Hardman Johnston
Emerging Markets Equity

2022 FIRST QUARTER REPORT

COMPOSITE PERFORMANCE (%) (period ending March 31, 2022)

	1st QTR	1 Year	3 Years	5 Years	7 Years	Inception
Emerging Markets Equity (gross of fees)	-19.45	-28.55	6.73	6.94	6.14	5.90
Emerging Markets Equity (net of fees)	-19.63	-29.19	5.77	5.98	5.18	4.98
MSCI Emerging Markets Net Index	-6.97	-11.37	4.93	5.97	4.69	3.97

Performance is preliminary through March 31, 2022. Periods greater than one year are annualized. **Past performance does not guarantee future results.** Net performance is calculated by deducting the highest rate in the current fee schedule of 85bps, plus an additional 5bps representing the cap on administrative expenses that applies to investors in the Hardman Johnston Emerging Markets Fund, L.P., which is part of the Emerging Markets Equity Composite. Composite inception date: December 23, 2013.

KEY TAKEAWAYS

- International markets decline after war in Ukraine clouds outlook
- Inflation spikes as energy and commodity prices soar, prompting monetary policy tightening
- Chinese markets contend with COVID shutdowns and potential ADR delistings on US exchanges
- Emerging Markets Equity Composite returned –19.63%, net, underperforming the MSCI EM return of –6.97%

MARKET REVIEW

International equities weakened in the first quarter as the war in Ukraine fed into existing investor concerns about rising energy and commodity prices, soaring inflation, and softening economic growth. The MSCI ACWI returned –5.36%, with markets across most regions slipping back, while the MSCI EAFE returned –5.91%.

After finishing 2021 at or near record levels, markets began to pull back in January as rising prices and ongoing supply shortages began to temper growth expectations. Russia's attack on Ukraine in February further shook investors, raising issues of energy and food supply, the potential global repercussions of sanctions, and their combined impact on already rampant inflation. After gaining steadily throughout the early part of the quarter, the price of Brent Crude, the global oil benchmark, spiked to its highest level since the financial crisis. At the end of March, the Biden administration announced the release of US strategic oil reserves in an attempt to control prices and increase supply until production ramps back up.

The effect of energy prices on inflation was marked. Data released in January showed that US inflation hit a four-decade high of 7.0%, before accelerating to 7.9% in February, with economists expecting further increases, at least in the short term. It was a similar trajectory in Europe where CPI climbed to 7.5% in March, including an estimated 45% increase in energy prices year-over-year. Although more moderate by international standards, inflation in Japan reached 0.8%, the highest rate in two years, with expectations of sharper rises to come due to the country's reliance on energy imports. Developing markets also contended with spiraling prices, with double-digit inflation increases in G20 countries including Brazil, Argentina and Turkey.

There were also some positive signals during the first quarter. The US created over 500,000 new jobs per month, sending unemployment to the lowest level since the pandemic. The plentiful supply of new employment opportunities, equating to roughly 1.8 openings per unemployed person, helped fuel rising wages and gave a boost to consumer confidence. In Europe, pent-up demand for leisure soared as countries withdrew most remaining COVID-19 restrictions. Before the onset of the war in Ukraine, TUI Group, Europe's largest vacations company, reported that bookings were close to pre-pandemic levels, with prices up approximately 20%.

Faced with the unappealing combination of spiking inflation, tight labor markets, and decelerating economic growth, central banks initiated the tightening cycle. The US Federal Reserve implemented its first rate hike since 2018, while Chair Jerome Powell talked of rates returning to a more "neutral" position, feeding market expectations of a series of larger increases to come. In March, the Bank of England lifted interest rates for the third time in four months, singling it out as one of the most hawkish central banks in the developed world. The European Central Bank President Christine Lagarde argued there was still room for accommodative policy, although she guided to interest rates rising after the end of its bond buying program, potentially putting the first hikes by the ECB sometime in the third quarter.

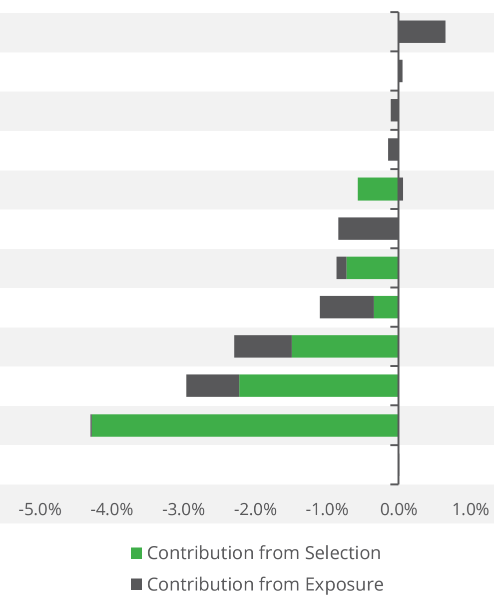
Emerging markets faced the same dilemma. The Reserve Bank of India left its key policy rate unchanged at 4% during the quarter, the same level as throughout the pandemic, in order to support economic growth. In stark contrast, Brazil hiked rates sharply to 11.75% in March, a five-year high, with the country's stocks soaring due to currency strength and rising commodities prices.

While the war in Ukraine dominated much of the agenda, COVID continued to impact activity. China's dynamic zero-tolerance approach to outbreaks led to renewed lockdowns in many cities, including Shanghai, the country's economic and financial hub. German auto group Volkswagen scaled back operations in the city due to infections and supply shortages, while delays were experienced at the port despite efforts to keep workers in a closed loop bubble on site. China's manufacturing PMI slipped back below 50 in March, indicating contraction.

China's position on the global stage also came under scrutiny. The US Securities and Exchange Commission identified five Chinese ADRs that could be delisted from US exchanges for failing to meet auditing rules, prompting a sell-off across the sector as the standoff between US and Chinese regulators continued. Investors continued to pull capital out of Chinese investments, in part due to ongoing domestic uncertainty as well as increased geopolitical concerns.

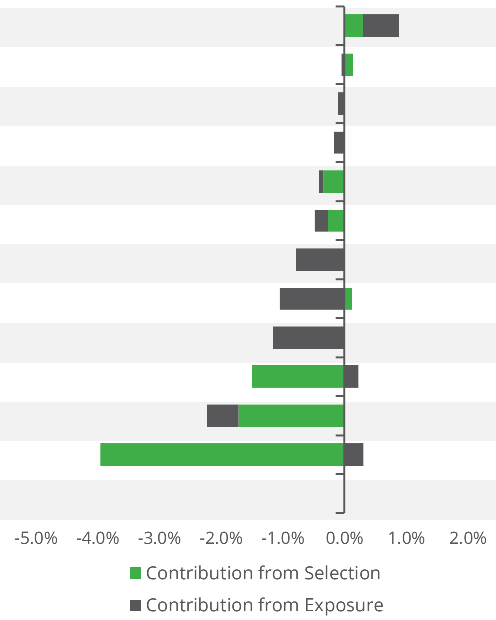
PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Contribution to
	Rep. Portfolio	MSCIEM	Rep. Portfolio	MSCIEM	Relative Return
By Sector					
Energy	0.0	5.4	0.0	-20.8	
Consumer Staples	0.0	5.8	0.0	-7.9	
Real Estate	0.0	2.1	0.0	-1.8	
Utilities	0.0	2.4	0.0	-0.2	
Industrials	6.6	5.1	-11.9	-2.5	
Materials	0.0	9.1	0.0	3.2	
Health Care	4.7	3.8	-29.2	-14.0	
Financials	14.5	20.9	2.8	5.7	
Cons. Discretionary	22.7	12.7	-22.8	-16.4	
Info. Technology	39.2	22.0	-16.8	-11.2	
Comm. Services	11.6	10.5	-43.8	-11.1	
Cash	0.7	0.0	-0.2	0.0	



Preliminary data for the quarter ending March 31, 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 Emerging Markets 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.

	Average Weight		Total Return		Contribution to
	Rep. Portfolio	MSCIEM	Rep. Portfolio	MSCIEM	Relative Return
By Region					
Indonesia	5.8	1.6	15.9	9.6	
Taiwan	17.8	16.2	-5.6	-6.6	
Uruguay	2.4	0.0	-12.4	0.0	
Argentina	3.8	0.0	-11.8	0.0	
Korea	16.7	12.3	-11.6	-9.5	
India	8.7	12.6	-4.7	-1.9	
South Africa	0.0	3.6	0.0	20.3	
Hong Kong	7.0	0.5	-22.4	-24.2	
Netherlands	3.9	0.0	-35.4	0.0	
Russia	3.0	2.2	-88.7	-100.0	
Brazil	3.2	4.8	-23.5	35.9	
China	26.9	31.0	-27.8	-14.0	
Cash	0.7	0.0	-0.2	0.0	



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PORTFOLIO COMMENTARY

- Emerging Markets Equity underperformed the MSCI EM Index by 1,266 bps on a net basis during the first quarter
- Lack of exposure to Energy and Consumer Staples were the largest contributors during the quarter, while security selection in Communication Services and security selection and overweight exposure in Information Technology were the largest detractors
- Overweight exposure and security selection in Indonesia and security selection in Taiwan were the largest contributors to relative performance from a country perspective. Security selection in China was the largest detractor, with underweight exposure partially offsetting losses. Security selection and underweight exposure to Brazil also detracted during the quarter

LARGEST CONTRIBUTORS

PT Bank Rakyat Indonesia (+1.1% total effect) reported strong results during the quarter that featured a higher net interest margin (NIM), a very low cost of funds from a strong deposit base, and improving asset quality metrics. The bank has the leading share of micro and ultra-micro loans in Indonesia, which carry a very high interest rate. The bank's investments in digital technology has drastically improved their ability to make loans quickly and have very low default rates. Lastly the bank is benefiting from the acquisition of two companies, which is expanding their loan growth opportunities. These acquisitions are likely to improve the bank's NIM and be highly accretive over the next several years.

Unimicron Technology Corp. (+0.4% total effect) shares were resilient during the first quarter as the shortage in Ajinomoto build-up film (ABF) substrate remains particularly tight, with low probability of meeting a supply and demand balance in the near-term. Unimicron benefits from exposure to some of its fastest growing customers: AMD, NVIDIA, and Marvell. Unimicron is insulated from the broader semiconductor cycle given the significant supply imbalance, with demand driven by increased semiconductor complexity and larger surface areas, rather than unit growth.

ICICI Bank Ltd. (+0.1% total effect) continues to report strong results, showing that the bank is gaining market share. The bank's investment in technology over the last several years has improved their efficiency and lowered their costs. This has resulted in easier customer access, improved underwriting, and the ability to cross-sell financial products and attract new customers in all regions of India. In addition, ICICI's investment in technology has attracted and enabled new customers to use their platform without the need to open new physical branches, lowering their fixed costs. Their technology is now a clear competitive advantage over their peers.

LARGEST DETRACTORS

Yandex NV (-4.2% total effect) is the leading player in Russian Internet, e-commerce, and taxi. It derives almost all of its revenue from Russia. Following Russia's invasion of Ukraine and global financial sanctions against Russia, Yandex, along with all Russian stocks, has been halted on US exchanges for the foreseeable future.

Sunny Optical Technology Co., Ltd. (-2.7% total effect) underperformed as concerns of smartphone weakness mounted throughout the first quarter. Smartphone weakness was more pronounced in China, as year-on-year shipments declined substantially based on data available through February. Rising component costs also weighed on smartphone manufacturers' ability to drive camera spec upgrades, limiting upside.

Prosus NV's (-1.2% total effect) share weakness was a direct consequence of weakness in Tencent shares, which are a large driver of Prosus' valuation. Tencent's poor performance was due to general weakness in the Chinese Internet space and ADR delisting fears. In addition, Prosus' investment portfolio experienced pressure due to the market's risk-off stance and punishment of companies that are in earlier phases of their maturity, as is the case with many of Prosus' investments. Finally, Prosus has Russian exposure, both directly in its Avito classifieds business and its holding of VK shares, a leading consumer internet platform in Russia. Avito is the leading Russian domestic e-classifieds business and is 100% owned by Prosus. We estimate Avito to represent less than 7% of group revenue and less than 2% of proportional revenue. Prosus owns about 25% of outstanding shares of VK and will take a $700 million full write down for the stake. Prosus has decided to cease all involvement in its Russian operations. The separation process is underway to decouple Russian operations into a separate, independent legal entity run by local management and with its own Board of Directors.

PORTFOLIO ACTIVITY

- There were no initiations or liquidations in the portfolio during the first quarter

MARKET OUTLOOK

Markets staged a modest recovery in the second half of March fueled by talks between Russia and Ukraine and hopes of a resolution to the conflict. However, it remains to be seen whether the rebound will be short lived or something more persistent.

Coming so soon after the pandemic, the war in Ukraine is a clear reminder that shocks not only to markets, but also to our way of life, are never far away. Countries and economies that are recovering from the effects of COVID will face another slowdown. The US is relatively insulated from a supply perspective but is still seeing the impact of higher energy prices and food costs, which especially impacts lower income consumers. Europe is more exposed to Russian oil and gas and is wrestling to readjust supply from other sources. Whether or not countries experience technical recession is somewhat academic. However, the conditions risk being painful for businesses and consumers alike.

Contending with inflation, or stagflation, in a slowing market characterized by spiking prices for essentials like food and energy will present an intense challenge for central banks. Monetary policy has begun to tighten and may go further and faster than anticipated. The Fed has made no secret about its desire to normalize rates, even if normal is lower than in the past, and doing so may give it some capacity to deal with challenges ahead. However, the risk of policy missteps has risen sharply.

Rising interest rates do not pose as much of a risk to businesses as in the past. High-quality growth companies in our universe carry low levels of leverage, putting them in a relatively strong position to navigate a difficult environment. Faced with uncertainty and volatility, the greatest risk is that boards postpone or perhaps cancel investment plans that could have been drivers of top line growth.

For investors, there is a lot to digest, and the near-term path is murky. However, over the long term, positive tailwinds and secular trends remain strong. In the context of labor market tightness, companies will need to invest in technological transformation to drive productivity improvements. Healthcare globally will benefit from demographic drivers for decades to come.

Perhaps one of the biggest opportunities will be the move to a low carbon economy. The shift will be widespread and create opportunities across a range of business sectors including clean energy, transportation, and agriculture. For instance, rising wealth in developing markets is creating increased demand for protein, which in turn will mean more farm animals, more competition for land, and greater environmental pressure. There are solutions being developed that will address the need for greater efficiency longer term.

Technology opportunities that play into environmental trends can be subtle and require deep research. Semiconductor manufacturer Wolfspeed is a leading innovator in chips made from silicon carbide. These chips are being used in many energy transition technologies, from extending the range of electric vehicles to more efficient and lower-cost solar and wind power.

The geopolitical backdrop will remain complicated and unpredictable. While Europe and the US are pushing for greater sanctions on Russia, China and India have been among those somewhat reluctant to take sides in the conflict. The impact may be a hardening of the international stance towards both countries.

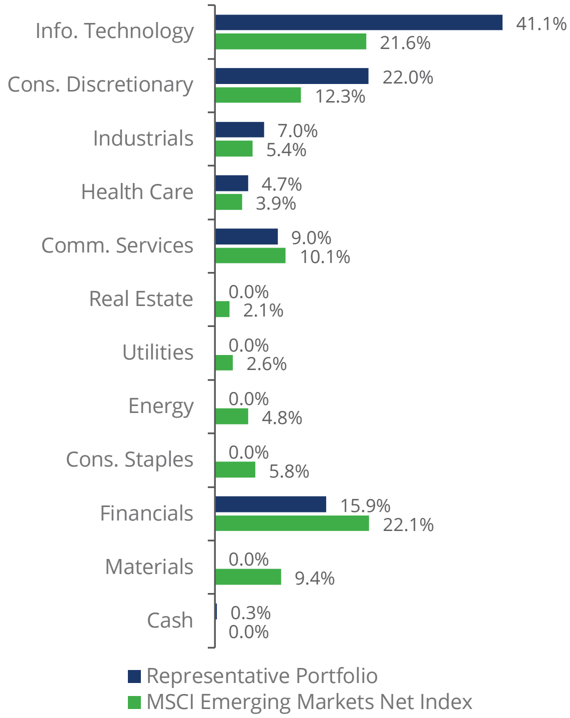
China is also wrestling with domestic issues. The country still has some way to go to “live with COVID,” and further lockdowns and economic disruption are likely. As we have seen over recent years, the Chinese government is willing to take near-term pain for what it views as long-term gain. However, it is also demonstrating increased flexibility. At March’s National People’s Congress, the theme of “Common Prosperity” was barely mentioned, potentially indicating a softening of its line on regulatory action. Indeed, China’s Vice Premier Liu He said that the country would introduce policies favorable to the market and measures to boost growth.

Over the long run, China’s expansion will decelerate but in the context of global growth will continue to look strong. Company prospects and valuations are also attractive, yet Chinese stocks were among the weakest performers in the first quarter. We reduced our International Equity strategy’s exposure to China in 2021 and are monitoring the market closely. We need greater visibility over domestic issues and international listings via ADRs to invest with conviction.

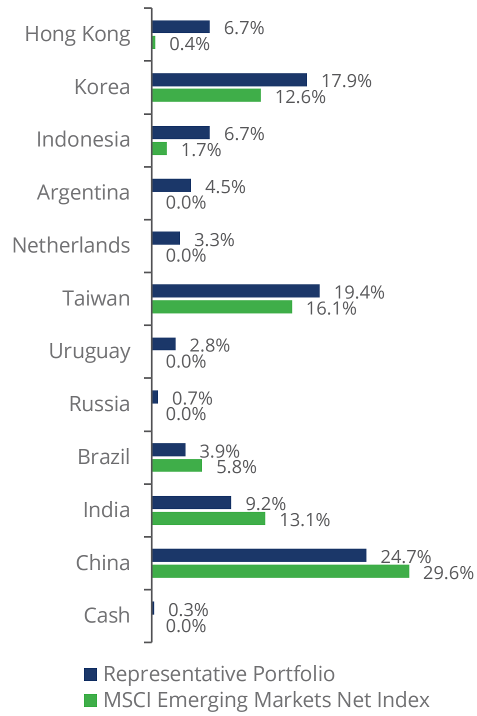
Across international markets, growth stocks continue to lag more cyclical plays such as energy, materials, and financials that lack the secular growth we need for our investment approach. The outlook has become more complicated in the first quarter. However, we are secure in the knowledge that our focus on companies with strong balance sheets, pricing power, and competitive advantages will ensure resilience through the cycle. Meanwhile, our bottom-up approach is unearthing highly attractive companies around the globe that are benefiting from, and driving, long-term trends that will transcend shorter term challenges.

PORTFOLIO EXPOSURE (period ending March 31, 2022)

Exposure by Sector



Exposure by Country



PORTFOLIO CHARACTERISTICS (period ending March 31, 2022)

	Representative Portfolio		MSCI Emerging Markets Net Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	122.3	110.2	125.4	162.9
Median Market Cap ($B)	55.0	36.8	7.1	6.5
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	21.0	21.6	15.9	18.4
EPS Growth: 5 year trailing (%)[1]	23.0	19.1	13.8	14.2
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	21.2	23.0	17.5	18.2
P/E Ratio: 12 Months - trailing[1]	21.7	21.1	20.1	21.0
PEG Ratio: forward[1]	1.0	1.1	1.1	1.0
Dividend Yield (%)[2]	0.6	0.9	2.2	2.1
Price/Book[3]	3.1	3.1	2.0	2.0
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	16.3	17.0	16.2	16.9
Return on Invested Capital: 5 Year (%)[1]	13.6	13.6	12.4	13.1
Other				
Number of Positions	24	29	1,399	1,217
Beta: 3 year portfolio[4]	1.2	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 March 31, 2022)

	Country	Weight (%)	Industry
Communication Services			
Baidu, Inc.	China	3.9	Interactive Media & Services
Tencent Holdings Ltd.	China	4.3	Interactive Media & Services
Yandex NV	Russian Federation	0.7	Interactive Media & Services
Consumer Discretionary			
JD.com, Inc.	China	5.2	Internet & Direct Marketing Retail
Li Ning Co., Ltd.	Hong Kong	4.5	Textiles, Apparel & Luxury Goods
Meituan	China	2.3	Internet & Direct Marketing Retail
Melco Resorts & Entertainment Ltd.	Hong Kong	2.2	Hotels, Restaurants & Leisure
MercadoLibre, Inc.	Argentina	4.5	Internet & Direct Marketing Retail
Prosus NV	Netherlands	3.3	Internet & Direct Marketing Retail
Financials			
HDFC Bank Ltd.	India	3.5	Banks
ICICI Bank Ltd.	India	5.7	Banks
PT Bank Rakyat Indonesia	Indonesia	6.7	Banks
Health Care			
Alibaba Health Information Technology Ltd.	China	0.3	Health Care Technology
WuXi Biologics Inc.	China	4.4	Life Sciences Tools & Services
Industrials			
Airtac International Group	Taiwan	7.0	Machinery
Information Technology			
dLocal Ltd.	Uruguay	2.8	IT Services
PagSeguro Digital Ltd.	Brazil	3.9	IT Services
Samsung Electronics Co., Ltd.	Republic of Korea	5.8	Technology Hardware, Storage & Peripherals
Samsung SDI Co., Ltd.	Republic of Korea	5.3	Electronic Equipment, Instruments & Components
SK hynix Inc.	Republic of Korea	6.8	Semiconductors & Semiconductor Equipment
Sunny Optical Technology Co., Ltd.	China	4.3	Electronic Equipment, Instruments & Components
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	6.9	Semiconductors & Semiconductor Equipment
Unimicron Technology Corp.	Taiwan	5.5	Electronic Equipment, Instruments & Components
Cash & Equivalents			
Cash		0.3	

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