

DSM CAPITAL
PARTNERS

2023
STEWARDSHIP
REPORT

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Who We Are

Our Purpose

DSM Capital Partners actively manages growth stock investment portfolios for a wide range of clients, including pension plans, foundations and endowments, other institutions, and individual investors. The firm follows a disciplined investment process designed to identify quality companies presenting compelling long-term revenue and earnings growth and selling at prices that offer the potential for attractive returns. We aim to invest to ensure sustainable long-term profitability for our clients. Our power comes in our ability to aid our clients in fulfilling their missions.

Who we are

DSM was founded in 2001 by Daniel Strickberger and Stephen Memishian. Today the firm remains 100% owned by current employees and founding partners. The portfolio management, research, client service and business management teams are staffed with seasoned and capable professionals solely focused on the achievement of our clients' financial objectives. DSM offers investment strategies in US Large Cap Growth, Global Growth, Global Focus Growth, Dividend Growth, and International Growth. DSM is headquartered in Palm Beach Gardens, Florida.

ESG INTEGRATION

Process

We utilize MSCI's ESG Controversies and Ratings reports as a starting point to make adjustments to ESG scores. Each Analyst/Portfolio Manager at DSM completes thorough research on ESG issues impacting a company and assigns scores using a consistent in-house methodology. We store all ESG communications and developments in a centralized research portal (Bloomberg) so that companies' ESG histories and DSM's ESG activities are available to all Analyst/Portfolio Managers. ESG scores are included in DSM's internal summaries and have an impact on DSM's investment decisions. ESG considerations and the implementation of ESG scores and in-house research have both kept DSM from investing in certain companies and have led to DSM selling portfolio holdings.

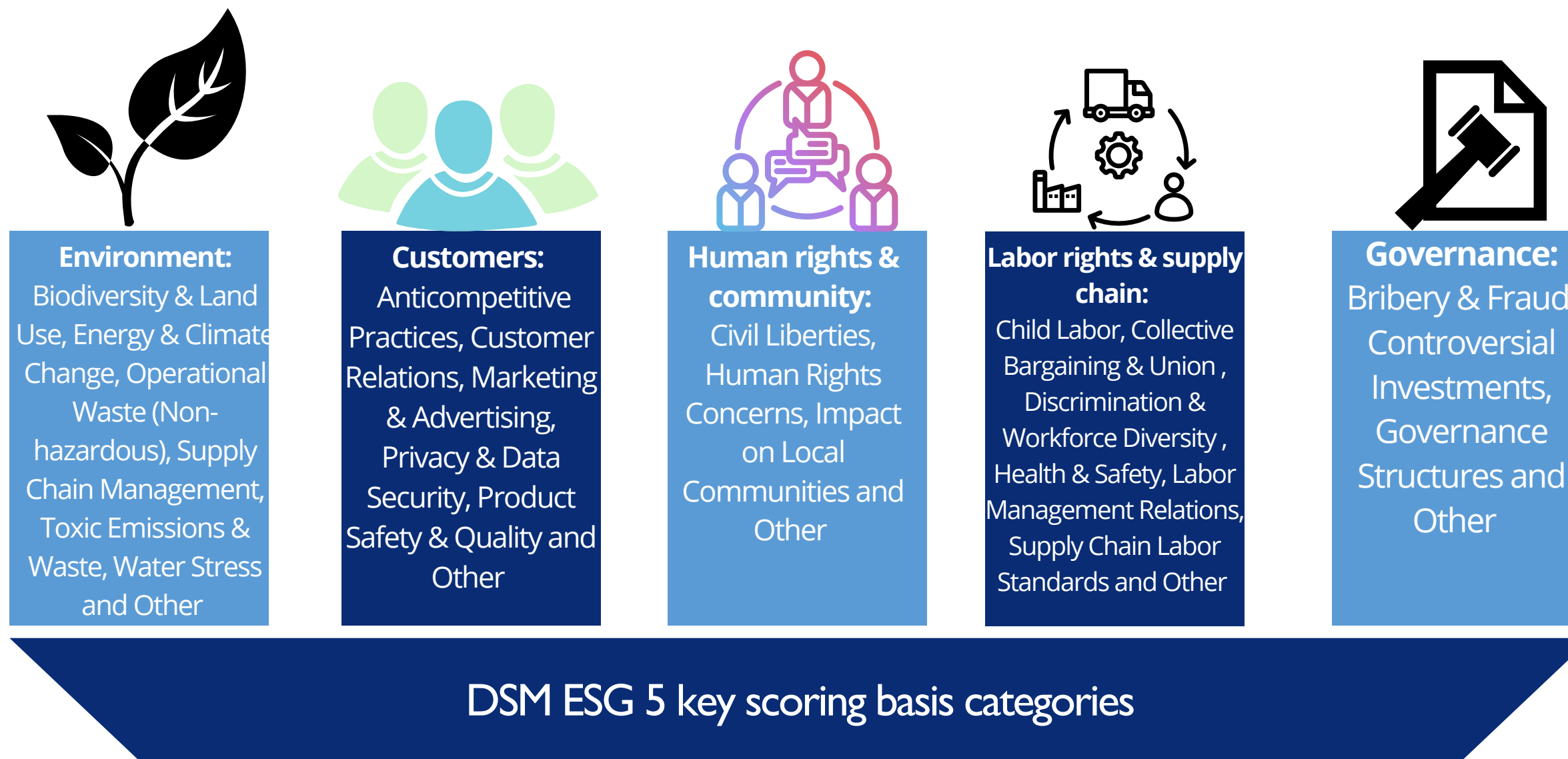
Impact

At DSM, we believe that ESG considerations and engagement play a critical role in active management and responsible investing. Superior ESG outcomes are an important priority for the firm, our employees, our clients and our community. DSM is committed to maintaining an investment approach that fully integrates ESG in order to potentially reduce risk and adverse outcomes while also identifying opportunities to enhance our client's long-term returns. Our ESG framework incorporates ethics and sustainability into our investment decision making process. DSM has a proprietary scoring system for all investments in our portfolio's. This system has quantitative and qualitative elements to reflect the severity, duration and remedy of ESG issues affecting the companies in which we invest. We find it essential for our clients to be able to trust the companies in our portfolios. We ensure that trust comes about when we thoroughly vet and identify paths of sustainable growth in companies we want to buy.



MSCI RESEARCH

DSM leverages its own fundamental bottom up research along with MSCI's input to create an adjusted score that better captures the risk and return associated with each stock . We use MSCI's Controversies and Ratings Reports system as a starting point and makes adjustments to ESG scores across five key categories: environment, customer, human rights & community, labor rights & supply chain, and governance. These five categories are then broken further into over 20 subcategories:



Source: MSCI

ACTIVE OWNERSHIP - ENGAGEMENT

DSM's investment team is responsible for proactively engaging with companies to better understand a company's approach to ESG and potentially influence ESG related corporate practices. DSM communicates with management and investor relations teams of current and potential portfolio companies, and engagements may take the form of direct in-person meetings, calls, emails, or letters. In determining the prioritization of engagements, DSM considers, among other things: (1) the materiality of the issue; (2) the significance of the portfolio position; (3) the ability to effect change in company practices; and (4) the ability to escalate if necessary. The length of each engagement will vary based on the materiality of the issue, a company's response, and how the information gathered is integrated into DSM's investment process.

DSM monitors the progress and outcome of its engagements on an ongoing basis to evaluate the actions, if any, taken by a company as well as what further actions may be necessary. If there are ESG violations by a company that are severe and not being adequately addressed, DSM may escalate the matter through (1) letter writing to the board of directors, (2) relevant proxy voting, (3) or selling the position. However, DSM believes that we are in the best position to improve ESG outcomes when we as shareholders are interacting with management and will first seek to engage with them to influence a positive resolution of the issues in question.

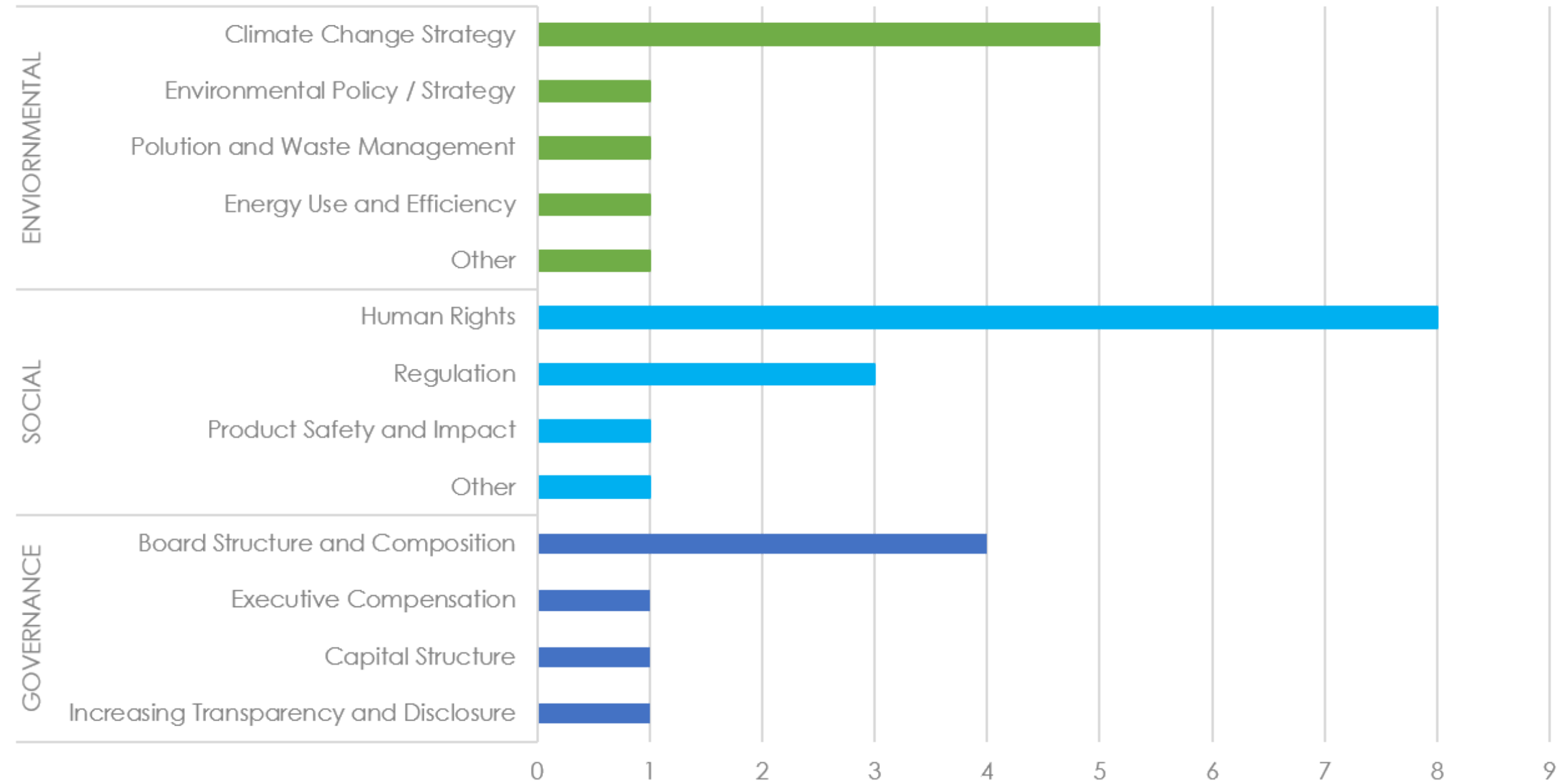


Photo Credit: Paul Burroughs

DSM ENGAGEMENTS BY TOPIC IN 2022

Reach

Analyst/Portfolio Manager's engage with company management teams on ESG issues and those interactions help formulate DSM's ESG assessment. All active engagements are documented. Of the 62 positions we held as of 12/31/22, we engaged with 29 of those companies. This comes out to roughly 47% of our total holdings. This high rate of engagement leads to positive changes within the companies because it allows our analysts to advise better paths for the future for our clients.



EXAMPLES OF ACTIVE ENGAGEMENT

EPAM Systems, Inc. (EPAM)



DSM engaged to inquire as to the company's scope 1-2-3 greenhouse gas emissions, plans on setting a net zero target date, and plans for gender and ethnicity diversity targets. The company provided their scope 1 and 2 emissions, although they are not published on the company's website or in their filings. They indicated they are working on scope 3 data and that they did not have a net zero target in place yet but were discussing it currently. As for gender diversity, they noted their employee gender statistics are as follows: 30% female at the company level (40% in junior roles, 28% at the management level, and 16% among senior leadership). The company expressed that while they are aware of benefits of diversity, they do not have any current hard targets or goals. Investor relations also indicated they hope to have their first sustainability report out in the near term future.



Visa Inc. (V)



DSM engaged with investor relations to discuss the company's process and rules for identifying merchants involved in illegal activities, in relation to the company's association with the advertising arm of MindGeek and the alleged processing of payments relating to child pornography. DSM suggested Visa suspend organizations that are facilitating damages to others and/or connected to illegal activities. Visa assured they have processes and rules in place to permit only legal transactions to be processed through merchant acquirers and Visa's network. Additionally, Visa shutdown transaction processing on the illegal content site and announced that they will suspend MindGeek's advertising arm, TrafficJunky, from using its network to receive payments in the afternoon of our engagement.



Grifols, S.A. (GRF SM)



DSM engaged with the company to express 4 separate issues. First, our opposition to a potential equity raise. Second, emphasizing the importance of hosting a live call alongside earnings releases to clarify and convey the company's perspective and manage the narrative better. Third, we requested consideration of specific performance targets to provide visibility to and confidence on the path of debt & leverage ratio reduction. Finally, we emphasized that debt pay down and the reduction of the leverage ratio should remain the top priority.



ACTIVE OWNERSHIP - PROXY VOTING

It is DSM's policy that all proxies be voted solely in the best interests of the beneficial owners of the securities. Proxies are an asset of a client that must be treated with the same care, diligence and loyalty as any asset belonging to a client. Towards that end, DSM is responsible for reviewing proxy proposals for all securities held in its investment strategies and for making proxy voting decisions for its clients.

When considering a proxy proposal, DSM may consider information from any and all sources. DSM may engage with the issuer of a proxy to discuss specific items and to obtain additional information on the proxy issue. DSM may also engage with management of these securities on a range of environmental, social or governance issues throughout the year. For additional assistance in reviewing proxies, DSM has contracted with an independent third party (currently, Institutional Shareholder Services, LLC) (the "Third Party Administrator") to provide issue analysis and vote recommendations with respect to all proxy proposals. In an effort to better align its proxy voting policy with its role as a signatory to the Principles for Responsible Investing ("PRI") DSM utilizes the Third-Party Administrator's Sustainability policy.

Portfolio Managers/Analysts are responsible for assessing whether there are any material conflicts of interests with respect to a proxy issue. If no material conflicts of interests have been identified, DSM will vote proxies as directed by the Portfolio Manager/Analyst. If a material conflict of interests exists, the conflict is to be brought to the attention of the Committee for resolution.

DSM's proxy voting policy lists positions DSM would typically take on certain proxy proposals. As noted above, DSM has retained the Third-Party Administrator to analyze proxies' issues and to make vote recommendations. DSM reviews these recommendations in making its own proxy voting decisions. The Third-Party Administrator will be responsible for executing proxy votes, reporting of proxy voting and recordkeeping. The Third-Party Administrator will coordinate with each client's custodian to help ensure that proxy materials reviewed by the custodians are processed in a timely fashion. In instances in which the Third-Party Administrator is unable to make a vote recommendation, DSM, based on such advice as it deems necessary, will determine the manner in which to vote such proxy.

DSM's proxy records and complete Proxy Voting Policy can be viewed on [DSM's website under Stewardship](#).



COLLABORATIONS

DSM's builds upon its stewardship practices and policies through collaboration and active involvement in sustainability initiatives, as discussed below. DSM will become a signatory to other relevant initiatives, such as the 2018, 2021 and 2022 Global Investor Statement to Governments on Climate Change, where appropriate.

TCFD

DSM became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. The TCFD sets out to develop effective climate related financial disclosures that consider the physical, liability and transition risks associated with climate change. These disclosures can then be used by companies to provide relevant climate related information to stakeholders. Additional information regarding the TCFD can be found on the TCFD website.



PRI

DSM became a signatory to the Principles for Responsible Investment (PRI) in October 2017. The PRI provides a set of investment principles and best practices designed to promote responsible investing. DSM utilizes the PRI's Collaboration Platform, and completes annual transparency reports which can be provided upon request and are also available for download through the PRI website on DSM's signatory profile.

Signatory of:



DIVERSITY , EQUITY, AND INCLUSION STATEMENT

Diversity and Inclusion

DSM has always created an inclusive and diverse culture, which we believe drive superior returns to clients and creates a rewarding workplace and career for all employees. Our culture influences how we interact with each other, our clients, service providers and the broader community. DSM seeks to hire a diverse range of individuals with unique backgrounds and experiences who bring diversity of thought to the culture of the organization as well as to the investment process. We recognize and value differences in gender, race, age, culture, religious beliefs, sexual orientation, disabilities, veteran status, and family responsibilities. DSM is committed to encouraging a sense of inclusivity within the workplace. We seek to foster an environment that promotes a collaborative and courteous atmosphere where all employees feel respected and a sense of belonging. Employee engagement that encourages a wide range of varied thoughts and insights. Initiatives to help ensure a supportive learning environment which values different experiences and perspectives and promotes growth within the community. DSM's DE&I policies apply to hiring and promotion decisions as well as all aspects of the workplace, extending to professional development and training, as well as company events and gatherings. DSM has taken steps to recruit women and racially/ethnically diverse candidates into investment and other roles which include: (1) requiring recruiters to include women and racially/ethnically diverse candidates for first-round interviews, (2) advertising job vacancies through multiple channels, including those with outreach to women and racially/ethnically diverse candidates, and (3) leveraging existing employee relationships in the market. DSM tracks diversity metrics at the firm, management, investment team, and equity ownership levels, and these metrics are reported to senior management as well as the Board of Managers.



CFA Institute's DEI Code for the Investment Profession

DSM became an early signatory of the CFA institute's recently launched Diversity, Equity, and Inclusion Code for the Investment Profession(US) in June 2023. As the preeminent education and certification body for financial analysts, the CFA Institute's Code represents a meaningful advancement in establishing DEI standards throughout our investment industry. The comprehensive, voluntary Code focuses on six principles aiming to achieve greater inclusion of wider viewpoints from the best talent, create better working environments, drive better investment outcomes, and generate a cycle of positive change for future generations.



GREEN TEAM

In 2020, DSM established a Green Team which is a cross functional team of senior professionals responsible for oversight and coordination of ESG and DE&I efforts. The Green Team meets at least quarterly and is led by senior members of the firm including the COO and Deputy CIO's and has full commitment from the CIO/Managing Partner. The Green Team works directly with DSM's Board of Managers and includes 3 members of the Board of Managers. The Green Team is responsible for implementing initiatives designed to encourage diversity, equity and inclusion and to help ensure a supportive learning environment which values different experiences and perspectives. To help employees expand their knowledge and promote learning around diversity, equity, and inclusion, DSM provides firmwide training such as unconscious bias training. DSM also partnered with and became a "Friend" of the Financial Women's Association ("FWA"). The FWA works to promote the advancement of women, diversity, equity and inclusion in finance and industry. Their signature programs span financial literacy, mentoring, high-performance skill building and thought leadership events. DSM encourages employees of all genders to contribute to and participate in FWA events and collaborations. DSM supports local organizations through employee led nominations of annual giving, board leadership and community involvement. To further these goals, DSM's Green Team arranges local volunteer events to promote team building and promote growth within the firm and broader community.



DSM IN THE COMMUNITY

DSM supports many local organizations through employee led nominations of annual giving, board leadership and community involvement. Some examples are below.

Little Smiles

Mission Statement:

Right now, thousands of children in Southeast Florida are facing the most difficult time of their lives- serious illness, homelessness, and other tragedies. They are spending their days alone in hospital rooms, shelters, or other temporary homes going through painful procedures and experiencing emotional strains they are not equipped to handle. Little Smiles is proud to work alongside Child Life specialists, nurses, law enforcement, and other critical staff members at over 30 facilities to bring (big) little smiles. Little Smiles' programs are created to provide experiences, toys, and essential items to children in need through the help and generosity of our community. As a community, we can brighten their day. DSM provided funding to Little Smiles through its annual charitable giving contest where employees nominate local organizations, they are passionate about for corporate donations. DSM also participates in the Little Smiles annual toy drive.



Mission Statement:

Red Apple Supplies is a FREE teacher resource store to equip teachers with essential school supplies for their classrooms. Since opening in 2016, Red Apple Supplies has distributed over \$5 million in school supplies to Title I schools. The mission of Red Apple Supplies is to serve the educational and creative needs of children in Palm Beach County public schools by providing a means to transfer donated school supplies from businesses, organizations, and individuals free to teachers for use in classrooms throughout the school year. DSM employees volunteer by stocking and donating supplies to Red Apple Supplies.



DSM CORPORATE ENVIRONMENTAL INITIATIVES

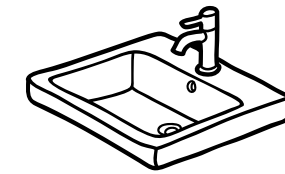
Energy Usage

DSM believes in conservation and the concept that efficiency in all facets of life leads to heightened productivity. We take a holistic approach when it comes to environmental and energy initiatives. From our bathrooms to our office spaces, we feel that there is always space to improve our workplace.

Listed on the right are just a few of the different ways that DSM has become more energy efficient in the workplace.

Actions Taken

- DSM has installed water saving nozzles in the washrooms.
- DSM has heat and sound insulation in its offices.
- DSM has motion controlled lamps in its headquarters.
- DSM separates waste to recycle.
- DSM provides digitized client presentations.



DISCLOSURES

This material is for informational purposes only. It is not intended to reflect a current or past specific recommendation, investment, legal, tax or accounting advice of any kind, or an offer or solicitation of an offer to buy or sell any securities or investment services in any jurisdiction where or to any person to whom it would be unauthorized or unlawful to do so. Except as otherwise specified, any companies, sectors, securities and/or markets discussed are solely for illustrative purposes regarding economic trends and conditions or investment process and may or may not be held by DSM Capital Partners LLC (“DSM”) or other investment vehicles or accounts managed by DSM.

This information should not be construed as research or investment advice. Returns are historical and past performance is no guarantee of future results and individual accounts and results will vary. The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur. Investors are urged to consult with their financial advisors before buying or selling any securities. Investing entails risks, including possible loss of principal. There are special risk considerations associated with international and global investing (especially emerging markets), small and mid-capitalization companies, or other growth and/or concentrated investment strategies. Past performance cannot guarantee future results.

DSM’s ESG policy is to integrate sustainability risks into its investment objectives and policies by identifying, evaluating and managing relevant risks. DSM measures and integrates sustainability risks based on their financial materiality using a blend of inputs including proprietary analysis and third-party information sources. Sustainability risks may be based on company disclosures or third-party information sources that are forward looking statements of intent and not necessarily fact-based or objectively measurable. Sustainability risks may vary from investment to investment and could include, but are not limited to, risks of environmental damage, social risks (including safety and human rights violations and exploitation), governance risks (inadequate oversight and internal governance of the companies, including management and board structure, compensation and approach to anti-bribery and anti-corruption, litigation risks linked to ESG issues, as well as the risk of political and regulatory changes on investments related to each of the foregoing.

There is no guarantee that this data will be correctly assessed or that DSM’s policy will result in the optimal asset allocation or portfolio construction leading to the best risk-adjusted returns. Moreover, the companies or industries subject to negative screening may not necessarily correspond directly with investors’ own subjective views or ethical and moral standards or ESG aspirations. As noted above, ESG considerations may be based on company disclosures or third-party information sources that are forward looking statements of intent and not necessarily fact-based or objectively measurable. This lack of uniformity and objective metrics can lead to missed opportunities or miscalculations as to the realized future impact of perceived positive and negative ESG factors on company fundamentals, leading to less than desired investment outcomes. DSM makes no express or implied representations or warranties regarding the accuracy, completeness, effectiveness, fairness, or fitness for a particular purpose with respect to ESG assessments, negative screens, integration or engagement activities.

DSM engages with companies to better understand a company’s approach to ESG and potentially influence ESG related corporate practices. Unless otherwise noted, the companies identified in this report represent a subset of current and/or past holdings in DSM portfolios and were selected on an objective basis to illustrate examples of ESG integration into our fundamental research process. They were selected to reflect holdings with varied business models and ESG considerations across multiple sectors, industries, and/or regions.

This information may not be current and DSM has no obligation to provide any updates or changes. Although the information has been obtained from sources believed to be reliable, there are no guarantees of accuracy, completeness or fairness. DSM has relied upon and assumed without independent verification the accuracy and completeness of some of the information. Opinions expressed are current opinions as of the date written.