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# Hardman Johnston

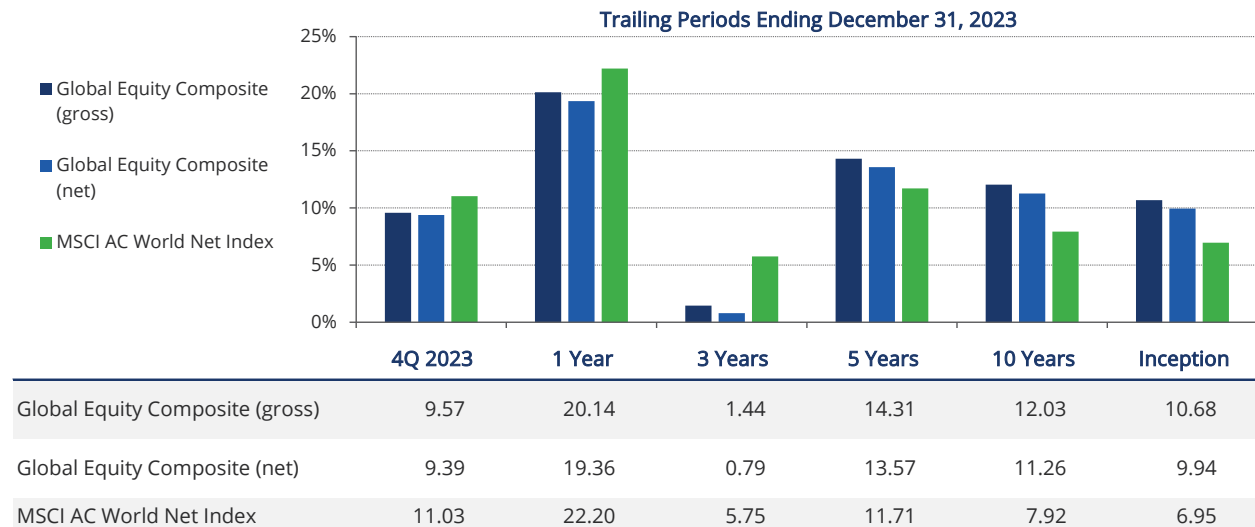
## Global Equity

### 2023 Fourth Quarter Report

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## Performance



Performance is through December 31, 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). Effective April 1, 2015, the Company changed the primary benchmark for its Global Equity strategy to the MSCI All Country World Net Index ("ACWI"). The inception date of the composite is December 31, 2005.

## Key Takeaways

- The fourth quarter's performance was challenged, in large part by consumer-oriented stocks with exposure to China
- Within the strategy, Industrials and Consumer Staples were the top active sector contributors, while Consumer Discretionary and Financials were the top detractors
- North America was the top contributing region, while the Emerging Markets was the top detractor
- The Hardman Johnston Global Equity Strategy underperformed the MSCI ACWI Index during the quarter

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## Portfolio Commentary

While the Global Equity strategy performed positively during the fourth quarter, the strategy struggled to keep up with benchmark indices during that period. At a high level, much of this underperformance was due to select consumer-oriented and health care holdings with large economic exposure to China, given the challenging economic environment and geopolitical tensions in the country. This led to quarterly returns for the Hardman Johnston Global Equity Composite of 9.39%, net of fees, in the quarter, compared to the MSCI ACWI Index return of 11.03% and the MSCI World Index return of 11.42%.

Delving deeper into attribution, the portfolio's top sector contributors for the quarter were Industrials and Consumer Staples. Within Industrials, Vertiv Holdings Co. was the best performing stock. Vertiv's data center infrastructure has been in high demand with the explosion of artificial intelligence, given the more demanding requirements for electrical and thermal systems needed for those programs. This, along with an upside surprise on operating margin targets, has propelled Vertiv to being one of the strongest stocks across the strategy for both the quarter and full year. The beauty company, Coty Inc., also had a strong quarter, contributing to the outperformance of the Consumer Staples sector. The company reported strong sales growth across divisions, reduced its debt levels, and expanded operating margins.

The top sector detractors during the quarter were Consumer Discretionary and Financials. Much of our exposure within Consumer Discretionary was to stocks in the Broadline Retail and Hotel, Restaurants, and Leisure industries, which performed poorly and contributed to underperformance. Additionally, several of these holdings are either domiciled in China or had significant economic exposure to the country. We were hopeful that targeted stimulus would gradually unlock consumer spending in China, but consumers have remained cautious and intensely focused on value-oriented goods which negatively impacted our holdings. Additionally, geopolitical issues between China and the West that had seemed to be lessening have lingered and continued to pressure stocks. These issues led to a material detractor within the sector.

Within Financials, Standard Chartered plc underperformed after an earnings miss largely due to higher provisions for bad loans in the Chinese real estate sector. Despite this, the bank runs a well-diversified business across growing Emerging Market economies and has seen strong revenue growth from its Wealth Management unit. The stock is currently trading at a very attractive valuation for the level of growth it can provide going forward.

From a regional perspective, North America was the top contributor in the fourth quarter, with Vertiv being the largest contributor to outperformance. Emerging Markets was the largest regional detractor during the quarter. Most of this underperformance came from China for the reasons described above.

The top individual contributors to relative performance were Vertiv Holdings Co., MercadoLibre, Inc., and Universal Display Corp. MercadoLibre is Latin America's leading ecommerce platform. The company posted exceptional earnings results during the quarter with both its commerce and fintech platforms demonstrating leadership. The company also indicated continued strength into the coming quarter. Universal Display is poised to see revenue growth in 2024 as tablets adopt a tandem structure

for OLED materials, driving higher Universal Display materials content. Additionally, Universal Display's proprietary Blue phosphorescent material is likely to drive substantial material content gains in the coming years.

The top individual detractors from relative performance were Meituan, WuXi Biologics Inc., and Schlumberger NV. Meituan's shares were weak due to a lowered outlook. Their food delivery business seemed immune to broader economic pressures in China, but now some effects of consumer trade-down are creeping into moderating order growth. Additionally, management has been increasing investment in its in-store marketing segment to defend its leadership position, which will affect profit margins for the next few quarters.

WuXi Biologics is a top global player in biologic contract development and manufacturing. WuXi had been a beneficiary of increased biologic drug demand in China and globally, especially from COVID projects. In its recent earnings report, the company cut guidance more than anticipated due to lower revenue from commercial projects and a slower recovery in biotechnology funding than expected. Additionally, management credibility was damaged due to poor communication with investors, in part due to the timing of a recent spinoff. With these factors in mind, we exited the stock during the quarter.

Schlumberger underperformed on the pullback in crude oil prices due to softer macro conditions and worries over greater supply in the fourth quarter. Despite this weakness, SLB continued to gain new business and capitalize on robust international and offshore spending trends that play to the company's strength. Advanced technology and an unmatched data library are improving clients' ability to find oil and efficiently bring to the surface. We expect improving international and offshore spending trends will be reflected in an improving stock price.

During the quarter, we initiated a new position in Novo Nordisk A/S. Novo Nordisk is a pharmaceutical company that is the leading player in diabetes and obesity. Its drugs, Ozempic and Wegovy, have been transformative in the field of weight loss and are showing many additional ancillary benefits such as cardiovascular risk reduction. These drugs have enormous addressable markets with a lot of room for increased penetration. Key clinical trials are also demonstrating the benefits of these drugs beyond weight loss, incentivizing insurers to pay for the drugs to make them more accessible to a broader consumer base.

We liquidated the Japanese automation equipment maker, Keyence Corp., along with two Chinese holdings during the quarter, Alibaba Group Holding Ltd., and WuXi Biologics Inc. These liquidations, along with other trading activity during the quarter, materially brought down our exposure to China by the end of the fourth quarter. We also received a small position in Mural Oncology during the quarter as a spinoff from Alkermes. We liquidated this position shortly after receiving it.

Keyence is the world's leading supplier of sensors and vision solutions for factory automation. While we continue to find their business to be attractive, current valuations were deemed too high to maintain our position, so we reallocated capital into other areas of the portfolio.

Alibaba is a Chinese internet company with business units ranging from ecommerce to cloud computing, payments, and marketing services. The company had planned to divide its business into



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distinct units to IPO, which we had believed would unlock meaningful shareholder value. During the quarter, Alibaba pulled plans for IPOs of its largest two business units. The company also faces increased competitive pressure in the ecommerce space within China. For these reasons, we decided to liquidate the position.

## Quarterly Attribution

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	ACWI	Rep. Portfolio	ACWI	
Industrials	10.3	10.4	20.4	13.2	0.7%
Consumer Staples	3.1	6.9	13.2	5.4	0.7%
Info. Technology	21.1	22.6	19.0	17.6	0.4%
Comm. Services	8.3	7.5	10.9	9.3	0.1%
Utilities	0.0	2.6	0.0	10.8	0.0%
Energy	5.5	4.9	-4.0	-2.9	-0.1%
Health Care	24.5	11.5	8.2	5.9	0.1%
Real Estate	0.0	2.3	0.0	15.8	0.0%
Materials	2.1	4.4	-6.0	11.7	-0.4%
Financials	5.5	15.7	4.0	12.5	-0.5%
Cons. Discretionary	16.9	11.1	3.1	9.8	-1.0%
Cash	2.9	0.0	0.8	0.0	-0.2%

Regional Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	ACWI	Rep. Portfolio	ACWI	
North America	68.2	65.1	13.6	11.8	1.8%
Japan	0.1	5.4	0.2	8.2	0.1%
Europe	13.2	12.5	11.5	12.2	0.1%
Pacific ex Japan	1.3	2.7	-10.3	11.3	0.2%
United Kingdom	4.9	3.6	-2.2	6.9	0.3%
Emerging Markets	9.5	10.6	-8.1	8.0	-1.1%
Cash	2.9	0.0	0.8	0.0	0.1%

## Contributors & Detractors

Fourth Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
<b>Largest Contributors</b>			<b>Largest Contributors</b>		
Vertiv Holdings Co.	3.90	0.63	Vertiv Holdings Co.	3.60	5.22
MercadoLibre, Inc.	4.36	0.51	NVIDIA Corp.	3.13	1.65
Universal Display Corp.	4.13	0.45	Universal Display Corp.	3.10	1.40
<b>Largest Detractors</b>			<b>Largest Detractors</b>		
Meituan	2.37	-1.02	Meituan	2.98	-3.11
WuXi Biologics Inc.	1.58	-0.89	WuXi Biologics Inc.	2.02	-1.97
Schlumberger NV	1.82	-0.40	JD.com, Inc.	1.01	-1.82

## Portfolio Activity

### Quarterly Initiations

Novo Nordisk A/S

### Quarterly Liquidations

Keyence Corp.  
Alibaba Group Holding Ltd.  
WuXi Biologics Inc.  
Mural Oncology plc

Data for the quarter ending December 31, 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 Global Equity 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

A strong end to 2023 might raise hopes of an ongoing recovery and buoyant markets in 2024, but there's still much uncertainty ahead and plenty of reason to remain cautious. We are optimistic about the trajectories for inflation and interest rates, and positive about the potential for many markets and companies. We recognize though that there may be volatility in the short term.

Following the fall in inflation and the marked change in tone from the Federal Reserve in December, markets turned bullish on the prospect of interest rate cuts in 2024. While this appears entirely possible, the timing and extent of any loosening is uncertain. Further, the lagged effect of monetary policy means that it will still take time for last year's rate hikes to work through the system. Many investors appear to have become enamored with the prospect of an economic soft landing, however, the slowdown may have further to run.

Against a backdrop of economic uncertainty, company earnings are likely to weaken, putting employment under increased pressure. Businesses have been warehousing staff since COVID, but as pricing power fades and margins fall, keeping staff will be less feasible. If there is to be recession in the US, rather than a soft(ish) landing, a cooling labor market is likely to be the driving factor. There are already signs in Europe of a cycle of weaker company earnings, and an uptick in unemployment. Additionally, there has been deteriorating GDP performance, most notably in the continent's largest economy Germany, even if the broader EU bloc has held up better than many expected.

In the shift to looser policy, Japan will remain something of an outlier. With interest rates expected to turn across many markets, Japan has signaled the potential end of negative interest rates in 2024, in turn leading to a sharp appreciation in the yen. While there are fears that a stronger currency will weigh on exports, a return to more conventional policy is welcome, as is the push to make the stock market more investible for domestic and international investors alike.

Contrary to other markets globally, China remains weak and has been a drag on the benchmark and our portfolio. Consumers remain cautious following the country's rapid pivot away from its zero-COVID policy a year ago, while the fallout of the country's real estate crisis still weighs on confidence.

The forward-looking geopolitical situation is volatile and uncertain. Tensions between the US and China refuse to fade, while new fronts have opened in the Middle East and Venezuela, adding to ongoing conflict in Ukraine. People, economies, and markets do adapt to such challenges, but with elections in the US and India in 2024, not to mention Russian, Taiwan, and Ukraine, the geopolitical impact of electoral choices could be profound.

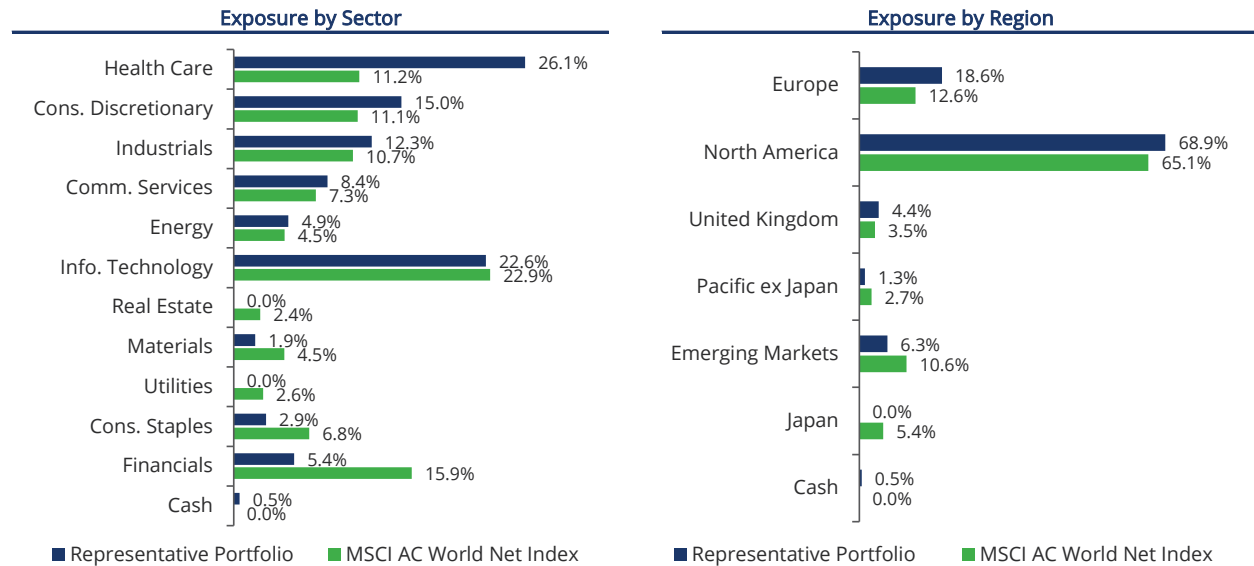
Despite ever-present risks, we continually seek out new investment opportunities. Healthcare is showing some attractive valuations, as well as some exciting innovations. For instance, Glucagon-like peptide 1-based therapies, aka GLP-1s, have the potential to be life-changing for those battling obesity and type 2 diabetes, a condition estimated to affect some 415 million people globally and which could rise by over 50% by 2040. Once again, we continue to take a disciplined approach to identify growth potential at compelling valuations, while avoiding companies at risk of being on the wrong side of the development.

We remain focused on decarbonization and the potential for companies in the space. Electric vehicles have been relatively out of favor among investors over the past six months, but little has changed our view that this will be a growth industry over the coming decades. This in turn will lead to increased demand for essential components, such as processors and batteries, regardless of which manufacturers dominate the market.

Notwithstanding the long-term growth potential in many areas, and the possible tailwinds of more accommodative policy, discipline has to be the watchword going into 2024. The end of year rally has stretched many company valuations. Costs for businesses may be receding but earnings and margins face pressure. As a result, we will consider our positions in stocks that have run up strongly, while continuing to look at opportunities that have more attractive entry points. That said, we remain confident in the fundamentals of our portfolio over the medium to long term, and believe we are well positioned to weather whatever 2024 brings.



## Exposures & Characteristics



	Representative Portfolio		MSCI AC World Net Index	
	4Q 2023	5 Year Average	4Q 2023	5 Year Average
<b>Capitalization</b>				
Weighted Average Market Cap (\$B)	404.5	324.4	473.5	314.7
Median Market Cap (\$B)	61.4	74.2	11.7	11.1
<b>Growth Fundamentals</b>				
EPS Growth: 3 to 5 year forecast (%) <sup>1</sup>	21.2	19.3	11.5	12.2
Revenue Growth: 3 to 5 year forecast (%) <sup>1</sup>	12.2	13.6	6.8	8.0
<b>Value Fundamentals</b>				
P/E Ratio: 12 Months - forward <sup>1</sup>	25.7	28.0	21.3	21.3
P/E Ratio: 12 Months - trailing <sup>1</sup>	32.8	33.6	24.4	23.8
PEG Ratio: forward <sup>2</sup>	1.2	1.4	1.9	1.7
Dividend Yield (%) <sup>3</sup>	0.5	0.6	2.0	2.1
Price/Book <sup>4</sup>	4.6	5.3	2.8	2.5
<b>Quality Fundamentals</b>				
Return on Equity: 5 Year (%) <sup>1</sup>	13.0	17.1	18.6	17.5
Return on Invested Capital: 5 Year (%) <sup>1</sup>	8.4	12.4	12.6	12.3
Long-Term Debt / Equity (%)	99.9	68.1	78.6	76.1
<b>Other</b>				
Number of Positions	31	31	2,921	2,937
Beta: 3 year portfolio <sup>5</sup>	1.4	1.2	1.0	1.0
Tracking Error: 5 Year Trailing (%)	5.4	--	--	--
Turnover: 12 Months - Trailing (%)	48.8	32.6	--	--

<sup>1</sup>Interquartile weighted mean, <sup>2</sup>PEG Ratio is calculated as "P/E Ratio: 12 Months - forward" divided by "EPS Growth: 3 to 5 year forecast", <sup>3</sup>MPT beta (daily). <sup>4</sup>Based on aggregate purchases and sales over prior 12 months. Data as of December 31, 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 Global Equity 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 Global Equity 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
<b>Communication Services</b>				
Alphabet Inc.	United States	4.1	Interactive Media & Services	Jan. 2011
T-Mobile US, Inc.	United States	4.3	Wireless Telecommunication Services	Jun. 2020
<b>Consumer Discretionary</b>				
Amazon.com, Inc.	United States	4.3	Broadline Retail	Mar. 2016
Meituan	China	1.8	Hotels, Restaurants & Leisure	Jun. 2022
Melco Resorts & Entertainment Ltd.	Hong Kong	1.3	Hotels, Restaurants & Leisure	Jan. 2023
MercadoLibre, Inc.	Brazil	4.5	Broadline Retail	Jan. 2023
Prosus NV	Netherlands	3.1	Broadline Retail	Feb. 2022
<b>Consumer Staples</b>				
Coty Inc.	United States	2.9	Personal Care Products	Jun. 2022
<b>Energy</b>				
Schlumberger NV	United States	1.6	Energy Equipment & Services	Sep. 2023
TechnipFMC plc	United Kingdom	3.3	Energy Equipment & Services	May 2023
<b>Financials</b>				
Mastercard Inc.	United States	4.3	Financial Services	May 2015
Standard Chartered PLC	United Kingdom	1.2	Banks	Aug. 2023
<b>Health Care</b>				
Alkermes plc	Ireland	2.0	Biotechnology	Aug. 2021
BioMarin Pharmaceutical, Inc.	United States	1.9	Biotechnology	Feb. 2023
Boston Scientific Corp.	United States	4.3	Health Care Equipment & Supplies	Jan. 2020
Genmab AS	Denmark	0.9	Biotechnology	Apr. 2023
Grifols, S.A.	Spain	2.6	Biotechnology	May 2022
IQVIA Holdings Inc.	United States	3.9	Life Sciences Tools & Services	May 2017
Novo Nordisk A/S	Denmark	2.0	Pharmaceuticals	Dec. 2023
UnitedHealth Group Inc.	United States	4.0	Health Care Providers & Services	Oct. 2018
Vertex Pharmaceuticals Inc.	United States	4.4	Biotechnology	Feb. 2018
<b>Industrials</b>				
Howmet Aerospace, Inc.	United States	4.0	Aerospace & Defense	Nov. 2021
Safran S.A.	France	4.0	Aerospace & Defense	Feb. 2023
Vertiv Holdings Co.	United States	4.3	Electrical Equipment	Dec. 2020
<b>Information Technology</b>				
ASML Holding N.V.	Netherlands	4.0	Semiconductors & Semiconductor Equipment	Dec. 2005
Atlassian Corp.	United States	3.9	Software	May 2023
Microsoft Corp.	United States	4.4	Software	Nov. 2018
NVIDIA Corp.	United States	4.2	Semiconductors & Semiconductor Equipment	Jan. 2019
Universal Display Corp.	United States	4.0	Semiconductors & Semiconductor Equipment	Jun. 2020
Wolfspeed, Inc.	United States	1.9	Semiconductors & Semiconductor Equipment	Oct. 2021
<b>Materials</b>				
Corteva, Inc.	United States	1.9	Chemicals	Mar. 2022
<b>Cash &amp; Equivalents</b>				
Cash		0.5		

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