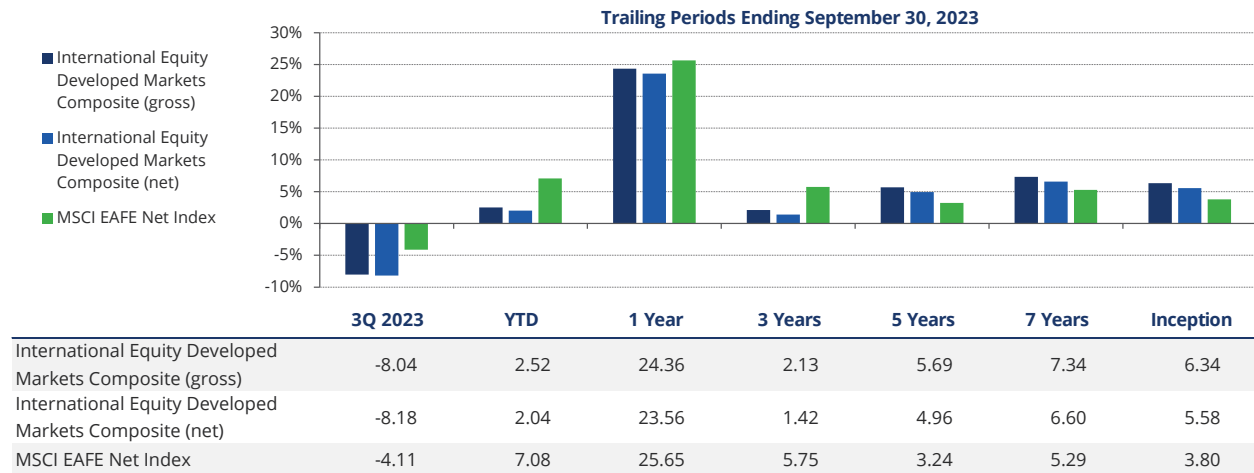

Hardman Johnston International Equity Developed Markets

2023 Third Quarter Report



Performance



Performance is through September 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

- Markets faced a mix of both concerning and encouraging events during the third quarter
- Within the strategy, Energy and Information Technology were the top sector contributors, while Financials and Consumer Discretionary were the top detractors
- The United Kingdom was the top contributing region, while Japan was the top detractor
- The Hardman Johnston International Equity Developed Markets Strategy underperformed the MSCI EAFE Net Index during the quarter

Portfolio Commentary

In the third quarter, markets experienced a mixed bag of events causing both concern and optimism among investors. Developments such as the Fitch downgrade of the US government debt rating, the UAW strike on car companies, and the spike in oil prices due to OPEC+ production cuts caused jitters across equities. However, in the ongoing debate about a soft or hard economic landing, investors generally expressed an optimistic view on avoiding a hard recession. This fueled bond yields in the US and Europe to rise to the highest levels within this cycle. Japanese bond yields ticked upward as well with the government's move to a flexible yield curve control policy, albeit less drastically than in other developed markets. In the Emerging Markets, weakness in the Chinese economy prompted the government to take further stimulative measures to prop up key business sectors.

These macro headlines do not provide a clear explanation for the portfolio's relative performance for the past quarter. As will often be the case due to our concentrated, bottom-up process, the portfolio's quarterly attribution is a function of stock-specific developments that affected our holdings. Overall, the Hardman Johnston International Equity Developed Markets Composite returned -8.18%, net of fees, in the quarter, compared to the MSCI EAFE Net Index return of -4.11%.

The portfolio's top sector contributors for the quarter were Energy and Information Technology. Within Energy, TechnipFMC, was the main driver of outperformance. TechnipFMC shares surged on the back of a strong rebound in oil prices given resilient demand amidst production cuts from OPEC and Russia and new contract wins. During the quarter, the oilfield services company's CEO outlined a positive long-term order outlook, largely from national oil companies committing to multi-year investment programs given past underinvestment. He also highlighted TechnipFMC's opportunity to leverage a stronger top-line to surpass prior margin peaks.

Atlassian was one of the best performing software companies in the third quarter and was the top contributor within Information Technology. The collaborative software company posted robust results, beating expectations for Cloud revenue growth and substantially surpassing margin targets, with management indicating that prior macro headwinds are abating.

The top sector detractors during the quarter were Financials and Consumer Discretionary. Within Financials, the largest detracting stock was the ecommerce platform, Adyen NV. Shares of Adyen corrected sharply following its first half earnings report that showed evidence of growing competition in North America digital payments, leading to a meaningful disappointment on revenue growth compared to expectations. The company compounded this issue by hiring aggressively and guiding towards continued operating expense growth, which puts downward pressure on margins. We believe that Adyen remains a best-in-class provider of digital payments for ecommerce, and its opportunity to penetrate the larger in-store payments landscape is robust. However, near-term macro pressures, combined with continued investment in its employee base, are likely to challenge performance over the next 12-18 months. As a result, we decided to liquidate the position.

Part of Consumer Discretionary's detraction was related to our overweight exposure to the sector. Additionally, within the sector, we were not exposed to some of the higher performing industry sub-groups, such as Japanese automobiles. From a stock selection standpoint, Prosus was the top

detracting stock due to an abrupt change of the company's CEO. While the change came as a surprise, the interim CEO, Ervin Tu, is capable and focused on financial returns. Mr. Tu is currently Prosus' Chief Investment Officer and was integral in the company's recent efforts to realize shareholder value, including its open-ended share buyback program. We believe the new management will continue to accrue shareholder value and improve profitability at the company.

From a regional perspective, the top contributor was the United Kingdom, primarily due to TechnipFMC plc. The top detractor was Europe, with Adyen being the worst performer within the region.

The top individual contributors to relative performance were TechnipFMC plc, Atlassian Corp., and Novo Nordisk. Novo Nordisk, the maker of the popular diabetes and weight loss drugs, Ozempic and Wegovy, had a strong quarter due to a trial that showed significant cardiovascular benefits to using their drugs. Expanding the use case beyond just weight loss to other health benefits should lead to more rapid uptake and reimbursement of Wegovy. Sales of both drugs are currently constrained as demand outstrips supply, but the company is ramping up manufacturing capacity into 2024 to help meet demand.

The top individual detractors from relative performance were Adyen NV, IHI Corp., and Sea Ltd. Shares of IHI underperformed after its partner, Raytheon, announced an unexpected quality issue with powder metal components used in the next generation GTF engine. Although IHI did not produce any of the faulty parts, as a revenue and risk-sharing partner of the international engine consortium which makes the GTF engine, IHI will shoulder some of the burden to help remedy the issue. The largest component of the GTF issues will be downtime compensation to airlines. Based upon our numerous expert calls regarding the issue, we believe there are no wider design flaws, and GTF will remain the second largest engine platform in the narrowbody market, well-poised to benefit from the secular trends of commercial aerospace.

Over the past year, the ecommerce, gaming, and fintech company, Sea, dramatically cut costs to achieve profitability in the fourth quarter of 2022. However, management recently signaled an abrupt strategy change, moving back to prioritizing growth investments and backtracking on targeting profitable growth. Along with an earnings miss, the abrupt shift in management's priorities and a lack of visibility in strategic and financial trends has undermined our confidence, and that of investors, in the company's prospects. Consequently, we liquidated the stock during the quarter.

During the quarter, we initiated new positions in four stocks and liquidated three positions as well. We initiated new positions in Standard Chartered PLC, T&D Holdings, Inc., Dai-ichi Life Holdings, Inc., and Gaztransport & Technigaz SA ("GTT"). Standard Chartered is a unique bank franchise headquartered in the UK and leveraged to emerging economies in Asia, Africa, and the Middle East. The bank has a global footprint and caters to companies doing business internationally by facilitating cash management across geographies. In addition, the bank has a strong wealth management business in emerging economies that are advantaged by young and upwardly mobile demographics. The company's management has achieved a steady improvement in non-performing loans and write-

offs, with room for continued progress. This paves a path for strong EPS growth and multiple expansion from the stock's current cheap valuation.

T&D Holdings and Dai-ichi Life Holdings are leading life insurers in Japan. After years of unconventional monetary policy from the BOJ, a shift away from yield curve control towards rate normalization looks to be on the horizon. Both companies' embedded values show a strong positive correlation to higher interest rates given their asset and liability duration mismatches. The BOJ is likely to pursue a gradual path to normalization, resulting in a multi-year framework leading to higher rates and double-digit EPS growth. Furthermore, both companies have been proactive in shareholder returns, boosting their payout ratios and engaging in significant share buybacks.

GTT is a monopolistic provider of cryogenic membrane containment systems for liquefied natural gas ("LNG") carriers and tanks. The company's membrane designs are the undisputed industry standard which optimizes safety while minimizing "boil off" losses of expensive LNG cargo during transport. Shipowners demand GTT's designs, while shipyards are configured to build LNG carriers using GTT's products, insulating the company's competitive positioning. GTT operates an asset-light model, with earnings derived from royalties resulting in sustainable 90% gross profit margins. Before the Ukraine conflict, LNG was already poised for structural growth due to its greener credentials over traditional fossil fuels. Now that Russia's gas flows into Europe have been curtailed, LNG should grow even faster. Furthermore, given longer distances from gas-producing regions to demand centers, LNG carriers should experience visible multi-year growth, creating further demand for GTT's membranes.

We liquidated our positions in Sea Ltd., Kering S.A., and Adyen. Sea and Adyen were liquidated for the reasons described above. We had initially bought into Kering believing the stock provided a favorable risk-reward profile, with a number of their brands performing strongly and a new Gucci brand designer highlighting a path to return to growth. However, the company's most recent earnings results showed sales growth in all brands slowing to low single digits. Additionally, Kering had a number of management changes and made some acquisitions that we felt were overvalued and were a questionable strategic fit. Furthermore, the debut of the new Gucci designer line-up may take time to gain traction. Given these dynamics, we chose to exit the partial position.

Quarterly Attribution

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
Energy	6.7	4.5	20.5	11.6	
Info. Technology	7.8	8.0	-6.9	-10.7	
Consumer Staples	0.0	10.0	0.0	-7.1	
Utilities	0.0	3.4	0.0	-8.8	
Health Care	23.4	13.2	-2.9	-3.1	
Real Estate	0.0	2.3	0.0	-1.1	
Materials	0.0	7.5	0.0	-3.2	
Comm. Services	6.0	4.1	-12.4	-3.4	
Industrials	23.6	16.1	-8.3	-6.0	
Cons. Discretionary	17.3	12.4	-14.1	-8.3	
Financials	9.6	18.6	-24.2	0.8	
Cash	5.7	0.0	1.3	0.0	

Regional Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
United Kingdom	11.5	14.7	7.5	-1.6	
North America	2.5	0.0	20.1	0.0	
Emerging Markets	4.8	0.0	-0.8	0.0	
Japan	6.8	22.7	-17.0	-1.6	
Pacific ex Japan	7.2	11.3	-25.4	-4.8	
Europe	61.5	51.2	-9.9	-5.8	
Cash	5.7	0.0	1.3	0.0	

Contributors & Detractors

Third Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
Largest Contributors			Largest Contributors		
TechnipFMC plc	5.34	1.29	TechnipFMC plc	4.13	3.16
Atlassian Corp.	2.50	0.52	Safran S.A.	5.37	2.11
Novo Nordisk AS	4.73	0.41	Novo Nordisk AS	5.15	1.81
Largest Detractors			Largest Detractors		
Adyen NV	2.11	-1.60	Adyen NV	2.25	-2.02
IHI Corp.	4.14	-0.79	IHI Corp.	3.37	-1.93
Sea Ltd.	1.00	-0.54	Sea Ltd.	1.57	-1.42

Portfolio Activity

Quarterly Initiations

Standard Chartered PLC
T&D Holdings, Inc.
Dai-ichi Life Holdings, Inc.
Gaztransport & Technigaz SA

Quarterly Liquidations

Sea Ltd.
Kering S.A.
Adyen NV

Data for the quarter ending September 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

Markets appear to have caught up with the tone emanating from central banks. In most countries, monetary policymakers are winning the battle against inflation, meaning that interest rates are at, or very close to, their expected peak. However, the Federal Reserve's message of "higher for longer" has dampened sentiment that had held up remarkably well through the first half of the year.

Although shares have traded off, particularly for longer duration stocks, it is likely that there will be increased volatility as the implications of a new interest rate paradigm play out. Inflation is down, not out, so how long rates remain elevated is uncertain. Economic analysts continue to oscillate between expectations of a "soft landing" and a recession. With the economy on a knife's edge, few can deny that monetary policy error is a sizable risk. As Fed Chair Jerome Powell said in his Jackson Hole speech, "As is often the case, we are navigating by the stars under cloudy skies."

We may not be in the same boat, but we are looking for the same points of light. To a certain degree, discussions around technical recession are academic. We expect the US and major developed markets to experience a slowdown, and something that certainly feels like recession. The data shows that Europe is already well on its way there. Having emerged from a shallow recession in the second quarter, Germany's Bundesbank is indicating that GDP was negative again in the third quarter, while the broader Eurozone is also on the cusp of a downturn.

Higher interest rates will make it more expensive for companies to fund investment and many will become more conservative about spending. With little let up in margin pressure, businesses will be less likely to hold onto low-productivity workers, which could result in higher unemployment. Public sentiment has clearly weakened with more consumers expecting recession, according to The Conference Board's consumer confidence index. Credit card and auto loan delinquency is on the rise, while higher-income workers that saved through COVID may have exhausted reserves and appetite to spend. Add volatile oil prices into the mix, up more than 25% over the period, but down sharply since quarter end, and there are many places to look for the next shoe to drop. Analysts are forecasting a 12.2% year-over-year increase in S&P 500 earnings in 2024 which, in light of the growing pressures, appears optimistic.

The macro outlook may sound gloomy, but volatile markets create opportunities for active investors. There are a growing number of solid businesses with double-digit earnings growth that are trading at single-digit multiples. Our role is not only to identify companies with strong fundamentals and long-term growth prospects, but also to determine attractive entry points that can make a meaningful difference to performance and returns.

It is also important to remember that not all markets are in same the place. While some may be disappointed that China is not deploying expansive stimulus to fire up its recovery, the country's targeted measures are nonetheless out of sync with much of the rest of the world. There is positive momentum in manufacturing and the consumer is recovering steadily, yet China is also on a somewhat different path now with a focus on higher-quality growth and greater self-sufficiency.

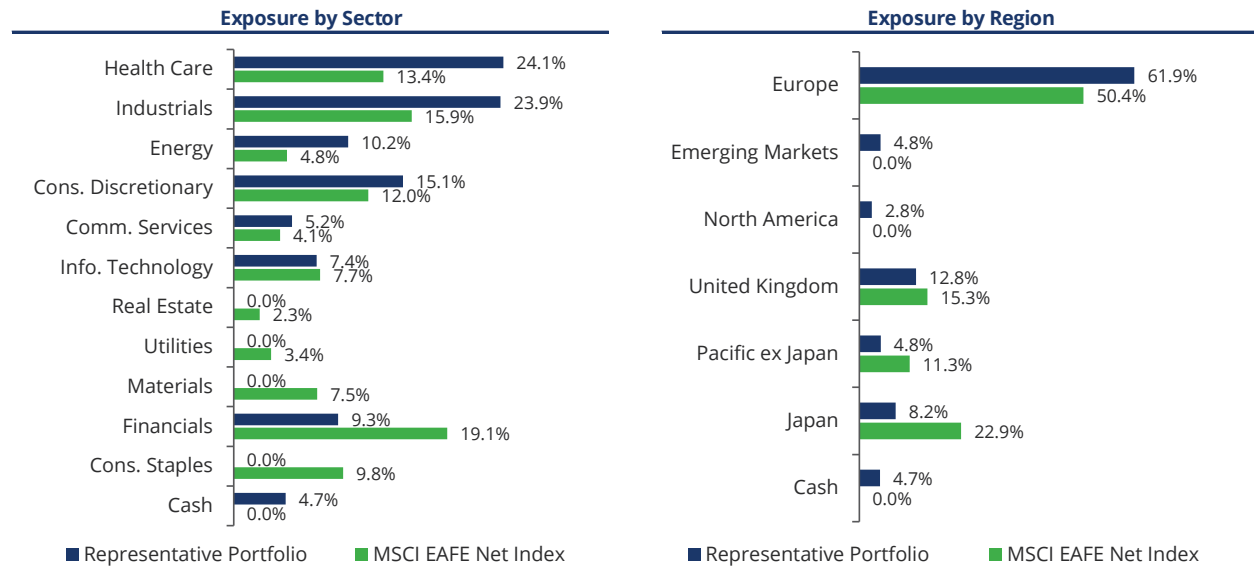
Diplomatic relations with the US remain uncomfortable and cast another cloud over the market. However, there are bright spots where companies can break through. Chinese stocks are trading at

around 10x earnings, marking one of the widest discounts to the US in the last 20 years. There are undoubted challenges and potential risks, but we see good medium-term prospects and find it hard to argue against the positive risk-reward skew of many stocks with solid fundamentals.

China is not the only country charting a different course. Japan stands out in 2023 for its policy stance and market performance. In the face of rising inflation, the Bank of Japan has maintained negative interest rates, although recent adjustments to yield curve control measures may signal an end to ultra-accommodative policy, perhaps as early as next year. Dollar strength and further softness in the yen may accelerate its move. As an outward-looking economy, Japan's export-oriented companies face increased pressure in a slowing global economy, even if the yen can continue to be a tailwind. However, there are opportunities, including domestically focused spaces such as insurance, which should benefit from the rise in global bond yields and hence returns.

The bigger story around bond yields is not one that investors can easily ignore. After 15 years of ultra-low rates, the days of TINA, "there is no alternative," may be over. Yet equities cannot be written off. Growth will be highly sought after in a weakening economic environment. Near-term earnings might be challenging, but we are optimistic about the outlook for our holdings over the coming three-to-five years, as well as the opportunity to research and identify new additions to our portfolio.

Exposures & Characteristics



	Representative Portfolio		MSCI EAFE Net Index	
	3Q 2023	5 Year Average	3Q 2023	5 Year Average
Capitalization				
Weighted Average Market Cap (\$B)	85.8	84.3	82.8	73.2
Median Market Cap (\$B)	29.6	46.4	12.3	11.9
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%) ¹	17.7	17.2	8.0	9.3
Revenue Growth: 3 to 5 year forecast (%) ¹	12.1	9.9	3.5	4.3
Value Fundamentals				
P/E Ratio: 12 Months - forward ¹	18.6	24.6	16.1	17.9
P/E Ratio: 12 Months - trailing ¹	25.7	30.5	17.4	20.1
PEG Ratio: forward ¹	1.0	1.7	1.5	2.0
Dividend Yield (%) ²	1.2	1.1	3.2	3.1
Price/Book ³	2.9	4.1	1.7	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%) ¹	9.9	13.6	13.8	13.2
Return on Invested Capital: 5 Year (%) ¹	6.2	9.4	9.4	9.3
Long-Term Debt / Equity (%)	67.4	53.6	67.4	71.0
Other				
Number of Positions	30	25	795	860
Beta: 3 year portfolio ⁴	0.9	1.0	1.0	1.0
Tracking Error: 5 Year Trailing (%)	8.0	--	--	--
Turnover: 12 Months - Trailing (%)	33.3	30.2	--	--

¹Interquartile weighted mean, ²MPT beta (daily). ³Based on aggregate purchases and sales over prior 12 months. Data as of September 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	5.2	Diversified Telecommunication Services	Apr. 2022
Consumer Discretionary				
Alibaba Group Holding Ltd.	China	0.6	Broadline Retail	Mar. 2023
Aptiv plc	Ireland	2.6	Auto Components	Oct. 2020
LVMH	France	3.6	Textiles, Apparel & Luxury Goods	Nov. 2016
Meituan	China	0.7	Hotels, Restaurants & Leisure	Oct. 2021
Melco Resorts & Entertainment Ltd.	Hong Kong	2.4	Hotels, Restaurants & Leisure	Oct. 2017
MercadoLibre, Inc.	Brazil	0.5	Broadline Retail	Jan. 2023
Prosus NV	Netherlands	4.7	Broadline Retail	Oct. 2021
Energy				
Gaztransport & Technigaz SA	France	5.1	Oil, Gas & Consumable Fuels	Sep. 2023
TechnipFMC plc	United Kingdom	5.1	Energy Equipment & Services	Nov. 2022
Financials				
AIA Group Ltd.	Hong Kong	2.4	Insurance	Mar. 2014
Dai-ichi Life Holdings, Inc.	Japan	0.7	Insurance	Sep. 2023
ICICI Bank Ltd.	India	2.7	Banks	Aug. 2018
Standard Chartered PLC	United Kingdom	2.6	Banks	Aug. 2023
T&D Holdings, Inc.	Japan	1.0	Insurance	Sep. 2023
Health Care				
Alkermes plc	Ireland	6.2	Biotechnology	Dec. 2020
AstraZeneca plc	United Kingdom	5.1	Pharmaceuticals	Oct. 2017
Genmab AS	Denmark	4.8	Biotechnology	May 2020
Grifols, S.A.	Spain	2.8	Biotechnology	Apr. 2022
Novo Nordisk AS	Denmark	5.2	Pharmaceuticals	Apr. 2020
Industrials				
Airbus SE	France	5.1	Aerospace & Defense	Aug. 2018
Daifuku Co., Ltd.	Japan	2.7	Machinery	Feb. 2020
IHI Corp.	Japan	3.8	Machinery	Dec. 2022
Prysmian S.p.A.	Italy	1.9	Electrical Equipment	Sep. 2016
Rheinmetall AG	Germany	4.7	Aerospace & Defense	Feb. 2023
Safran S.A.	France	5.7	Aerospace & Defense	Jun. 2017
Information Technology				
ASML Holding N.V.	Netherlands	2.3	Semiconductors & Semiconductor Equipment	Jan. 2014
Atlassian Corp.	United States	2.8	Software	Jun. 2020
Nordic Semiconductor ASA	Norway	1.9	Semiconductors & Semiconductor Equipment	Jun. 2021
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	0.3	Semiconductors & Semiconductor Equipment	Jan. 2021
Cash & Equivalents				
Cash		4.7		

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