Hardman Johnston International Equity Developed Markets

2022 SECOND QUARTER REPORT

Hardman Johnston Global Advisors

COMPOSITE PERFORMANCE (%) (period ending June 30, 2022)	2nd QTR	YTD	1 Year	3 Years	5 Years	Inception
International Equity Developed Markets (gross of fees)	-11.85	-24.45	-23.31	5.37	6.21	6.29
International Equity Developed Markets (net of fees)	-12.01	-24.73	-23.88	4.64	5.47	5.52
MSCI EAFE Net Index	-14.51	-19.57	-17.77	1.07	2.20	2.78

Performance is through June 30, 2022. Periods greater than one year are annualized. **Past performance does not guarantee future results.** Net performance reflects the deduction of advisory fees and reinvestment of income (if applicable). Composite inception date: January 31, 2014.

KEY TAKEAWAYS

- International equities declined as the Ukraine conflict, energy pressures, inflation, and rising interest rates fed recession concerns
- US Federal Reserve turned more hawkish in the face of rising inflation, along with many other central banks globally
- Broad sell-offs created opportunities to buy long-term growth stocks at attractive valuations
- International Developed Markets Equity Composite returned -12.01% (net) outperforming the MSCI EAFE return of -14.51%

MARKET REVIEW

International developed markets equities turned sharply lower in the second quarter. Within the MSCI EAFE, no region or sector escaped the sell-off with the benchmark down double-digits. Against this backdrop, the Hardman Johnston International Developed Markets Equity Composite outperformed by 250bps.

It was the ongoing conflict in Ukraine that contributed to spiking energy prices, supply chain disruption, and ultimately cost pressures for businesses and consumers. US inflation spiked back up to 8.6% in May, tracking well above target levels, prompting the Federal Reserve to lift interest rates by a greater-than-expected 75bps in June, following a 50bp hike in May. Fed officials began to guide to further sharp hikes as the central bank focused the bulk of its attention on getting spiraling price increases under control. Under the weight of these conditions, US consumer confidence sagged with survey respondents expecting a worsening performance in the second half of the year. Economists projected an increasing likelihood of recession as data showed that US GDP had contracted in the first quarter.

The Fed's increasingly hawkish stance was adopted by Europe and the UK as the ECB and the Bank of England have begun to signal future rate increases to combat rising inflation. The European Central Bank's President Christine Lagarde promised to act in a "determined and sustained manner" to clamp down on Eurozone inflation, which hit 8.1% in May. Markets forecast that long-running negative interest rates will rise above zero in September. At the same time, concerns about energy prices and availability escalated as Russia severely curtailed gas supply to some European countries, and Germany began making plans to prioritize homes and consumers over businesses in the event of winter shortages. Russia's aggression in Ukraine also redrew Europe's geopolitical map, prompting the EU to grant candidate status to Ukraine, while Sweden and Finland received approval to join the NATO defense alliance.

The pivot away from years of accommodative policy was echoed in many markets internationally, feeding concerns about a downturn and contributing to demand destruction. As consumers are forced to pay more for housing, gas, and groceries, remaining budgets for discretionary expenditures are shrinking. Retailers began reporting excess inventories as products were not selling as quickly as expected.

There were notable outliers in the tightening trend. In Japan, inflation remained only just above the country's 2% target, enabling the Bank of Japan to remain loose in its monetary policy stance. The country came close to recession once again as data showed that first quarter GDP contracted because of a fall in exports, although domestic consumer spending remained robust. Prime Minister Fumio Kishida unveiled initiatives including more support for start-ups and clean energy as part of his "New Capitalism" program to fuel long-term growth.

From a style investing standpoint, inflation and rising rates have been top of mind for Growth and Value investors. Higher inflation and interest rates often hurt high multiple Growth stocks, which are viewed as long duration assets since they are valued on earnings that are expected to be achieved further out in the future than Value stocks. Growth investors have certainly felt the pain since early 2021 when inflation started moving upwards. However, since late May, Growth seems to be staging a mild comeback relative to Value. Value stocks often comprise cyclical segments of the market, which tend to be more adversely affected by difficult economic periods. As investors' focus has shifted from inflation to recession concerns, Value has been underperforming Growth on worries of demand destruction.

PORTFOLIO OVERVIEW

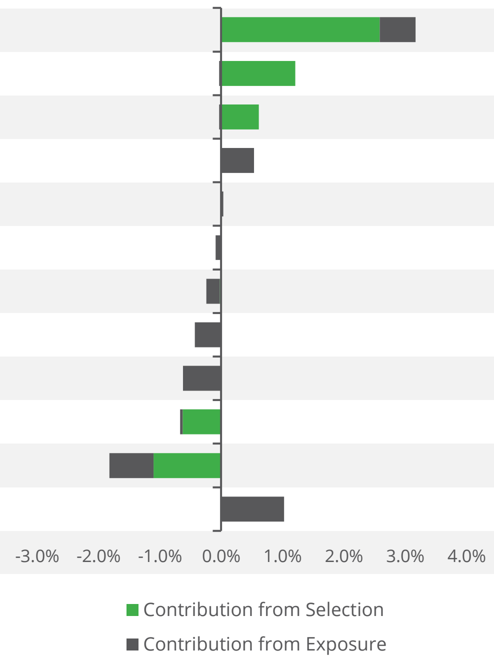
It was another challenging quarter for growth investors with long duration stocks hit hard by inflation and rising interest rates in the first half of the quarter. Broadly speaking, the highest multiple stocks with the longest duration profiles, particularly in the tech and consumer sectors, were most impacted by the sell-off. However, there was also a perceptible change in sentiment mid-way through the period. The increased rate of tightening by the Fed, combined with an equally hawkish tone from the European Central Bank and the Bank of England, raised investor expectations of a recession, which was reflected in increased pressure on economically sensitive stocks and relative outperformance for growth companies.

It is worth repeating, however, that the market pull-back spared no region or sector in the second quarter. The upshot of the somewhat indiscriminate sell-off was that multiples contracted and valuations that once appeared high began to look much more attractive on our three-to-five-year view. As a result, we were able to enter positions in companies at appealing valuations relative to their growth profiles, such as Germany's largest telecom group Deutsche Telekom AG, and Spain's Grifols, S.A., a leader in blood plasma products. Both have good catalysts to produce double digit earnings growth, but also defensive characteristics that position them well for any downturn that might come. Grifols was one of several companies within the health care sector that contributed during the quarter, making the sector the top contributor relative to the benchmark.

Essential products and strong competitive positioning are critical. For example, semiconductor makers have built back inventories but will feel the impact of a global slowdown on electronics demand, which has been reflected in the sharp sell-off across the space. Semiconductor underperformance was a key reason why information technology was the top detracting sector during the quarter. However, these companies also have plenty of medium-to-long term drivers, such as the need for more chips in electric vehicles, the makers of which have continued to deal with short supply. Taiwan Semiconductor Mfg. Co., Ltd. is one such business with the ability to pass on prices and was reported to be flagging price increases of 5-8% across its products for the coming year, on top of price increases already instituted in 2022.

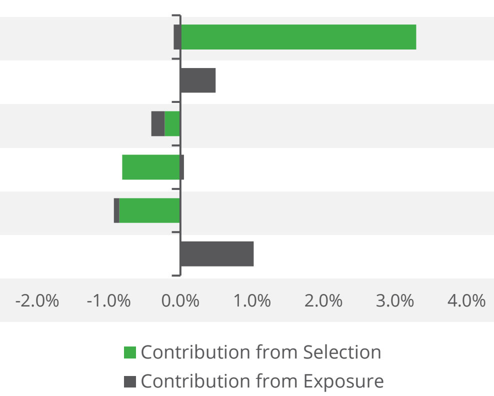
Most of our stocks create value through their intellectual property, such as pharmaceuticals, software, or premium brands in consumer discretionary. For instance, in healthcare, the best performing sector this quarter, Alkermes was a top contributor with its strong initial launch of Lybalvi, which is an anti-psychotic drug that causes less weight gain than marketplace competitors. Similarly, Novo Nordisk AS has developed a potential global blockbuster in its Wegovy product, which helps treat obesity. Both Alkermes' and Novo Nordisk's outperformance helped propel Europe to be the largest contributing region for the quarter.

	Average Weight		Total Return		Contribution to Relative Return
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
By Sector					
Health Care	26.7	13.4	1.7	-9.5	
Financials	8.2	17.6	1.9	-13.9	
Cons. Discretionary	17.8	11.2	-12.9	-15.5	
Materials	0.0	8.1	0.0	-21.1	
Real Estate	0.0	2.9	0.0	-15.8	
Utilities	0.0	3.5	0.0	-11.8	
Industrials	20.6	15.1	-18.6	-18.5	
Energy	0.0	4.6	0.0	-4.1	
Consumer Staples	0.0	10.5	0.0	-8.4	
Comm. Services	4.1	5.0	-34.3	-10.9	
Info. Technology	14.7	8.1	-29.5	-23.5	
Cash	7.9	0.0	0.3	0.0	



Data as of the quarter ending June 30, 2022. Source: FactSet, Hardman Johnston Global Advisors LLC®. **Past performance does not guarantee future results**. The data shown is of a representative portfolio for the Hardman Johnston International Equity Developed Markets strategy and is for informational purposes only. Results are not indicative of future portfolio characteristics/returns. Actual results may vary for each client due to specific client guidelines and other factors. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. Future investments may or may not be profitable.

	Average Weight		Total Return		Contribution to Relative Return
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
By Region					
Europe	54.1	49.4	-10.1	-15.8	
Emerging Markets	4.3	0.0	-2.0	0.0	
United Kingdom	10.6	15.8	-12.7	-10.5	
Pacific Ex Japan	12.0	12.8	-19.7	-14.1	
Japan	11.1	22.1	-21.2	-14.6	
Cash	7.9	0.0	0.3	0.0	



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LARGEST CONTRIBUTORS

Alkermes plc (+1.8% total effect) had a strong quarter as management initiated positive guidance for 2022, even with the loss of Johnson & Johnson (J&J) royalty payments. Alkermes is engaged in discussions with J&J regarding resolution of these royalty payments, which may lead to a lump sum settlement. The initial launch of Lybalvi, which is an oral anti-psychotic with attenuated weight gain and metabolic profile, has been strong, with prescription scripts trending upwards. Feedback from physicians, payers, and patients has been positive, pushing the stock upwards. Initial payer coverage has been in line with expectations, and management expects Lybalvi to be treated like other branded agents for the first twelve to eighteen months. As more payers cover Lybalvi and the physician base prescribing Lybalvi increases, we anticipate the stock will continue to react positively. Activists remain involved in Alkermes, which helps ensure the value enhancement plan and profitability targets for 2024/2025 come to fruition.

Prosus NV's (+1.3% total effect) stock price appreciated upon management's strategic move to close the stock's valuation gap with its underlying holdings. Prosus announced an open-ended buyback of Prosus and Naspers shares, funded by the sale of Tencent shares. The market responded positively by driving the share price 18% higher, as this move addressed concerns from investors who wanted returns from Tencent, which account for 85% of Prosus' value. Buying back shares that are trading at a 40-60% discount to underlying asset value is highly accretive, which should help Prosus' share price going forward.

AIA Group Ltd. (+1.1% total effect) benefitted during the quarter from the reopening of many areas of mainland China. Notably, this included Shanghai and Shenzen, along with easing restrictions in Beijing. AIA has significant presence in all of these cities. While AIA has done a good job relative to competitors on training agents to reach customers and clients digitally, face-to-face meetings are needed for optimal productivity. In addition, AIA is continuing to make progress on expanding into new cities and regions as regulators have been willing to approve its applications. AIA also took a 25% interest in China Post, the official postal service of China, giving it access to a large distribution network to market its broader product mix. Lastly, Hong Kong continues to recover volumes and revenue as mainland visitors return and the economy reopens.

LARGEST DETRACTORS

Sea Ltd. (-0.8% total effect) underperformed during the second quarter. Sea's Shopee e-commerce operation is still at an early stage of its substantial long-term growth, so it has not yet achieved profitability. With the stock market's sharp shift from long-term growth to near-term profitability this year, Sea's management has responded by firmly articulating guidance for break-even in its core, fast-growing Southeast Asian markets where they remain dominant. We believe management firmly understands that it needs to prioritize achieving overall profitability as quickly as possible. To that end, Sea has announced during the quarter that Shopee is exiting India, France, and Spain, where operating metrics did not justify continuing further. Management is now firmly focused on accelerating the path to profitability. We expect a steady improvement towards break-even while Sea continues to maximize its growth opportunity in core markets.

Nordic Semiconductor ASA (-0.7% total effect) reported a positive first quarter earnings report, supported by its strong backlog and continued demonstration of pricing power. However, shares were down for the quarter as inflation persistence has raised concerns on consumer discretionary spending, as consumer markets still make up the majority of the company's revenue. The company's order backlog did decline in the quarter, which also weighed on shares. Despite that, we commend the company's approach in backlog management by reducing its backlog lead times to below 52 weeks (typically around 26 weeks) and only promising to fill portions of customer orders. In the near term, consumer spending may pressure shares, but our conviction in Nordic Semiconductor's market leadership in Bluetooth Low Energy and upcoming expansion opportunities in Wi-Fi and Cellular Internet of Things remains intact.

Atlassian Corp. (-0.7% total effect) shares underperformed due to intensifying macroeconomic conditions as valuations for high growth software companies continued to compress, particularly those with long duration earnings profiles. Atlassian boasts a mission critical suite of applications catering to developer-focused organizations and is increasingly gaining share outside of the developer space with new offerings. However, the company is still in heavy investment mode. Atlassian believes their growth potential justifies heavy investment but has lowered the street's expectations for near-term margin expansion, which has hurt share price performance in a market environment increasingly focused on profitability. We believe Atlassian's margin guidance for its next fiscal year is conservative as they have a history of consistently beating their operating margin guide, and we continue to believe in the long-term structural growth outlook for its suite of products.

PORTFOLIO ACTIVITY

- During the second quarter, we initiated positions in Grifols, S.A. and Deutsche Telekom AG, and we liquidated our positions in Alibaba Health Information Technology Ltd. and Murata Manufacturing Co, Ltd.

INITIATIONS

Grifols, S.A. is a Spanish company specializing in blood plasma products. We initiated a position in Grifols during the quarter due to ongoing tailwinds in the space and view the company as a pandemic recovery play. During the pandemic, plasma collections dramatically decreased as donors were not incentivized to donate. Plasma collections are typically countercyclical/recessionary. Now that extra government stimulus from COVID has stopped, we anticipate that donors will continue to return to centers, especially with added inflationary cost of living pressures. This bodes well for Grifols. During the pandemic, Grifols was able to improve efficiencies and increase yields, driving a decrease in costs on the collection side. They also stand to benefit from price increases of key proteins, which will stick as has been the case in the industry historically.

We believe **Deutsche Telekom AG** is the highest quality European telecommunications company, with the best EBITDA and free cash flow growth profile in the industry. The company has a controlling stake and owns 48.4% in T-Mobile US. T-Mobile is set to deliver substantial synergies from its Sprint merger 2 years ago, with integration and synergy realization ahead of schedule. T-Mobile synergies is the primary driver of Deutsche Telekom's growth. In Europe, the German and European regulatory environment is improving and supportive of creating a market where operators are encouraged to invest and earn attractive returns on capital. This new regulatory stance represents a shift from decades of punishing telecommunications price regulation that has held back technology development. With an inflection in expected cash flow, we see potential for deleveraging and big share buybacks in both T-Mobile and Deutsche Telekom.

Liquidations

Alibaba Health Information Technology Ltd. was liquidated at the start of the second quarter. Coming into the quarter, there was pressure across our China holdings broadly, and we did not see a near-term path to profitability for Alibaba Health. We still believe Alibaba Health has a significant opportunity ahead, but with a longer duration path to profitable monetization. We continue to actively monitor and research the healthcare internet and service space in China. A compelling case remains, and, in time, we could reinvest.

Murata Manufacturing Co., Ltd. was liquidated in the second quarter. Given Murata's high exposure to smartphones and consumer electronics, near-term earnings may be at risk, as these end markets appear to have benefited from a pull-in of demand during the pandemic. High inflation and rising rates are also likely to weigh on consumer purchasing power, which may impact discretionary spending on these devices. Murata has also benefitted from greater smartphone content related to the 5G transition. As the 5G penetration cycle enters later innings, the structural benefit of content gains may not be sufficient to offset a weak smartphone market. EV and ADAS remain a favorable tailwind for demand from auto customers in the near- and medium-term, but that will not be enough to offset the weakness in the consumer electronics and smartphone businesses. Furthermore, peers have been closing the competitive gap in the high-end auto chip segment that Murata operates in.

MARKET OUTLOOK

There are some signs of easing inflation, particularly in the US, as companies cut prices in response to excess inventories and demand destruction. Nonetheless, most central banks will keep a resolute focus on inflation, although tightening will vary by region, with Japan and China notable outliers in their approach to stimulus. Recession is looking more likely in many regions, and that will impact consumer and business spending. But against that scenario, our approach remains essentially unchanged. We are looking for companies that outpace GDP long-term and can effectively grow consistently in any environment.

That kind of conviction requires a clear-headed bottom-up view that takes into account the macro environment. We have seen it already pay off in healthcare, where elective procedures and non-COVID-related treatments were hit by pressure on hospitals and other services. Those procedures remain essential and are increasing again as the pandemic's impact on the healthcare system recedes.

It is a similar story in industries hit by rising energy prices. For example, regardless of technical recession or not, air travel will be impacted by pressure on demand as well as higher costs for refined fuel. Longer-term, demand for air travel will rise at a higher rate than global GDP as more people in regions like Asia have the means and desire to travel. There will be benefits for aircraft manufacturers, as well as the producers of enabling technology. In our portfolio, both Airbus SE and Safran S.A. have visible and predictable demand far into the future thanks to airline demand for more fuel-efficient aircraft and engines.

We are watching the current increase in demand for fossil fuels closely but cautiously in light of a protracted war in Ukraine. In Europe, Germany has already warned about the prospect of gas shortages in the winter, while a number of its neighbors, including the Netherlands are temporarily increasing their use of coal. Some investors may be looking at the traditional energy space with more interest. Energy security may have changed objectives for countries temporarily, but over the long term, the shift is towards low-carbon intensity economies, not away from them. That means opportunities in the enabling technologies that make this infrastructure possible. We have strong conviction in companies like Nidec Corp., a maker of electric motors, Aptiv plc, a producer of automotive electrical architecture used in electric vehicles, and Prysmian S.p.A., which is providing cables and connectors to bring offshore wind power to the grid.

With the pullback that many of our holdings have faced over the past several quarters, we now feel that valuations are at very attractive levels relative to history. We feel confident in the 3-5 year earnings potential of our holdings and believe that the strong secular drivers underpinning many of these stocks can withstand a recessionary environment. We also feel comfortable with the quality of our holdings. Recent initiations such as Grifols, S.A. and Deutsche Telekom AG provide steady, stable growth and defensive characteristics to a portfolio of already high quality stocks.

While we are bracing for a potential recessionary environment through rigorous scenario testing of all of our holdings, we maintain an optimistic outlook on our portfolio going forward. As befits our bottom-up approach, our research analysts and portfolio managers are systematically modeling potential recessionary scenarios for portfolio holdings. We believe that our holdings provide a strong risk-reward balance, and we are continually researching new opportunities. As always, we will keep our clients aware of our latest thinking as the future unfolds.

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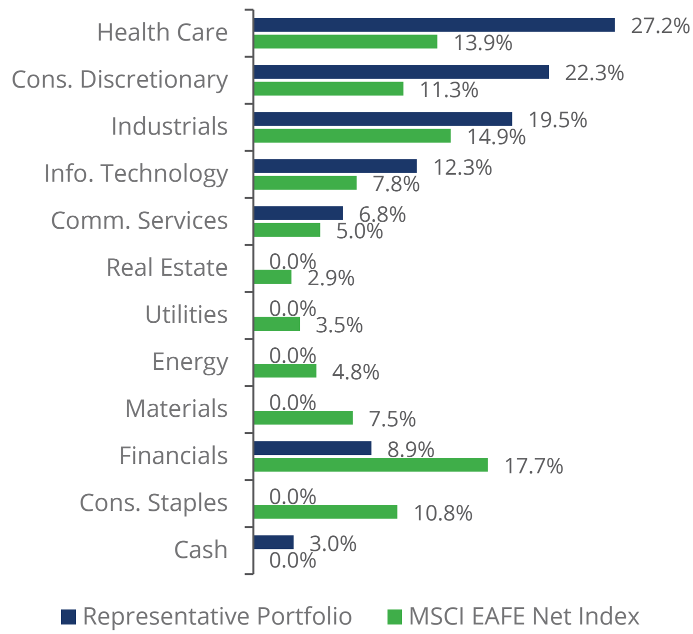
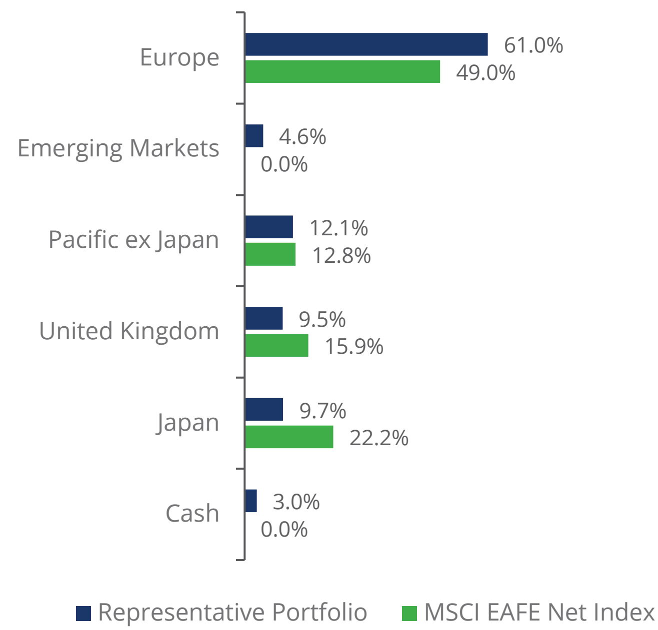
PORTFOLIO EXPOSURE (period ending June 30, 2022)

Exposure by Sector



Exposure by Region



PORTFOLIO CHARACTERISTICS (period ending June 30, 2022)

	Representative Portfolio		MSCI EAFE Net Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	83.7	79.8	72.8	68.8
Median Market Cap ($B)	35.8	47.4	11.7	11.7
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	16.2	16.7	9.1	9.5
EPS Growth: 5 year trailing (%)[1]	5.0	3.7	7.2	6.1
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	20.6	24.7	15.5	18.0
P/E Ratio: 12 Months - trailing[1]	25.5	22.5	14.8	13.9
PEG Ratio: forward[1]	1.3	1.5	1.7	2.0
Dividend Yield (%)[2]	1.0	1.2	3.3	3.0
Price/Book[3]	3.4	3.9	1.6	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	13.2	13.0	13.9	12.8
Return on Invested Capital: 5 Year (%)[1]	9.3	9.6	9.5	8.8
Other				
Number of Positions	25	23	799	893
Beta: 3 year portfolio[4]	0.9	0.9	1.0	1.0

[1]Interquartile weighted mean, [2]Weighted mean, [3]Weighted harmonic mean, [4]MPT beta (daily).

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PORTFOLIO HOLDINGS (period ending June 30, 2022)

	Country	Weight (%)	Industry
Communication Services			
Deutsche Telekom AG	Germany	5.0	Diversified Telecommunication Services
Sea Ltd.	Singapore	1.8	Entertainment
Consumer Discretionary			
Aptiv plc	United Kingdom	4.2	Auto Components
LVMH	France	4.4	Textiles, Apparel & Luxury Goods
Meituan	China	1.3	Internet & Direct Marketing Retail
Melco Resorts & Entertainment Ltd.	Hong Kong	1.9	Hotels, Restaurants & Leisure
Prosus NV	Netherlands	5.9	Internet & Direct Marketing Retail
Puma SE	Germany	4.5	Textiles, Apparel & Luxury Goods
Financials			
AIA Group Ltd.	Hong Kong	6.1	Insurance
ICICI Bank Ltd.	India	2.8	Banks
Health Care			
Alkermes plc	Ireland	8.2	Biotechnology
AstraZeneca plc	United Kingdom	5.3	Pharmaceuticals
Genmab AS	Denmark	4.9	Biotechnology
Grifols, S.A.	Spain	2.4	Biotechnology
Novo Nordisk AS	Denmark	6.4	Pharmaceuticals
Industrials			
Airbus SE	France	4.6	Aerospace & Defense
Daifuku Co., Ltd.	Japan	2.9	Machinery
Nidec Corp.	Japan	2.9	Electrical Equipment
Prysmian S.p.A.	Italy	4.2	Electrical Equipment
Safran S.A.	France	4.8	Aerospace & Defense
Information Technology			
ASML Holding N.V.	Netherlands	4.0	Semiconductors & Semiconductor Equipment
Atlassian Corp.	Australia	2.2	Software
Nordic Semiconductor ASA	Norway	1.7	Semiconductors & Semiconductor Equipment
OMRON Corp.	Japan	3.8	Electronic Equipment, Instruments & Components
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan, Province Of China	0.6	Semiconductors & Semiconductor Equipment
Cash & Equivalents			
Cash		3.0	

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