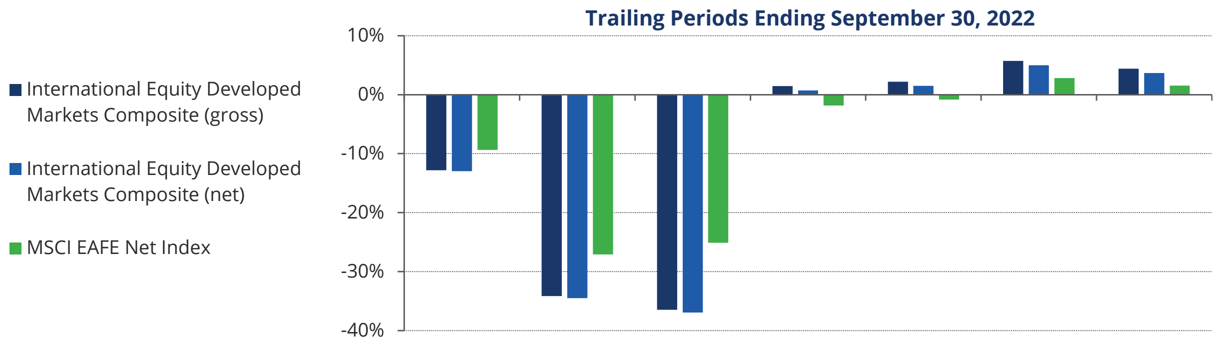
Hardman Johnston International Equity Developed Markets

2022 Third Quarter Report

Hardman Johnston Global Advisors

Performance



	3Q 2022	YTD	1 Year	3 Years	5 Years	7 Years	Inception
International Equity Developed Markets Composite (gross)	-12.83	-34.15	-36.47	1.45	2.21	5.74	4.43
International Equity Developed Markets Composite (net)	-12.99	-34.51	-36.94	0.74	1.49	4.99	3.68
MSCI EAFE Net Index	-9.36	-27.09	-25.13	-1.83	-0.84	2.84	1.54

Performance is through September 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

- Inflation, rising rates, and the strong US dollar were key themes that drove markets in the third quarter
- Against this backdrop, international equities struggled, with all sectors and regions within the MSCI EAFE Index posting negative returns
- Within the strategy, Utilities, Real Estate, and Industrials were the top sector contributors, while Health Care, Consumer Discretionary, and Information Technology were the top detractors
- All broad regions underperformed, with the exception of Emerging Markets, where India was a bright spot. Europe was the largest detractor relative to the benchmark during the quarter
- The Hardman Johnston International Equity Developed Markets Strategy underperformed the MSCI EAFE Net Index during the quarter

Portfolio Commentary

The third quarter turned out to be another difficult one for international developed equity markets. While the quarter opened with a strong bear market rally that lasted into August, sentiment turned after higher than expected inflation readings led to more hawkish positioning by central banks in the US and Europe. The idea that rates may stay higher for longer ignited a resurgence of volatility that led to the third consecutive quarterly loss for developed market equity indices and proved a headwind for growth equity strategies. Against this backdrop, the Hardman Johnston International Equity Developed Markets Composite returned -12.99%, net of fees, in the third quarter, compared to -9.36% for the MSCI EAFE Net Index.

Inflation and higher rates affected several aspects of the global economy. One of the most striking effects was in currency markets. The US dollar hit multi-decade highs against several major currencies such as the Euro, Pound, and Yen. The dollar's strength was due to both faster tightening by the US Federal Reserve than other central banks and the dollar's "safe haven" characteristics amidst heightened global economic and political uncertainty.

A strong US dollar can have mixed effects on stocks. Overseas companies that heavily import from the US or have high US-denominated debt may suffer as their import costs and interest payments become more expensive, whereas exporters to the US may benefit as the strong dollar buys more goods. Two of our holdings, **AstraZeneca**, which is based in the UK, and **Nidec**, which is based in Japan, both benefit from weak domestic currencies as most of their sales come from outside of their domestic markets. **Puma** is another stock whose sales benefit from the strong US Dollar relative to the Euro, as the US has been one of its strongest regions for sales. However, FX effects also increase their cost of goods sold, pressuring gross margins depending on where their manufacturing takes place, which is an offset even for heavy exporters to the US market.

The combination of inflation, rates, and the strong US Dollar have impacted consumer behavior. Lower income cohorts, in particular, are trading down from general merchandise to basic staples, especially in the UK and Eurozone, which have been hit particularly hard by inflation and the current energy crisis. Retailers were caught off guard by these changes in consumer spending behavior, with many noting issues of excess inventory because they did not have the right mix of products on their shelves. Supply chain complications exacerbated these issues by making it difficult to source appropriate inventory. The luxury segment is a rare exception within the retail industry that has not been hurt by macro forces. High-end spending remains strong, particularly in Europe, which was helped by exchange rates as US tourists took advantage of their stronger spending power.

Puma, one of our consumer discretionary holdings, has been affected by the weakness in retail. While the footwear and apparel company has delivered results that have beaten expectations and has taken share from competitors, the stock declined in this environment alongside other footwear companies. Difficult results from key peers Nike and Adidas have cast a shadow over the industry. Despite the industry headwinds, we believe Puma's good results and strong management will be rewarded in the future.

The weakening consumer has also reduced outlook for consumer electronics demand. This has been felt across the semiconductor space. Within the Information Technology sector, **ASML**, **Nordic**

Semiconductor, and **Taiwan Semiconductor** all underperformed based on fears of customers pushing out or canceling orders. Nevertheless, most advanced chips remain in tight supply with multi-year order backlogs, giving us confidence in the earnings potential of our holdings.

These macro forces have pressured international equities, with all sectors and regions within the MSCI EAFE Index posting negative returns. While we are always monitoring macro events and their impacts on our portfolio holdings, we are not top-down investors. Our investment decisions are based on in-depth bottom-up fundamental analysis of individual stocks. Given that, our attribution will often reflect idiosyncratic events rather than perfectly aligning with macro themes. This can be seen within the third quarter's sector and country attribution.

From a sector standpoint, Utilities and Real Estate were our top contributors relative to the benchmark as the strategy benefitted from a lack of exposure to these underperforming sectors. Industrials also contributed to relative performance, primarily due to the outperformance of **Prysmian**. Prysmian is an Italian manufacturer of high voltage specialty cables and connectors to bring offshore wind power to the grid. Prysmian shares outperformed after the company announced a massive earnings beat and guidance raise at its Q2 result in July. Highlights from the result included unexpected strength in its Energy segment due to strong demand from power grid customers spending to fortify the grid, despite record high prices. Elsewhere, execution in the company's Projects segment got back on track after a small hiccup earlier in the year. The execution in Projects is especially important as the company's long-term growth is underpinned by interconnect and offshore projects driven by continued renewables growth.

The top detracting sector in the third quarter was Health Care, primarily driven by **Alkermes** and **Grifols**. Alkermes delivered solid results in the quarter, but the stock struggled as the highly anticipated launch of its anti-psychotic drug, Lybalvi, slightly missed buy-side expectations. Physician feedback on Lybalvi has been extremely positive, and we remain confident in the launch. Despite the tough quarter, Alkermes remains our top contributor year-to-date given its impressive first half 2022 performance. Grifols came under pressure during the quarter due to high levels of leverage from its Biotest acquisition, which raised worries about a dilutive equity raise or divestments of attractive assets to pay down debt. However, management remains committed to lowering net debt/EBITDA to less than 4.0x by the end of 2023 and does not have any significant debt repayments until 2025. Deleveraging is supported by EBITDA improvements as monthly plasma volumes recover to levels higher than pre-pandemic, along with disciplined management of finances.

The Consumer Discretionary sector also detracted. The weakening consumer was a key theme here, as discussed above. Puma was the top detractor within the sector due to the industry headwinds previously described.

From a geographic perspective, Emerging Markets was the top performing region for the quarter. Given the strategy's 5% maximum weight to EM, we would not expect this region to be a top or bottom contributor as often as other regions. However, India was a rare bright spot in a bleak period for global equities. With an economy less focused on commodity production than many Emerging Market peers, India was able to withstand the strong US dollar and drop in commodity prices fairly well. The country also benefitted from a deal with Russia to source oil at below-market prices. **ICICI Bank** is our sole holding within the country and was the portfolio's top performer during the quarter. The bank reported strong results in the third quarter, demonstrating increased market share and excellent control over their non-performing loan book. The relatively strong Indian economy is also allowing them to grow their loan book selectively.

Conversely, Europe was the largest regional detractor during the quarter due to the confluence of factors described above. Alkermes, Puma, and Grifols were all key detractors within the region. These stocks, whose challenged third quarter performance has been discussed above, also happened to be the top detracting holdings from an individual stock standpoint.

Our top contributing holdings during the quarter were ICICI Bank, Prysmian, and Melco Resorts & Entertainment. ICICI Bank and Prysmian's performance is discussed above. **Melco**'s stock had a nice rebound as the stock benefitted from a clearer regulatory environment. New concession requirements were announced by the government, and the terms were not overly onerous on operators who have been stretched after multiple years of pandemic woes. Additionally, COVID restrictions and mandatory quarantine lengths are being shortened in Macau, which is spurring hopes of increased visitation going forward.

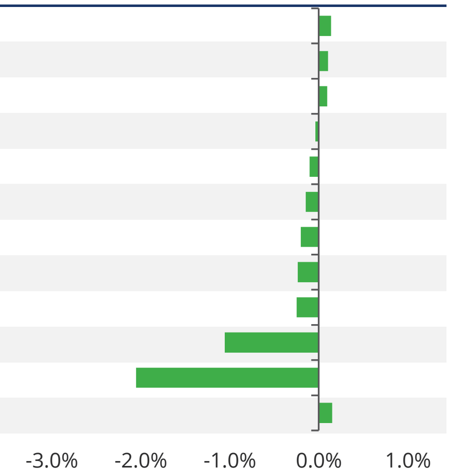
As long-term investors who take a 3-5 year view on our holdings, we tend to have fairly low turnover. We often monitor companies for some time before buying. We believe it is important to be patient in order to find an attractive valuation entry point. During the third quarter, we had no liquidations in the strategy and just one new initiation of a Netherlands-based company, **Adyen**.

Adyen is a payments technology provider with a majority of its business leveraged to online commerce. It is expanding to omnichannel through its Unified Commerce platform, offering merchants and consumers a seamless payments experience for both in-store and online. The company's organically integrated, single stack platform covers the full chain of digital payments transactions, which stands out relative to competitors that have pieced together platforms through acquisitions. This single technology stack platform allows Adyen to rapidly roll out updates and new features across all merchants, channels, and regions. This is a distinct competitive advantage in a very fluid payments landscape. Adyen's unique end-to-end integration also gives the company a compelling data advantage that provides added value for customers through higher authorization and conversion, along with lower fraud rates. This differentiated offering has attracted an impressive slate of strong, rapidly growing customers. Adyen further compounds this growth through continued new customer additions, which, when combined with increased wallet share with existing customers, drives industry leading growth.

Quarterly Attribution

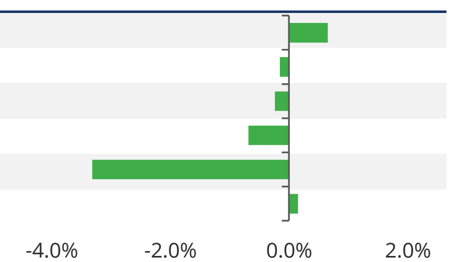
Sector Attribution	Average Weight		Total Return	
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE
Utilities	0.0	3.5	0.0	-13.3
Real Estate	0.0	2.9	0.0	-13.1
Industrials	20.6	15.2	-8.0	-8.3
Materials	0.0	7.4	0.0	-8.9
Financials	8.6	17.5	-11.1	-9.6
Comm. Services	6.6	4.9	-14.8	-13.7
Energy	0.0	4.7	0.0	-5.0
Consumer Staples	0.0	11.0	0.0	-7.1
Info. Technology	15.6	8.1	-9.9	-8.3
Cons. Discretionary	22.2	11.5	-14.3	-9.8
Health Care	24.2	13.4	-18.1	-10.6
Cash	2.2	0.0	0.6	0.0

Total Effect



Regional Attribution	Average Weight		Total Return	
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE
Emerging Markets	4.9	0.0	5.0	0.0
United Kingdom	5.1	15.6	-16.4	-10.8
Pacific ex Japan	12.4	12.9	-10.6	-8.8
Japan	10.1	22.6	-12.3	-7.7
Europe	65.4	48.9	-14.8	-9.8
Cash	2.2	0.0	0.6	0.0

Total Effect



Contributors & Detractors

Third Quarter	Average Weight (%)	Total Effect (%)
Largest Contributors		
ICICI Bank Ltd.	3.15	0.76
Prysmian S.p.A.	4.69	0.58
Melco Resorts & Entertainment Ltd.	1.87	0.48
Largest Detractors		
Alkermes plc	7.07	-1.25
Puma SE	4.33	-0.97
Grifols, S.A.	1.75	-0.96

Last Twelve Months	Average Weight (%)	Total Effect (%)
Largest Contributors		
Novo Nordisk AS	5.20	0.97
ICICI Bank Ltd.	2.80	0.82
AstraZeneca plc	5.49	0.69
Largest Detractors		
Sea Ltd.	3.28	-3.36
Puma SE	4.30	-1.91
OMRON Corp.	4.55	-1.49

Portfolio Activity

Quarterly Initiations	Quarterly Liquidations
Adyen NV	None

Data for the quarter ending September 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.

Market Outlook

The economic outlook has deteriorated over the last few months with a global downturn looking increasingly likely. As always, some regions and countries will fare better than others, but most are facing a combination of international and domestic headwinds, from energy shortages in Europe and ongoing COVID restrictions in China, to the impact of rapidly rising interest rates in the US. Sectors, such as healthcare or communications services, that might have been safe havens have sold off. Yet there are still bright spots and opportunities for investors able to look through a period of near-term volatility to the secular changes influencing the big picture to come.

The pace and extent of interest rate rises will remain one of the most important issues for markets. The Federal Reserve, along with many developed and emerging markets central banks, is sounding more hawkish, as it puts its focus firmly on fighting inflation. The pace of tightening will persist and even accelerate in regions that have been behind the curve, notably in Europe. A major impact of the step change in tightening is US Dollar strength. This will remain a headwind for US multinationals, many of which are forecasting sizable forex hits to earnings, while providing a boost to international businesses trading in Dollars. At a macro level, the strong Dollar will lead to rising energy and food prices and imported inflation in many economies, which can lead to greater civil unrest.

Europe is facing challenges on multiple fronts. The European Central Bank is tightening into a weakening economy to rein in stubbornly high inflation. In the event of a harsh winter, many countries face the real risk of energy shortages and rationing which would further weigh on GDP growth. The crisis will ultimately accelerate the energy transition, but there will be disruption in the short term.

In addition to the headwinds affecting Europe, the UK is suffering from decisions of its own making. The fiscal measures implemented under new Prime Minister Liz Truss created intense market volatility. Uncertainty and fragile investor confidence are likely to keep the Pound under significant pressure, in turn exacerbating inflation the government is trying to address.

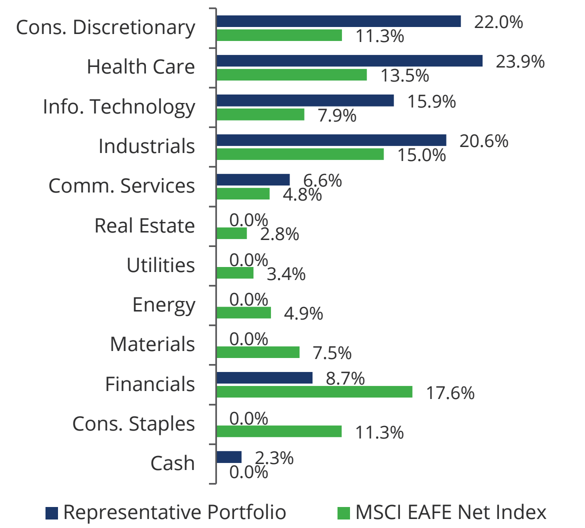
In contrast to the global shift to higher interest rates, the Bank of Japan remains committed to ultra-loose monetary policy to support businesses in the face of relatively moderate inflation. The resultant weakening of the Yen prompted a record $20 billion spend in currency markets, with further interventions possible. The market has been one of the stronger relative performers in the third quarter, with exporters benefiting from favorable exchange rates, although at risk of seeing more softness in demand.

Japan is not the only major economy bucking the tightening trend with China continuing to provide stimulus. While Beijing's zero-COVID policy is increasingly out of step with the rest of the world, the approval of a domestic mRNA vaccine should help the country put the pandemic behind it. With a post-COVID bounce to come, China has the potential to see GDP accelerate once more, which could be positive for the global economy. Chinese stocks have sold off sharply year-to-date, however, our holdings look attractively valued and well positioned for growth.

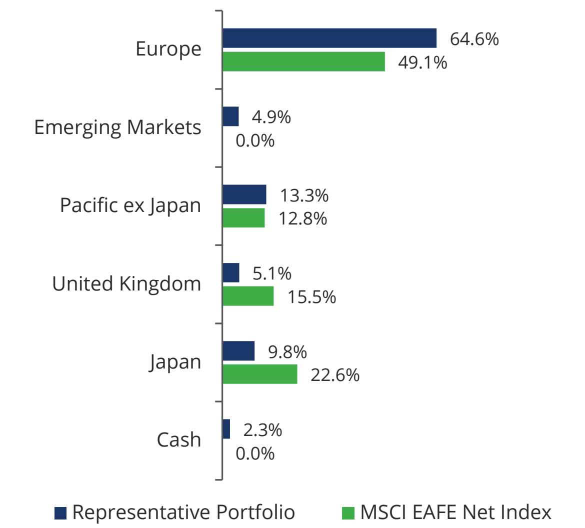
Weakness in equity markets more broadly has compressed valuations. Earnings estimates were cut during the third quarter and are likely to be reduced further as the global economy slows. Some stocks may not be as reasonably valued as they might appear. Still, we are comfortable in our approach and the risk-reward profile of our portfolio. We also continue to research new opportunities, using our bottom-up analysis to identify attractively valued companies with secular growth drivers that can deliver outperformance over a three-to-five-year timeframe.

Exposures & Characteristics

Exposure by Sector



Exposure by Region



Portfolio Characteristics	Representative Portfolio		MSCI EAFE Net Index	
	3Q 2022	5 Year Average	3Q 2022	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	72.4	79.9	66.6	69.0
Median Market Cap ($B)	35.8	47.1	10.4	11.7
Growth Fundamentals				
EPS Growth: 3 to 5 Year Forecast (%)[1]	17.0	16.2	8.7	9.5
Revenue Growth: 3 to 5 Year Forecast (%)[1]	9.8	9.1	3.0	4.3
Value Fundamentals				
P/E Ratio: 12 Months - Forward[1]	19.4	24.7	14.7	17.9
P/E Ratio: 12 Months - Trailing[1]	23.1	30.0	16.4	20.1
PEG Ratio: 12 Months - Forward[1]	1.5	1.8	1.7	2.0
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	14.5	13.3	13.9	12.6
Return on Invested Capital: 5 Year (%)[1]	9.8	9.5	9.7	8.7
Long-Term Debt / Equity (%)	56.4	51.3	65.5	70.1
Other				
Number of Positions	26	23	799	886
Beta: 3 year portfolio[2]	0.9	0.9	1.0	1.0
Turnover: 12 Months - Trailing (%)[3]	16.1	28.1	--	--

[1]Interquartile weighted mean, [2]MPT beta (daily). [3]Based on aggregate purchases and sales over prior 12 months. Data as of September 30, 2022. **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	4.9	Diversified Telecommunication Services	Apr. 2022
Sea Ltd.	Singapore	1.7	Entertainment	Jan. 2020
Consumer Discretionary				
Aptiv plc	United Kingdom	4.3	Auto Components	Oct. 2020
LVMH	France	4.8	Textiles, Apparel & Luxury Goods	Nov. 2016
Meituan	China	1.3	Internet & Direct Marketing Retail	Oct. 2021
Melco Resorts & Entertainment Ltd.	Hong Kong	2.6	Hotels, Restaurants & Leisure	Oct. 2017
Prosus NV	Netherlands	5.4	Internet & Direct Marketing Retail	Oct. 2021
Puma SE	Germany	3.6	Textiles, Apparel & Luxury Goods	May 2020
Financials				
AIA Group Ltd.	Hong Kong	5.3	Insurance	Mar. 2014
ICICI Bank Ltd.	India	3.3	Banks	Aug. 2018
Health Care				
Alkermes plc	Ireland	6.9	Biotechnology	Dec. 2020
AstraZeneca plc	United Kingdom	5.1	Pharmaceuticals	Oct. 2017
Genmab AS	Denmark	5.5	Biotechnology	May 2020
Grifols, S.A.	Spain	1.3	Biotechnology	Apr. 2022
Novo Nordisk AS	Denmark	5.1	Pharmaceuticals	Apr. 2020
Industrials				
Airbus SE	France	4.7	Aerospace & Defense	Aug. 2018
Daifuku Co., Ltd.	Japan	2.8	Machinery	Feb. 2020
Nidec Corp.	Japan	3.1	Electrical Equipment	Nov. 2015
Prysmian S.p.A.	Italy	5.1	Electrical Equipment	Sep. 2016
Safran S.A.	France	5.1	Aerospace & Defense	Jun. 2017
Information Technology				
Adyen NV	Netherlands	2.3	IT Services	Jul. 2022
ASML Holding N.V.	Netherlands	4.0	Semiconductors & Semiconductor Equipment	Jan. 2014
Atlassian Corp.	Australia	3.7	Software	Jun. 2020
Nordic Semiconductor ASA	Norway	1.7	Semiconductors & Semiconductor Equipment	Jun. 2021
OMRON Corp.	Japan	4.0	Electronic Equipment, Instruments & Components	Dec. 2020
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	0.3	Semiconductors & Semiconductor Equipment	Jan. 2021
Cash & Equivalents				
Cash		2.3		

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