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# Hardman Johnston

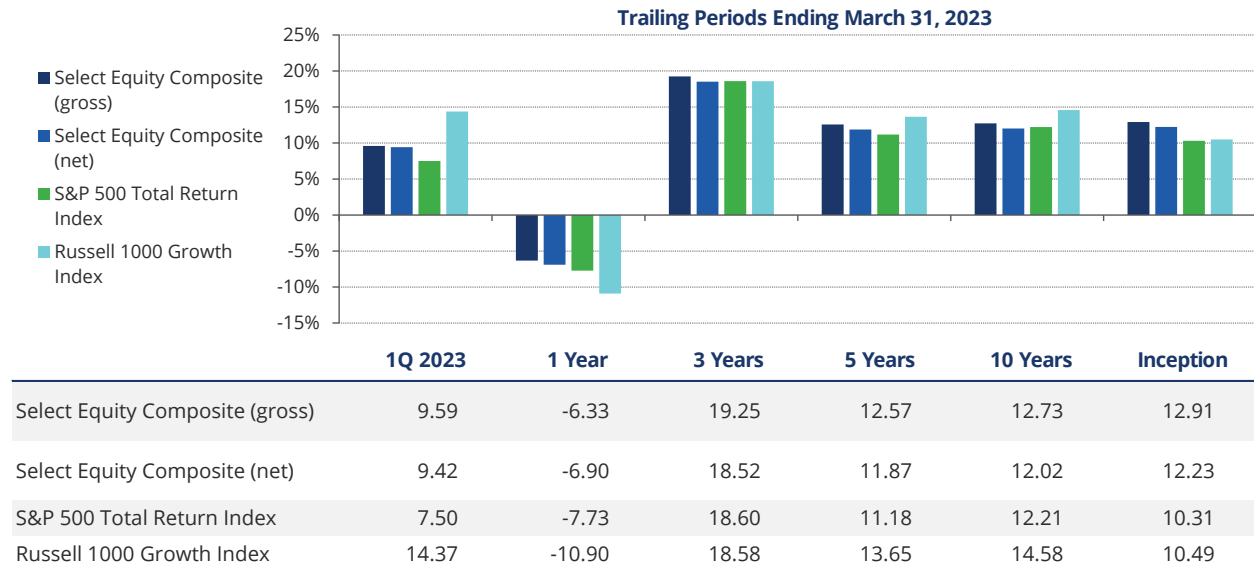
## Select Equity

### 2023 First Quarter Report

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## Performance



Performance is through March 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). Composite inception date: December 31, 1990.

## Key Takeaways

- Markets showed significant volatility in the first quarter, with tensions throughout the world economy driving swings in stock prices
- A mild recession in the US is still expected, but the market now expects the Fed to stop raising interest rates sooner, which has provided a boost for growth stocks
- Valuations appear to be reasonable, and we expect earnings growth to continue to drive stock appreciation

## Market Review & Outlook

If you had gone to sleep on December 31<sup>st</sup> and woken up on April 1<sup>st</sup> and opened your report from Hardman Johnston, you would have thought that the year was off to a good start and that mid to high single digit returns in equities were pretty solid given how the world looked when you went to sleep.

You'd be right, of course, but you would have missed a lot of activity. You would have missed more tension between inflation and interest rates, tension between alarmingly high layoff announcements and surprisingly solid employment statistics, tension between global powers wanting to assert themselves without upsetting the global economy, and the tension of a bank scare that should never have happened. Finally, you would have missed some pretty big swings in stock prices.

What hasn't changed are expectations for a mild US recession, although with all the factors mentioned above the timing of prior forecasts has been called into question. We have seen recession forecasts pulled forward slightly, and that will allow the Federal Reserve to stop raising interest rates sooner. We have been expecting inflation to soften more than it has, but we still expect it to slow down as consumer expectations are starting to decline and employment finally begins to moderate. We do not expect interest rate cuts this year, but time will tell. We do know that banks have tightened their lending standards and that will serve as a brake on the economy given their importance to the housing and small business markets.

Within the portfolio, we look forward to hearing what the companies have to say about the macro-economic gyrations and their effect on their businesses as they report first quarter earnings. Reports from the 4<sup>th</sup> quarter were generally constructive, albeit with technology companies reining in their growth ambitions, and particularly their hiring goals. Healthcare companies frequently talk about being constrained by labor shortages in hospitals, a result of the pandemic, but that should normalize eventually. Global energy and food security concerns continue to attract our attention.

Valuations appear reasonable for the time being, but again, we look forward to hearing from companies as they update their forecasts with their earnings reports. They will speak to near term trends, but we also expect them to express confidence in their long-term outlooks, which, as you know by now, are what drive our investment theses.

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## Portfolio Commentary

The Select Equity Composite returned 9.42%, net of fees, compared to 7.50% for the S&P 500. At a high level, stock selection in both information technology and financials helped relative performance, while our underweight in consumer discretionary proved to be a drag on performance.

During the quarter, the individual stock that led performance was NVIDIA, widely thought to be a key enabler of and beneficiary from the growth of artificial intelligence engines that are growing very rapidly. Secondly, Universal Display was boosted by expectations of an acceleration in demand for their energy efficient display materials, and third on this list was ASML's cutting edge semiconductor manufacturing tools which showed strong order growth.

Automatic Data Processing led the drags on performance during the quarter. As employment softens, so will demand their payroll and human resources service offerings, at least for the near term. IQVIA was second on the detractor list, which may also see customers pull back on their drug development spending as biotech funding comes into question, which led to a sell-off in the stock. Finally, Johnson & Johnson was the third largest detractor, as they faced questions over its exposure to talc related lawsuits but have taken steps more recently to resolve any overhang.

## Quarterly Attribution\* & Portfolio Activity

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	S&P 500	Rep. Portfolio	S&P 500	
Info. Technology	26.4	23.9	30.0	24.1	1.1%
Financials	13.3	14.1	2.0	-3.3	1.5%
Energy	0.0	4.9	0.0	-4.7	0.5%
Consumer Staples	0.0	7.2	0.0	0.9	0.3%
Utilities	0.0	2.9	0.0	-3.2	0.2%
Health Care	29.1	14.6	2.1	-4.4	0.1%
Real Estate	0.0	2.7	0.0	2.0	0.0%
Comm. Services	6.1	7.8	14.3	20.5	-0.1%
Materials	10.0	2.7	0.9	4.3	-0.1%
Industrials	14.3	8.9	0.7	3.1	-0.1%
Cons. Discretionary	0.0	9.9	0.0	16.8	-0.2%
Cash	0.8	0.3	1.2	1.2	0.0%

### Contributors & Detractors

First Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
<b>Largest Contributors</b>			<b>Largest Contributors</b>		
NVIDIA Corp.	4.08	1.50	Howmet Aerospace, Inc.	4.34	0.97
Universal Display Corp.	2.77	0.86	Vertex Pharmaceuticals Inc.	3.60	0.78
ASML Holding N.V.	3.70	0.57	Advanced Energy Industries	2.45	0.56
<b>Largest Detractors</b>			<b>Largest Detractors</b>		
Automatic Data Processing, Inc.	4.16	-0.59	Wolfspeed, Inc.	2.47	-0.97
IQVIA Holdings Inc.	3.67	-0.38	Edwards Lifesciences Corp.	3.32	-0.82
Johnson & Johnson	2.98	-0.37	Stanley Black & Decker Inc.	1.69	-0.69

### Quarterly Initiations

None
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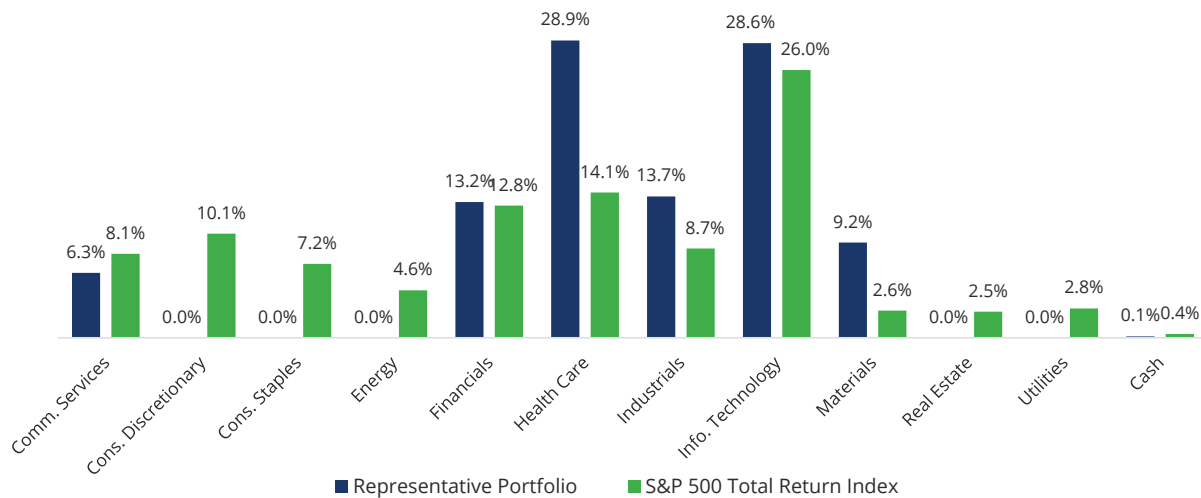
### Quarterly Liquidations

None
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Data for the quarter ending March 31, 2023. Source: FactSet, Hardman Johnston Global Advisors LLC®. **Past performance does not guarantee future results.** \*Information for S&P 500 attribution, exposures, and characteristics are derived from the iShares S&P 500 ETF. The data shown is of a representative portfolio for the Hardman Johnston Select 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.

## Exposures & Characteristics\*

### Exposure by Sector



	Representative Portfolio		S&P 500	
	1Q 2023	5 Year Average	1Q 2023	5 Year Average
<b>Capitalization</b>				
Weighted Average Market Cap (\$B)	429.4	316.1	543.8	404.9
Median Market Cap (\$B)	81.7	80.9	30.4	26.5
<b>Growth Fundamentals</b>				
EPS Growth: 3 to 5 year forecast (%) <sup>1</sup>	14.1	14.1	11.3	11.7
Revenue Growth: 3 to 5 year forecast (%) <sup>1</sup>	8.6	9.6	5.8	7.4
<b>Value Fundamentals</b>				
P/E Ratio: 12 Months - forward <sup>1</sup>	23.9	23.8	23.0	22.2
P/E Ratio: 12 Months - trailing <sup>1</sup>	23.9	27.3	22.7	24.1
PEG Ratio: forward <sup>1</sup>	2.0	1.8	2.2	2.1
Dividend Yield (%) <sup>2</sup>	1.0	1.1	1.6	1.7
Price/Book <sup>3</sup>	5.1	5.1	3.8	3.6
<b>Quality Fundamentals</b>				
Return on Equity: 5 Year (%) <sup>1</sup>	21.0	22.3	22.1	22.9
Return on Invested Capital: 5 Year (%) <sup>1</sup>	17.1	15.6	16.7	15.0
Long-Term Debt / Equity (%)	82.5	72.9	91.1	88.5
<b>Other</b>				
Number of Positions	32	31	501	505
Beta: 3 year portfolio <sup>4</sup>	1.1	1.0	1.0	1.0
Tracking Error: 5 Year Trailing (%)	3.2	--	--	--
Turnover: 12 Months - Trailing (%)	4.3	7.3	--	--

<sup>1</sup>Interquartile weighted mean, <sup>2</sup>MPT beta (daily). <sup>3</sup>Based on aggregate purchases and sales over prior 12 months. Data as of March 31, 2023. **Past performance does not guarantee future results.** <sup>4</sup>Information for S&P 500 attribution, exposures, and characteristics are derived from the iShares S&P 500 ETF. Source: FactSet, Hardman Johnston Global Advisors LLC®. The data shown is of a representative portfolio for the Hardman Johnston Select 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 Select 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
<b>Communication Services</b>			
Alphabet Inc.	United States	4.0	Interactive Media & Services
Comcast Corp.	United States	2.4	Media
<b>Financials</b>			
HDFC Bank Ltd.	India	3.0	Banks
Marsh & McLennan Cos. Inc.	United States	4.5	Insurance
Mastercard Inc.	United States	4.5	Financial Services
PayPal Holdings, Inc.	United States	1.2	Financial Services
<b>Health Care</b>			
AstraZeneca plc	United Kingdom	4.2	Pharmaceuticals
Becton, Dickinson & Co.	United States	3.4	Health Care Equipment & Supplies
Dentsply Sirona, Inc.	United States	2.3	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	3.0	Health Care Equipment & Supplies
Illumina, Inc.	United States	1.5	Life Sciences Tools & Services
IQVIA Holdings Inc.	United States	3.3	Life Sciences Tools & Services
Johnson & Johnson	United States	2.8	Pharmaceuticals
Medtronic plc	United States	1.8	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.8	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	3.9	Biotechnology
<b>Industrials</b>			
Automatic Data Processing, Inc.	United States	3.9	Professional Services
Howmet Aerospace, Inc.	United States	4.8	Aerospace & Defense
Leidos Holdings Inc.	United States	1.4	Professional Services
Stanley Black & Decker Inc.	United States	1.4	Machinery
Vertiv Holdings Co.	United States	2.2	Electrical Equipment
<b>Information Technology</b>			
Adobe Inc.	United States	3.0	Software
Advanced Energy Industries	United States	1.5	Electronic Equipment, Instruments & Components
Apple Inc.	United States	5.6	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	3.9	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	4.6	Software
NVIDIA Corp.	United States	5.2	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	3.2	Semiconductors & Semiconductor Equipment
Wolfspeed, Inc.	United States	1.6	Semiconductors & Semiconductor Equipment
<b>Materials</b>			
Albemarle Corp.	United States	3.0	Chemicals
Corteva, Inc.	United States	2.9	Chemicals
FMC Corp.	United States	3.4	Chemicals
<b>Cash &amp; Equivalents</b>			
Cash		0.1	

Green text indicates the security has been in the portfolio for greater than five years.

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