Hardman Johnston International Equity Developed Markets

2023 Second Quarter Report

Hardman Johnston Global Advisors

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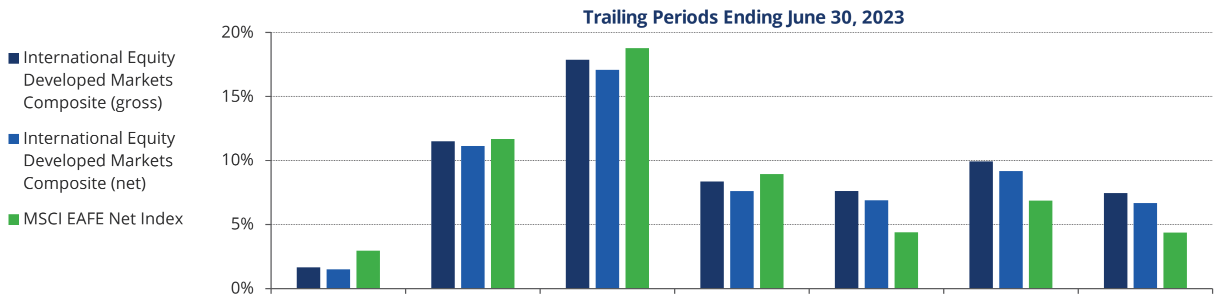
Performance



	2Q 2023	YTD	1 Year	3 Years	5 Years	7 Years	Inception
International Equity Developed Markets Composite (gross)	1.66	11.49	17.88	8.36	7.63	9.93	7.46
International Equity Developed Markets Composite (net)	1.50	11.14	17.09	7.61	6.88	9.16	6.69
MSCI EAFE Net Index	2.95	11.67	18.77	8.93	4.39	6.87	4.37

Performance is through June 30, 2023. 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

- Market headlines were dominated by familiar themes of inflation and interest rates and the new theme of artificial intelligence during the second quarter
- Within the strategy, Health Care and Energy were the top sector contributors, while Consumer Discretionary and Communication Services were the top detractors
- The United Kingdom was the top contributing region, while Pacific ex-Japan was the top detracting region
- The Hardman Johnston International Equity Developed Markets Strategy underperformed the MSCI EAFE Net Index during the quarter

Portfolio Commentary

After a strong first quarter in which the portfolio outperformed its benchmark index, the International Equity portfolio lagged during the second quarter. The Hardman Johnston International Equity Developed Markets Composite returned 1.50%, net of fees, in the quarter, compared to the MSCI EAFE Net Index return of 2.95%.

Prior to diving into attribution, a brief review of the market backdrop will help to provide context for drivers of performance. The prior quarter saw investors continue to closely monitor the pace of inflation in the US and Europe and to extrapolate impacts on central bank policy. Across both markets, inflation has been declining, albeit at a slower pace than some were hoping. Based on that, consensus is projecting a peak in rates over the coming quarters.

While inflation and rates have been prominent themes for the past several quarters, a new subject has grabbed investors' attention recently: the sudden explosion of demand for artificial intelligence (AI) technology. Companies that manufacture AI technology, or are levered towards it in their businesses, have seen sharp spikes in their valuations. Given many of the leaders in this space are based in the US, this topic has not been as relevant in our International Equity portfolio, other than building an incrementally more positive long-term view on the broad semiconductor space. This provided a modest boost during the quarter to some of our holdings, such as Taiwan Semiconductor and ASML.

Among international markets, Japan was the strongest performing region in the benchmark index in the second quarter. Japanese equities rose on signs of inflation, renewed efforts for companies to implement governance changes to increase shareholder returns, and economic benefits from China's economy reopening. Japan is also one of the only major markets still stimulating its economy.

On the flip side, Japan's neighbor, China, was one of the toughest places to be invested in during the second quarter. Chinese equities struggled as markets came to terms with a slower economic reopening than initially expected. The country's spending patterns post-pandemic have not aligned with the precedent set by other regions around the world as consumers did not have the same support from government transfer payments as many western consumers did during the pandemic. Geopolitical tensions were another key drag for Chinese equities. Public spats with the US and European nations hit sentiment for the overall Chinese equity market. However, the recent visits to China by US Secretary of State Antony Blinken and US Secretary of the Treasury Janet Yellen helped start the new quarter on a hopeful note for reduced tensions.

Looking more deeply into the portfolio's quarterly performance attribution, the top sector contributors relative to the benchmark were Health Care and Energy. Within Health Care, our top performing stocks were Alkermes plc and Grifols, S.A. Alkermes performed strongly during the quarter as the company won royalties back from Janssen for the Invega franchise, which had been completely written off. This acts as a windfall for the company of over $600 million. Additionally, the company's popular anti-psychotic drug, Lybalvi, continued to show strength in scripts written. The stock is also benefitting from an ongoing push by activists to improve governance at the management level. Grifols is a leader in the manufacturing and supply of plasma-derived products. The stock had strong performance in the quarter as plasma collections returned to pre-pandemic levels, with donors returning to collection centers. Additionally, donor fees have been falling, which helps the company's margins. The company is also executing on operational improvements. Management announced a €450 million cost savings plan focused on operational efficiencies and margin improvement. They also announced a partial asset sale of Shanghai RAAS for $1.5B. The proceeds from this sale will significantly reduce the company's leverage.

Our outperformance in Energy was due to our sole holding within the sector, TechnipFMC plc. TechnipFMC performed well in the quarter, despite oil continuing its multi-quarter correction. The oilfield services company is benefitting from a large and growing backlog from international customers who invest based on a long-dated view, regardless of near-term oil price volatility. The company pioneered an integrated approach to offshore oil exploration, which leverages standardization and modularization in order to reduce project execution costs and time to first oil. This has led to strong market share capture for new projects as the company continues expanding its margins from operating leverage and increased throughput, potentially surpassing its mid-term margin targets.

The quarter's top detracting sectors relative to the benchmark were Consumer Discretionary and Communication Services. Within Consumer Discretionary, we had significant exposure to the Broadline Retail industry, which generally underperformed. This was exacerbated by a large portion of exposure being in Chinese retail, which was a difficult area due to slowing Chinese economic data. We were also underweight Auto OEM's, which was the best performing industry in the sector. We have low exposure in that space because most of those stocks do not have the 10% secular earnings growth required as part of our process.

Despite their performance to date, we have high conviction in our Chinese holdings. Each of them are leaders in their industries with avenues towards strong earnings growth. They also operate in one of the few major worldwide economies that is stimulating. In fact, at the end of the second quarter, the Chinese government showed new signs of stimulus by lowering its prime rate and talking about boosting household consumption. Additionally, any potential thawing of geopolitical relations with the West could be a significant tailwind to Chinese equities.

Communication Services also detracted but was more stock-specific, with our holdings underperforming for idiosyncratic reasons. One of the sector's positions, Sea Ltd., was the top detracting stock within the portfolio during the quarter. Despite Sea reporting earnings that showed a continued trend of positive profitability, the stock gave back much of the first quarter's gains. Accounting allocations of one-off charges last year obscured underlying cost trends and made current results less impressive due to inflated comparisons. Gaming results were also weaker than expected this quarter. However, early signs of stabilization in average users are encouraging. We see a renewed focus by management on quality growth and believe that positive profitability is sustainable and gives the company flexibility to be proactive and to respond to competition on a targeted basis. At this early stage of market development in e-commerce and fintech, we see plenty of penetration gains and market growth still to come.

From a regional standpoint, the top contributor to relative performance was the United Kingdom. This was primarily due to the strong performance of TechnipFMC. The top detracting region was Pacific ex-Japan, mostly due to the performance of Sea Ltd.

From the perspective of individual holdings, the top contributors during the quarter were TechnipFMC plc, Alkermes plc, and Grifols, S.A. The top detractors were Sea Ltd., Prosus NV, and Deutsche Telekom AG. Prosus was down slightly during the quarter after a strong Q1. Despite that, the company had a number of positive developments during the period. Prosus reported solid results and made material progress towards achieving EBITDA profitability in its e-commerce segment by FY2025. Cost savings were derived from avoided losses from its previously disclosed plan to shut down OLX Autos, as well as better cost performance across the remaining businesses. Prosus also announced a simplified structure that eliminates the complex cross holding with its parent Naspers and allows its ongoing share buyback to continue unimpeded. Both the simplified structure and the continuation of the buyback will help to narrow the stock's discount to underlying value. Since the buyback began a year ago, the company has reduced its share count by 14%, repurchasing $12 billion in Prosus shares. Deutsche Telekom also modestly dropped despite solid earnings results and upgraded forecasts. Markets were spooked by speculation that Amazon was preparing to enter the wireless business with a low-cost nationwide cellular service. This could impact T-Mobile US, which Deutsche Telekom owns a majority stake in. However, we do not see any of the three major US carriers willingly entering into such a deal with Amazon, and smaller players would not pose much of a threat based on the size of their networks.

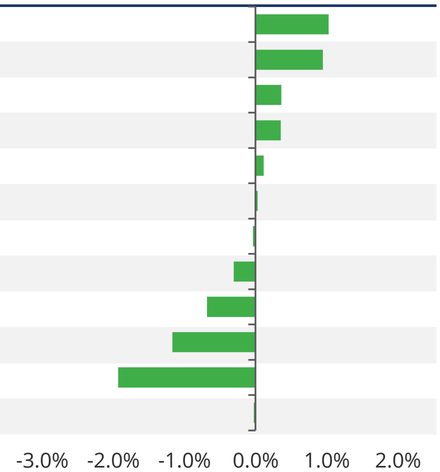
During the quarter, we had no initiations and one liquidation. We liquidated Puma SE during the first week of the quarter as the apparel maker was hit by widespread market promotions and discounting in the athletic wear industry. Its two largest competitors, Nike and Adidas, did not navigate supply chain challenges as efficiently as Puma did during COVID and were both aggressively clearing out inventories, pulling down the overall market pricing. As a smaller player, Puma is a price taker, so it was affected by these events. On top of that, Puma had an abrupt change in management. The company's former CEO, Bjorn Gulden, crossed the street to Adidas in December 2022. Puma immediately appointed an internal replacement, but he is unknown to the market, causing substantial uncertainty. Under these conditions, we decided to exit the position.

When we have a difficult quarter, we always deal with it by sticking to our tried and tested process and examining our assumptions on stocks in the portfolio that faced headwinds. The price of aiming for long-term gains is having to deal with occasional short-term bumps in the road. We are comfortable that the portfolio is in the right place in terms of risk-reward balance. The fundamentals of the companies we hold are solid, and their growth prospects are good. Price volatility can generate opportunities, and we will be looking to take advantage of those going forward.

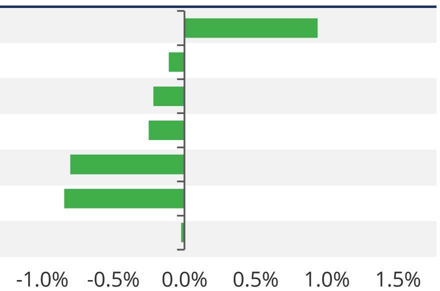
Hardman Johnston
International Equity Developed Markets
2023 SECOND QUARTER REPORT

Quarterly Attribution

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
Health Care	24.2	13.5	6.9	2.0	
Energy	4.5	4.4	21.8	0.1	
Consumer Staples	0.0	10.4	0.0	-0.6	
Materials	0.0	7.5	0.0	-1.7	
Real Estate	0.0	2.4	0.0	-2.0	
Industrials	23.6	15.8	5.2	6.2	
Utilities	0.0	3.5	0.0	4.0	
Financials	10.2	18.1	3.1	4.7	
Info. Technology	7.7	7.9	-0.3	5.9	
Comm. Services	6.9	4.4	-16.0	-2.6	
Cons. Discretionary	18.2	12.3	-5.6	5.2	
Cash	4.7	0.0	1.3	0.0	



Regional Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
United Kingdom	9.7	14.9	11.9	2.2	
North America	2.1	0.0	-2.0	0.0	
Emerging Markets	4.8	0.0	-1.6	0.0	
Japan	6.9	22.0	10.2	6.4	
Europe	61.5	51.5	1.6	2.8	
Pacific ex Japan	10.4	11.7	-9.9	-1.8	
Cash	4.7	0.0	1.3	0.0	



Contributors & Detractors

Second Quarter	Average Weight (%)	Total Effect (%)
Largest Contributors		
TechnipFMC plc	4.50	0.82
Alkermes plc	6.91	0.54
Grifols, S.A.	2.21	0.49
Largest Detractors		
Sea Ltd.	2.15	-0.86
Prosus NV	5.26	-0.46
Deutsche Telekom AG	4.79	-0.43

Last Twelve Months	Average Weight (%)	Total Effect (%)
Largest Contributors		
Melco Resorts & Entertainment Ltd.	2.82	1.85
Safran S.A.	5.27	1.74
TechnipFMC plc	2.78	1.28
Largest Detractors		
AIA Group Ltd.	5.33	-1.25
Puma SE	2.40	-1.16
Atlassian Corp.	2.48	-1.14

Portfolio Activity

Quarterly Initiations	Quarterly Liquidations
None	Puma SE

Data for the quarter ending June 30, 2023. 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.

Market Outlook

Inflation is not giving up without a fight. The pace of price increases is slowing in most markets, giving hope that the past 15 months of rising interest rates is having the required effect. Yet, from another perspective, inflation remains stubbornly above the Fed's adopted 2% target, with a tight labor market and wage increases feeding potential for further price increases.

In the face of conflicting data, often with quite stark regional variations, interest rate policy is diverging. The Federal Reserve's decision to pause rate hikes in June was swiftly followed by guidance that two more rises may be needed this year, underlining the challenge of cooling inflation without going too far. The longer the situation persists, the harder it becomes for the Fed to stick a soft landing.

Other markets are facing similar struggles. The European Central Bank has signaled that it will increase rates again in July, although the Eurozone and its largest economy, Germany, are already in recession. The Bank of England has drawn criticism for its apparent failure to deal with an increasingly entrenched bout of stagflation, with UK wage growth and sharp price increases at odds with an economy teetering on the brink of downturn.

Asia's largest economies are plotting a somewhat different course. The Bank of Japan is guiding to a slow end to low interest rates and yield curve control measures, despite signs of more persistent inflation. Meanwhile Chinese policymakers are actively applying stimulus measures to fend off the threat of deflation and strengthen their economic recovery.

If there is an upside to aggressive tightening in most developed markets, then it's that central banks have built up capacity to deal with a downturn. This may in part explain why markets have run up this year in the face of one of the most widely forecast recessions in memory. Many investors may believe that a slump will in fact be avoided or at least quickly shaken off. Still, the process of interest rate normalization will be long. When rates do eventually peak, and inflation is declared beaten, the downward trend could be equally protracted, marked by more "wait and see" moments before settling at a "new normal".

Another source of uncertainty is China's path back to growth. Progress may be slower than some would like but is panning out largely as we expected. Consumer companies are reporting that spending is evolving positively. After the country's quick U-turn on its zero-COVID policy, it is not surprising that some nervousness remains about health implications or a pivot back to restrictions. Amid the still-budding recovery, we expect more targeted stimulus and a continued focus on accelerating the country's green transition. The fly in the ointment is geopolitical tension with the US, which is also weighing on sentiment towards Chinese stocks. As discussed in the Portfolio Commentary, we believe there are reasons for optimism in this regard going forward.

Against this backdrop of geopolitical uncertainty and mixed macro messages, the environment is ripe for stock pickers. The rising tide that lifted all boats has gone out, making the focus on company fundamentals and growth drivers all the more critical.

One of the big growth drivers will be AI. While there has been undeniable hype around AI bots that can replicate everything from software code to classical music, the pace of adoption is likely to be far faster than any other technology we have seen in recent years. Some companies may have been wrongfooted by the speed of development and investors' view of the threats they face, but those that lean into the technology stand to build a serious competitive advantage.

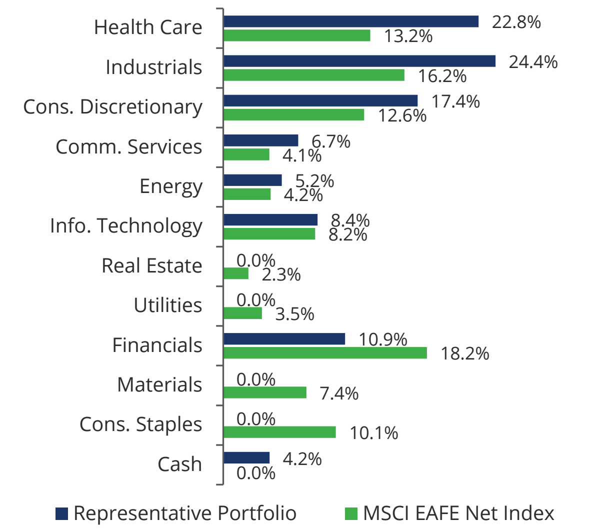
At this early stage, many companies are talking a good game. The test will be whether or not they can develop useful applications for AI and do it in a productive and cost-effective manner. Our thesis is not to get dragged into discussion of whether one company's tech is better than another's, but instead to focus on the enabling technologies, such as processors that will power the trend.

There are risks, notably the possibility of regulation or societal pushback against the potential loss of jobs. These are issues we should be able to see coming and navigate accordingly. The benefits of AI to the economy should not go unstated either. In a period of intense labor shortages, AI could provide companies with a welcome boost to productivity.

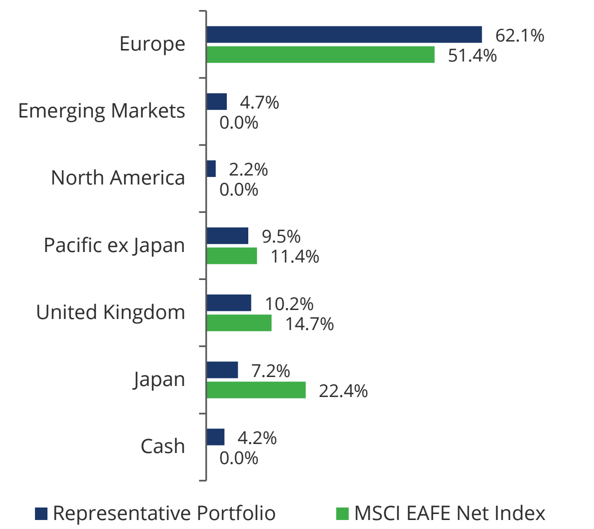
Despite some resilient performance for companies and market recovery in the first half, the near term threatens to be challenging. Earnings estimates may continue to be revised down, with margins squeezed as interest rates bite even further. Against this, our portfolio has low levels of leverage, with many companies having taken advantage of previous low rates to refinance their debt. We feel comfortable that our portfolio has a strong risk-reward balance, and we continue to research new opportunities that offer attractive entry points to long-term growth potential.

Exposures & Characteristics

Exposure by Sector



Exposure by Region



	Representative Portfolio		MSCI EAFE Net Index	
	2Q 2023	**5 Year Average**	**2Q 2023**	**5 Year Average**
Capitalization				
Weighted Average Market Cap ($B)	98.3	83.4	87.5	72.2
Median Market Cap ($B)	53.6	47.1	12.7	11.8
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	16.8	17.0	8.6	9.3
Revenue Growth: 3 to 5 year forecast (%)[1]	11.8	9.6	4.4	4.3
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	20.9	24.7	17.4	17.9
P/E Ratio: 12 Months - trailing[1]	28.8	30.4	18.8	20.1
PEG Ratio: forward[1]	1.1	1.5	2.0	1.7
Dividend Yield (%)[2]	1.0	1.1	3.2	3.1
Price/Book[3]	3.2	4.1	1.7	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	10.7	13.0	13.8	13.0
Return on Invested Capital: 5 Year (%)[1]	7.7	8.7	9.4	9.0
Long-Term Debt / Equity (%)	60.1	52.5	66.6	70.7
Other				
Number of Positions	29	24	798	867
Beta: 3 year portfolio[4]	0.9	0.9	1.0	1.0
Tracking Error: 5 Year Trailing (%)	7.9	--	--	--
Turnover: 12 Months - Trailing (%)	26.3	28.8	--	--

[1]Interquartile weighted mean, [2]MPT beta (daily). [3]Based on aggregate purchases and sales over prior 12 months. Data as of June 30, 2023. **Past performance does not guarantee future results.** Source: FactSet, Hardman Johnston Global Advisors LLC®. The data shown is of a representative portfolio for the Hardman Johnston International Equity Developed Markets strategy and is for informational purposes only and is not indicative of future portfolio characteristics/returns. Actual results may vary for each client due to specific client guidelines and other factors. The representative portfolio was chosen as most representative of the International Equity Developed Markets strategy. 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. In the event the portfolio holds multiple share classes of a company, the total number of positions reflects the multiple share classes as a single position. Hardman Johnston Global Advisors generally uses Global Industry Classification Standard ("GICS") to determine sector classification. Hardman Johnston may reclassify a company into a more suitable sector if it believes that the GICS classification for a specific company does not accurately classify the company from our perspective.

Portfolio Holdings

	Country	Weight (%)	Industry	Initiation Date
Communication Services				
Deutsche Telekom AG	Germany	5.0	Diversified Telecommunication Services	Apr. 2022
Sea Ltd.	Singapore	1.7	Entertainment	Jan. 2020
Consumer Discretionary				
Alibaba Group Holding Ltd.	China	0.5	Broadline Retail	Mar. 2023
Aptiv plc	Ireland	1.5	Auto Components	Oct. 2020
Kering S.A.	France	2.1	Textiles, Apparel & Luxury Goods	Mar. 2023
LVMH	France	4.2	Textiles, Apparel & Luxury Goods	Nov. 2016
Meituan	China	0.7	Hotels, Restaurants & Leisure	Oct. 2021
Melco Resorts & Entertainment Ltd.	Hong Kong	2.9	Hotels, Restaurants & Leisure	Oct. 2017
MercadoLibre, Inc.	Brazil	0.4	Broadline Retail	Jan. 2023
Prosus NV	Netherlands	5.0	Broadline Retail	Oct. 2021
Energy				
TechnipFMC plc	United Kingdom	5.2	Energy Equipment & Services	Nov. 2022
Financials				
Adyen NV	Netherlands	3.4	Financial Services	Jul. 2022
AIA Group Ltd.	Hong Kong	4.9	Insurance	Mar. 2014
ICICI Bank Ltd.	India	2.7	Banks	Aug. 2018
Health Care				
Alkermes plc	Ireland	6.4	Biotechnology	Dec. 2020
AstraZeneca plc	United Kingdom	4.9	Pharmaceuticals	Oct. 2017
Genmab AS	Denmark	4.7	Biotechnology	May 2020
Grifols, S.A.	Spain	2.5	Biotechnology	Apr. 2022
Novo Nordisk AS	Denmark	4.3	Pharmaceuticals	Apr. 2020
Industrials				
Airbus SE	France	5.4	Aerospace & Defense	Aug. 2018
Daifuku Co., Ltd.	Japan	2.7	Machinery	Feb. 2020
IHI Corp.	Japan	4.5	Machinery	Dec. 2022
Prysmian S.p.A.	Italy	2.6	Electrical Equipment	Sep. 2016
Rheinmetall AG	Germany	4.0	Aerospace & Defense	Feb. 2023
Safran S.A.	France	5.2	Aerospace & Defense	Jun. 2017
Information Technology				
ASML Holding N.V.	Netherlands	3.9	Semiconductors & Semiconductor Equipment	Jan. 2014
Atlassian Corp.	United States	2.2	Software	Jun. 2020
Nordic Semiconductor ASA	Norway	2.1	Semiconductors & Semiconductor Equipment	Jun. 2021
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	0.4	Semiconductors & Semiconductor Equipment	Jan. 2021
Cash & Equivalents				
Cash		4.2		

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