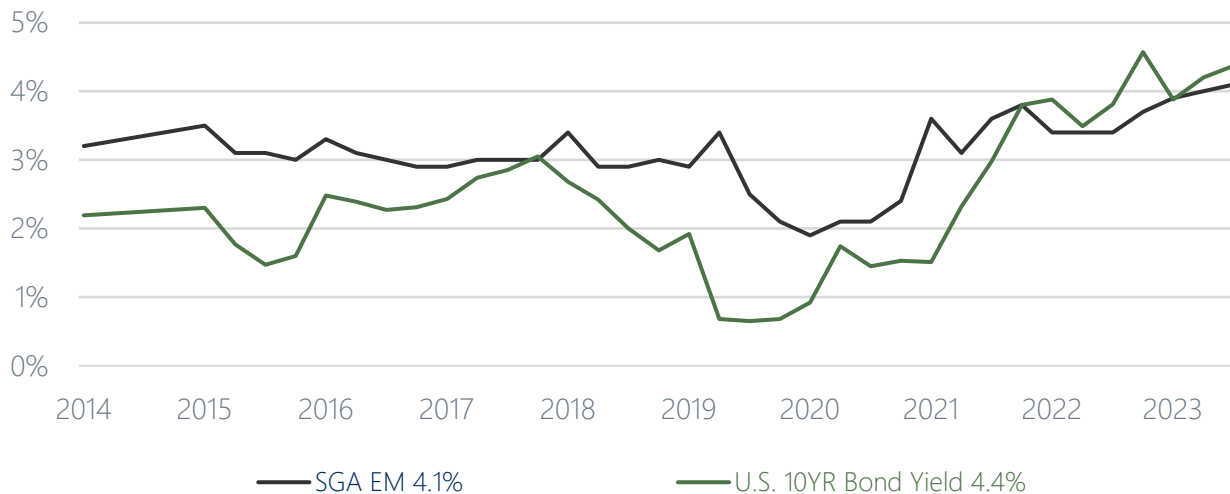
### EM: Narrow Market with Unfavorable Leadership



Source: SGA, FactSet, MSCI. Please see table included in this commentary for full performance presentation.

While valuation is rarely a good short-term timing tool, we find comfort in the very attractive valuation of the portfolio today, with an enterprise yield of 4.1%, its highest level since the beginning of its track record in 2014. At the same time, the companies in the portfolio continue to deliver attractive growth with expectations of 14% annual earnings growth over the next three years consistent with historical levels. This presents a very attractive setup for future returns, both absolutely and relatively, as we expect index earnings to slow with global economic growth.

### SGA EM Growth Portfolio Enterprise Yield



Source: SGA, FactSet. Please see table included in this commentary for full performance presentation.

### Largest Contributors

**HDFC Bank**, the second largest bank in India by assets and the largest by market capitalization, was the most significant contributor in Q2. HDFC is a unique franchise that benefits from high ROA/ROE relative to international and domestic peers, which is supported by interest revenues and lower borrowing costs on retail deposits. India, as a country, has low leverage in the retail sector and an underbanked population which forms the basis for an attractive secular growth opportunity for HDFC. The pricing power of the company is based on its low-cost funding, which is supported by retail deposits at a countrywide network of branches that is not easily replicated by competitors. HDFC's business is recurring and very predictable with 75% of its interest income derived from multi-year loans and 15% from fees & commissions. HDFC Bank's shares rebounded in Q2 on solid fiscal Q4 2024 results which helped ease investor concerns around slowing growth. The Bank's deposits rose 26% year/year with retail deposits showing particular strength increasing 28% and continuing to provide HDFC Bank with access to attractive low-cost capital. Current (checking) and Savings account deposits grew 9% quarter/quarter specifically and non-performing assets remained well controlled at 1.24% of assets versus 1.26% as of December 31, 2023. Contingent provisions were increased, and the conservatism will help the bank whenever there is a downturn. Overall, we were pleased with the results as they were confirmatory to our longer-term thesis and confidence in the bank's ability to recover from the short-term growth setback following the merger with its parent company last year. We maintained our above-average weight position in the company during the quarter, trimming on strength.

**TSMC**, the world's preeminent semiconductor foundry, was the second largest contributor in Q2. Commanding over 50% market share and a dominant position in leading nodes (the newest and most advanced semiconductor technology) the company has established an unparalleled position in the semiconductor ecosystem, enabling the fabless chip design industry to flourish. TSMC's technological advantages provide the company with significant pricing power as evidenced by its 50%+ gross margin, 15%+ free cash flow margin, and consistently high returns on capital. It is the only foundry that has delivered consistently strong financial results over time, and with its business mix having changed dramatically to more recurring categories such as smartphones and high-performance-computing, its revenue generation is today highly recurring and predictable. Secular growth drivers including growth in 5G, AI, and growing datacenter compute demands, provide a long duration growth opportunity ahead for TSMC. TSMC's shares benefited from strong AI-related demand for semiconductors, highlighted by reported year/year sales growth of +60% in April and +30% in May. The company's Q1 results were also strong; however, a slightly more cautious industry outlook outside of AI-related chip demand, driven by a slow recovery in smartphone and PC demand, spooked investors and caused a brief dislocation in semis stocks. Nonetheless, the company delivered 17% year/year revenue growth and 9% EPS growth during the quarter. Management also raised expectations for growth moving forward with AI-related revenues now expected to double in 2024 and reach more than 20% of total revenues by 2028, up from prior estimates of mid-teens contribution. We continue to view TSMC as well-positioned to deliver attractive growth over our investment horizon and took advantage of the brief weakness in the stock early in the quarter to further build our position.

**Sanlam**, a financial services conglomerate based in South Africa, was the third largest contributor to performance in Q2. Most of Sanlam's business is tied to insurance (about 75% of profits), primarily life insurance, with the balance of its business driven by investment management and credit. Sanlam benefits from significant economies of scale and a dominant position in key markets across the African continent. A key competitive advantage is tied to its large direct agent workforce and third-party distributor relationships, which provides the company with good pricing power. We estimate that over 80% of its revenues are recurring in nature, driven by ongoing insurance premiums and investment management fees. Sanlam has a broad geographic footprint with favorable demographics and low insurance penetration, which serve as growth tailwinds in most of its markets, excluding South Africa. Sanlam's shares benefited from strength in South African stocks which was the third best performing emerging market in Q2. In addition, investors reacted positively to the announcement of Sanlam Life acquiring a 60% stake in the insurance business of MultiChoice Group, a leading African entertainment group. The deal's commercial agreement extends Sanlam's insurance and financial services offerings into MultiChoice's extensive subscriber base, which consists of 21 million members across 50 countries on the African continent. With the company continuing to execute well, highlighted by their 18% new business volume growth in 2023 and a 19.5% adjusted return on group equity value, combined with an attractive valuation we continue to see a good return opportunity in the company over the next 3-5 years. We maintained our average weight position in the company.

**Tencent** and **JD.com** were the fourth and fifth largest contributors to performance.

### Largest Detractors

**XP**, a leading independent broker platform operating in Brazil, was the portfolio's largest detractor in Q2. XP is disrupting Brazil's oligopolistic financial market structure, which has historically resulted in a lack of customer choice and poor customer experience. Through technology and a focus on better customer experiences, XP offers a higher selection of better products and lower fees, allowing the company to gain market share and dominate the online brokerage market. Opportunities to cross-sell other financial services, such as credit cards and insurance, help offset fee pressures from the traditional compression of commissions in the brokerage industry and make its platform stickier, leading to a high degree of recurring revenues. XP's growth opportunity is supported by low market penetration and improving financial savviness of investors in Brazil, which should lead to greater demand for different types of financial products over time. XP's shares were negatively impacted by weakness in the Brazilian market and soft Q1 results, highlighted by weaker-than-expected net client inflows and modest growth in assets under custody (AUC). AUC grew just 2% quarter/quarter and 20% year/year while retail net inflows of \$R13B came in lower than expected and below the \$R16B generated in Q1 of 2023. Positive highlights from their report included active client growth and total advisor growth of 16% year/year along with strength in the company's new verticals (retirement, insurance, and credit offerings), which grew 35% year/year. We continue to view the longer-term growth opportunity favorably for XP and maintained our above-average weight position.

**FEMSA**, one of the leading consumer companies in Latin America, was the second largest detractor in Q2. FEMSA is engaged in two primary business: non-alcoholic beverages through its stake in Coca-Cola FEMSA ("KOF"), the largest Coca-Cola bottler in the world, and convenience stores through its OXXO stores which is the largest chain of convenience stores in Latin America. KOF's advanced bottling capabilities along with OXXO's scale and operating excellence provide FEMSA with considerable pricing power. Both businesses are highly predictable as KOF's products are consumed on a regular basis and have limited sensitivity to economic fluctuations while OXXO registers over 10 million transactions per day and is the third largest retailer in terms of revenues in Mexico. Growth is supported by packaging and product innovations at KOF, consumption growth in Latin America, and continued store expansion potential for OXXO which we think can roughly double its store count from today over time. The company's drugstore initiative should add incremental growth potential over the long term. Broad-based weakness in Mexican stocks due to the unexpected outcome in the Mexican general election weighed heavily on FEMSA's shares during the quarter. Despite greater uncertainty around the political and economic backdrop, particularly as it relates to the administration's promised wage increases, we view FEMSA as well-positioned to deliver attractive growth in earnings and cash flows moving forward. The company is prepared for likely further labor reforms and can offset wage inflation through further labor efficiency improvements. We also believe that the lift to consumer spending from higher wages would offset greater employee wage pressures and ultimately be a net positive for the company. FEMSA's Q1 results were better-than-expected with operating profits up 14% year/year and strong same-store-sales growth of nearly 10% for its OXXO stores. We continue to view the growth opportunity favorably for FEMSA but had trimmed our position on strength.

**Yum China**, China's leading restaurant company, was the third largest detractor in Q2. Yum China operates over 13,000 restaurants in 1,800 cities and towns spanning every province and autonomous region across mainland China. Yum China has exclusive rights to operate and sub-license the KFC, Pizza Hut, and Taco Bell brands in China under a 50-year master license agreement which includes a 3% royalty rate. Yum China has built considerable brand equity during its long history of operating in China with KFC and Pizza Hut the preferred brands in their respective categories. Its restaurants have billions of customer visits annually and revenue is highly recurring given the accessible price points and diversity across dayparts and geographies. In addition, the company's KFC and Pizza Hut loyalty programs have over 400 million members combined and enhance customer engagement considerably. With attractive unit economics and the under-penetration of quick service and casual dining chains across China, the company has a significant opportunity to grow its units over time. The industry is also highly fragmented with Yum China, the largest operator, having well under 10% market share. A challenging consumer backdrop and difficult year-ago comparisons to the post-COVID reopening continued to weigh on Yum China's shares as the company reported Q1 results which, despite meeting expectations, were weak. Total system sales increased 6% year/year (excluding FX) while operating profits rose just 1% as restaurant margins were pressured by promotions, wage inflation, the end of government relief measures and difficult reopening comparisons. Same-store-sales declined 3% despite a 5% increase in transaction volumes as ticket size decreased 8%. Positives included 14% unit growth and strong SG&A savings efforts. In addition, the company bought back 4% of shares outstanding in the quarter and reaffirmed its commitment to buying back an additional 5% throughout the remainder of the year utilizing cash on its balance sheet. While we recognize the difficult consumer backdrop impacting Yum China's near-term results, we believe the company will be able to successfully manage

through the current environment given its competitive scale-driven advantages in cost, quality, innovation and digital. We continue to believe the company's long term growth opportunity is compelling, and we maintained our position during the quarter.

**Fast Retailing** and **Wal-Mart de Mexico** were the fourth and fifth largest detractors from performance.

### Portfolio Activity

A new position in TOTVS was initiated during the quarter while the position in JD.com was liquidated. Positions H World Group, FEMSA, Adidas, CP All, and HDFC Bank were trimmed with the capital re-allocated to existing positions in AIA Group and TSMC due to attractively valued growth opportunities.

### New Positions

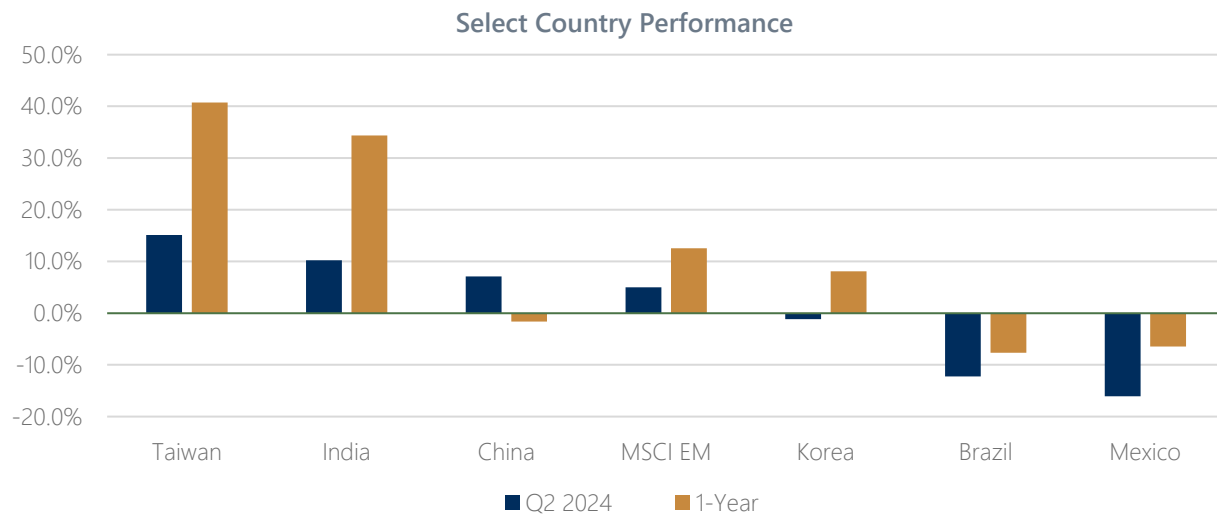
A new position in **TOTVS** was initiated during the quarter. TOTVS is a leading Brazilian enterprise software provider supporting mid-sized companies with a range of mission-critical solutions. TOTVS established itself as a market leader in Brazil following a period of market consolidation from the early 2000's to around 2015 when TOTVS acquired its largest competitors. Today TOTVS's core ERP solutions enjoy over 30% market share in a fragmented market and the company has developed and strengthened its competitive positions in Brazil's middle-market segment, which is an attractive segment as customers often work with a smaller number of software vendors for multiple solutions. Brazil's complicated and constantly changing rules and tax system requires ERP systems to have many customizations for local rules and specific verticals, making them very sticky with high switching costs, which leads to high barriers to entry for new competitors. This backdrop enables TOTVS to have significant pricing power, highlighted by its 70%+ gross margins. The company's transition from a license-based business model to a subscription-based business model during the 2015-19 timeframe resulted in a business that now has much greater visibility into future revenue generation and a higher degree of predictability with recurring revenues accounting for 87% of total revenues. Looking ahead we see an attractive long-term growth opportunity for TOTVS as its core ERP management solutions benefit from continued distribution and vertical penetration, including cross selling its HR solutions and AI/analytics offerings. Additionally, the company's less penetrated product offerings such as the ERP banking and lending solutions, and CRM and marketing solutions offer faster, but also slightly more uncertain, growth potential. Over the next three years we project TOTVS to deliver 11% and 27% annual revenue and earnings growth.

One of the risks we are mindful of is the sensitivity of the company's SMB customer base to macro fluctuations in Brazil, which can cause some short-term fluctuations in growth. Additionally, we continue to monitor the company's ability to integrate acquired products and solutions while remaining nimble and responsive to a changing and complex regulatory and local rules backdrop without losing its competitive edge.

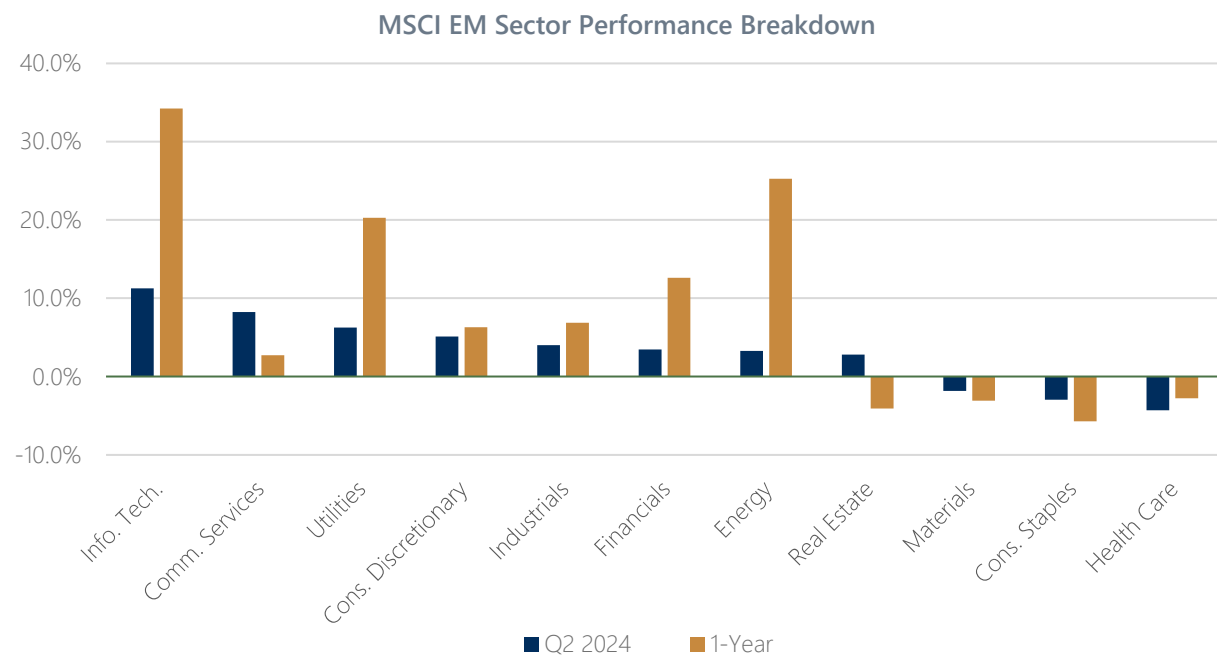
### Sold Positions

**JD.com** was liquidated during the quarter. We took advantage of a slight rebound in the stock to re-allocate the capital to higher confidence opportunities given concerns around rising competitive intensity, which may impact long-term profitability, and a less attractive growth opportunity.

## Market Performance



Source: FactSet, MSCI. Please see table included in this commentary for full performance presentation.



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## Outlook

The portfolio continued to lag in Q2 while the broader market advanced on the back of strength in semis and cyclicals in India and China. The portfolio's underperformance thus far in 2024 and over the past year are at the most severe levels we have seen since the portfolio's inception in 2014, reflecting the narrowness of the market advance and unfavorable nature of market leadership. While periods of severe underperformance bring increased scrutiny and tough questions from clients, we remain confident in our approach and believe that the superior and more predictable compounding of earnings and cash flows in our portfolio combined with very attractive valuations will drive strong absolute and relative returns moving forward. While we cannot predict the timing of a turn in relative performance, we can ensure that we remain true to our philosophy and disciplined in our process, which is focused on assembling a portfolio of high-quality companies that can grow earnings and cash flows consistently in the mid-teens range with low levels of variability. We believe that over time stock prices reflect

## Emerging Markets Growth Commentary

the underlying growth in earnings and cash flow and we are confident that the market will eventually reward the companies that deliver superior fundamental performance.

We thank you for your continued patience and support and we welcome any questions or comments.

## Organizational Update

As communicated to you over the past year, co-founder George Fraise retired from SGA effective July 1<sup>st</sup> after a long and distinguished career and HK Gupta replaced him on SGA's Executive Committee. George will continue to serve on SGA's Advisory Board.

We are also pleased to announce that Joseph Wahba recently joined SGA as a Client Portfolio Manager serving our Australian and Asian clienteles together with Deana Leong. Joseph joins us from AustralianSuper where he had served as Head of Manager Research for Australia's largest superannuation fund and been a client of SGA's.

*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. 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 Emerging Markets Growth WRAP 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. 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 Emerging Markets Growth WRAP portfolio for the past year. SGA earnings growth forecasts are based upon portfolio companies' non-GAAP operating earnings.*

## Performance Results

	Q2 2024	YTD 2024	1-Year	3-Year	5-Year	Since Inception
SGA Emerging Markets Growth (Gross)	-2.8%	-7.9%	-8.0%	-10.6%	0.5%	4.2%
SGA Emerging Markets Growth (Net)	-3.6%	-9.3%	-10.8%	-13.2%	-2.4%	1.2%
MSCI EM (Net TR)	5.0%	7.5%	12.5%	-5.1%	3.1%	2.6%
MSCI EM Growth (Net TR)	4.9%	8.5%	11.1%	-8.7%	3.2%	3.4%

Period	Total Return				Number of Portfolios	Composite Dispersion	3 Year Standard Deviation			Total Assets in Composite at Period End (USD millions)	Total Firm Assets at Period End (USD millions)	Percentage of non-fee paying accounts	Percentage of WRAP accounts
	Before Fees	After Fees	MSCI EM Net TR Index	MSCI EM Growth Net TR Index			SGA Composite	MSCI EM Net TR Index	MSCI EM Growth Net TR Index				
Aug. 1 - Dec. 31,													
2014	-1.38%	-2.61%	-9.59%	-7.09%	Five or Fewer	N/A			0.193	5,332	100%	0%	
2015	-3.00%	-5.88%	-14.92%	-11.34%	Five or Fewer	N/A			0.094	5,318	100%	0%	
2016	2.10%	-0.92%	11.19%	7.59%	Five or Fewer	N/A			0.096	5,672	100%	0%	
2017	36.31%	32.38%	37.28%	46.80%	Five or Fewer	N/A	12.64%	15.35%	14.69%	0.130	9,971	100%	0%
2018	-11.00%	-13.66%	-14.57%	-18.26%	Five or Fewer	N/A	12.87%	14.60%	14.98%	0.116	9,096	100%	0%
2019	30.97%	27.17%	18.42%	25.10%	Five or Fewer	N/A	13.38%	14.17%	15.41%	5	12,347	0%	0%
2020	31.22%	27.42%	18.31%	31.33%	Five or Fewer	N/A	18.45%	19.60%	19.96%	6	18,780	0%	0%
2021	-14.37%	-16.93%	-2.54%	-8.41%	Five or Fewer	N/A	18.56%	18.33%	18.96%	86	22,899	0%	0%
2022	-12.35%	-14.98%	-20.09%	-23.96%	Five or Fewer	N/A	20.53%	20.26%	21.36%	94	18,407	0%	0%
Since Inception (August 1, 2014)	5.17%	2.07%	1.08%	2.36%			16.40*	17.42*	17.97*				

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 2014, 2015, and 2016 as 36 months of returns are 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 Emerging Markets Growth WRAP Composite was created in September 2019. The firm maintains a complete list and description of all composites, which is available upon request.*



## Emerging Markets Growth Commentary

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. The verification reports are available upon request.

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 provide assurance on the accuracy of any specific performance report.

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The SGA Emerging Markets Growth WRAP Composite contains fee paying and non-fee paying discretionary global large cap emerging growth equities portfolios that invest in companies around the world that are direct beneficiaries of the rapid emergence of the middle class across many developing economies and its related wealth creation. For comparison purposes the composite is measured against the MSCI Emerging Markets Growth Net and MSCI Emerging Markets Net Total Return Indices. The benchmarks are the most widely followed indices to track emerging market performance. The indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The net total return indices are most representative of what a passive investor in the index could expect to achieve taking into account the price level movements, dividends and taxes that are withheld on those dividends. Effective December 31, 2022, the MSCI ACWI with EM Exposure Net is no longer presented because it is not considered representative of the strategy as the portfolio invests primarily in companies domiciled in emerging markets.

The composite includes non-wrap accounts only, from 8/1/14 to 12/31/22.

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 Emerging Markets 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.

### 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.

**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:** 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.

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

**Currency Rate:** Fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the portfolio's shares.

**Depository Receipts:** Investments in foreign companies through depository receipts may expose the portfolio to the same risks as direct investments in securities of foreign issuers.