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# Hardman Johnston

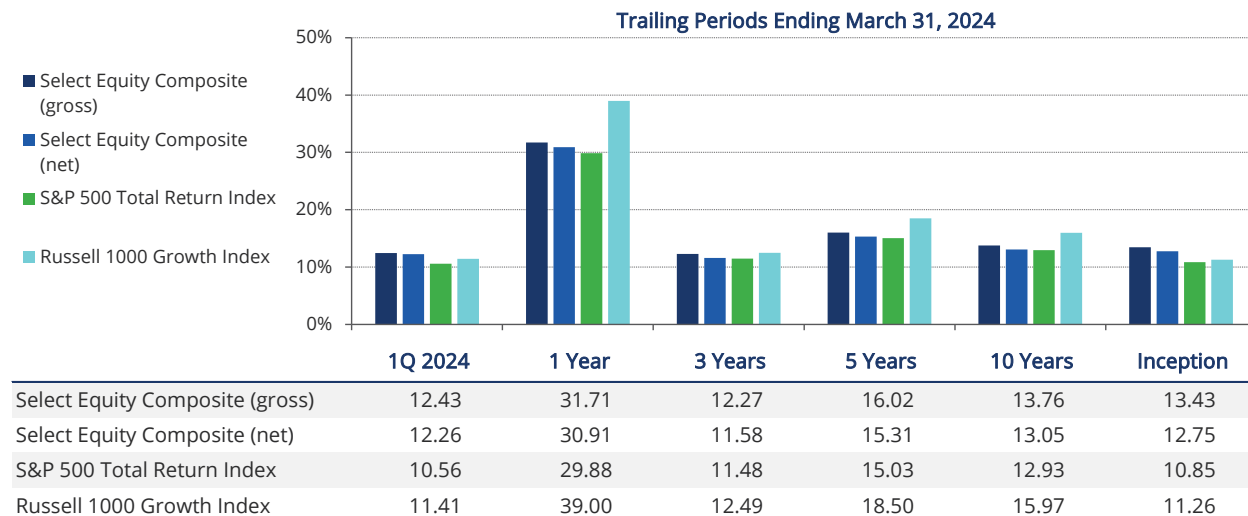
## Select Equity

### 2024 First Quarter Report

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## Performance



Performance is through March 31, 2024. 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

- Remarkable US economic growth persists. Recession predictions defied again!
- Corporate profit growth outlook is good overall, but not homogeneous.
- Selectivity and discipline remain essential given the environment.

## Market Review & Outlook

The US Economy keeps chugging along in aggregate, and many of those who had predicted that a recession would soon be upon us have recanted. Given the sharp increase in interest rates over the last two years, it is remarkable that the economy has not slowed more. Strong technology spending, driven primarily by artificial intelligence, reshoring investment, and a consumer whose insatiable appetite for travel and leisure has kept airports busy and dinner reservations scarce, have all buoyed the economy. However, the strength is not uniform. Electric vehicle sales have slowed in the near term, people have enough furniture and fitness apparel, and high interest rates are slowing the housing market. Critically, however, the job market remains strong. We'll see how long it holds up, but given the presidential election cycle, we are likely to see more, rather than less, fiscal and policy support for growth in the next nine months. While confidence is mixed, consumers have been willing

to take on more debt to fund their lifestyles, even with high interest rates. Additionally, while hiring has slowed, companies are still reluctant to lay workers off given a labor market that remains relatively tight.

Overall, the outlook for corporate profit growth remains reasonably strong, but is also patchy. As active managers, we have the opportunity to be choosy. We are choosy about growth. Recent performance continues to be driven by those who enable efficiency, notably AI, but is visible in other areas as well. We will remain focused on companies whose customers want more of what they are selling. We can be choosy about financial strength. We are not sure when interest rates will change, but we are confident that when they do change it will not materially affect our holdings' ability to serve their customers. Finally, we can be choosy about valuation. While markets have been strong, valuations are naturally elevated. We constantly look at our strongest holdings and our laggards to see when it makes sense to either trim back, exit, or add to new or existing positions.

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### Portfolio Commentary

The Select Equity Composite returned 12.26%, net of fees, compared to 10.56% for the S&P 500 in the first quarter. The greatest contributors to performance were Vertiv Holdings Co., NVIDIA Corp., and Howmet Aerospace, Inc. While most are familiar with NVIDIA's critical role in enabling the rollout of artificial intelligence, Vertiv has played a lower profile role. Vertiv and its peers provide the critical data center infrastructure to keep the servers we rely on for cloud computing powered up and cooled. Howmet, the provider of high specification aircraft parts, continues to benefit from the recovery in, and future growth of, the commercial aerospace market.

The top detractors from performance were Universal Display Corp., Adobe Inc., and HDFC Bank Ltd. Universal Display sold off slightly during the quarter, but demand for its organic LED products is still expected to accelerate over the coming years. Adobe has been addressing questions about the threat, or opportunity, posed to its business from AI. We remain firmly in the latter camp, but some shareholder turnover is natural. Finally, HDFC Bank continues to digest the acquisition of its sister company but remains in a strong position to grow while serving existing customers.

Portfolio turnover was low, and driven in large part by position size management, but we started a new position in Charles Schwab Corp. We expect Schwab to deliver steady double-digit earnings growth driven by demographics and market share gains. The entry point was provided by a sell-off following last spring's mini bank crisis.

**Quarterly Attribution\* & Portfolio Activity**

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	S&P 500	Rep. Portfolio	S&P 500	
Industrials	18.3	8.7	34.0	11.0	4.0%
Info. Technology	30.5	29.5	14.3	12.7	1.8%
Cons. Discretionary	0.0	10.5	0.0	5.0	-10.5%
Real Estate	0.0	2.4	0.0	-0.6	-2.4%
Consumer Staples	0.0	6.1	0.0	7.5	-6.1%
Utilities	0.0	2.2	0.0	4.6	-2.2%
Energy	0.0	3.8	0.0	13.7	-3.8%
Materials	4.8	2.3	5.6	8.9	-4.1%
Financials	12.4	13.0	6.2	12.5	-0.6%
Comm. Services	7.3	8.9	4.7	15.8	-8.5%
Health Care	25.3	12.7	3.7	8.8	12.6%
Cash	1.5	0.1	1.2	1.3	-0.2%

**Contributors & Detractors**

First Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
<b>Largest Contributors</b>			<b>Largest Contributors</b>		
Vertiv Holdings Co.	6.68	3.26	Vertiv Holdings Co.	4.61	8.67
NVIDIA Corp.	7.21	2.03	NVIDIA Corp.	6.46	4.36
Howmet Aerospace, Inc.	5.58	0.83	Howmet Aerospace, Inc.	5.15	1.52
<b>Largest Detractors</b>			<b>Largest Detractors</b>		
Universal Display Corp.	3.43	-0.88	FMC Corp.	2.02	-2.54
Adobe Inc.	3.49	-0.81	Albemarle Corp.	2.08	-2.05
HDFC Bank Ltd.	2.14	-0.72	HDFC Bank Ltd.	2.58	-1.37

**Quarterly Initiations**

Charles Schwab Corp.

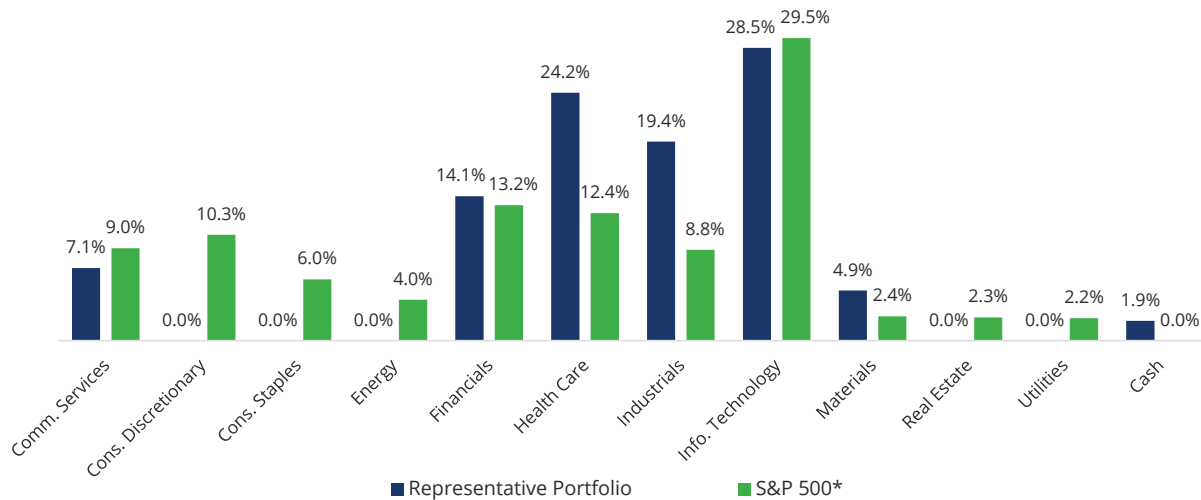
**Quarterly Liquidations**

None

Data for the quarter ending March 31, 2024. 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 Total Return Index	
	1Q 2024	5 Year Average	1Q 2024	5 Year Average
<b>Capitalization</b>				
Weighted Average Market Cap (\$B)	629.1	389.3	804.4	504.1
Median Market Cap (\$B)	101.3	78.3	35.4	28.5
<b>Growth Fundamentals</b>				
EPS Growth: 3 to 5 year forecast (%) <sup>1</sup>	13.2	14.1	12.5	11.8
Revenue Growth: 3 to 5 year forecast (%) <sup>1</sup>	8.4	9.4	7.5	7.5
<b>Value Fundamentals</b>				
P/E Ratio: 12 Months - forward <sup>1</sup>	26.0	24.6	25.3	23.4
P/E Ratio: 12 Months - trailing <sup>1</sup>	31.1	28.3	29.5	25.5
PEG Ratio: forward <sup>2</sup>	2.0	1.7	2.0	2.0
Dividend Yield (%) <sup>3</sup>	0.8	1.0	1.4	1.7
Price/Book <sup>4</sup>	5.7	5.5	4.5	3.8
<b>Quality Fundamentals</b>				
Return on Equity: 5 Year (%) - trailing <sup>1</sup>	22.8	20.6	24.9	23.1
Return on Invested Capital: 5 Year (%) - trailing	17.7	15.2	17.7	14.8
Long-Term Debt / Equity (%) <sup>1</sup>	79.5	77.4	77.0	88.4
<b>Other</b>				
Number of Positions	33	31	503	505
Beta: 3 year portfolio <sup>5</sup>	1.1	1.0	1.0	1.0
Tracking Error: 5 Year - trailing (%)	3.4	--	--	--
Turnover: 12 Months - trailing (%)	6.7	7.1	--	--

<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 March 31, 2024. **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. 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	4.5	Interactive Media & Services
Comcast Corp.	United States	2.6	Media
<b>Financials</b>			
Charles Schwab Corp.	United States	2.6	Capital Markets
HDFC Bank Ltd.	India	2.0	Banks
Marsh & McLennan Cos. Inc.	United States	4.2	Insurance
Mastercard Inc.	United States	4.5	Financial Services
PayPal Holdings, Inc.	United States	0.8	Financial Services
<b>Health Care</b>			
AstraZeneca plc	United Kingdom	3.2	Pharmaceuticals
Becton, Dickinson & Co.	United States	2.2	Health Care Equipment & Supplies
Dentsply Sirona, Inc.	United States	2.0	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	2.7	Health Care Equipment & Supplies
Illumina, Inc.	United States	0.9	Life Sciences Tools & Services
IQVIA Holdings Inc.	United States	3.2	Life Sciences Tools & Services
Johnson & Johnson	United States	2.2	Pharmaceuticals
Medtronic plc	United States	1.5	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.2	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	4.1	Biotechnology
<b>Industrials</b>			
Automatic Data Processing, Inc.	United States	2.7	Professional Services
Curtiss-Wright Corporation	United States	2.0	Aerospace & Defense
Howmet Aerospace, Inc.	United States	5.9	Aerospace & Defense
Stanley Black & Decker Inc.	United States	1.3	Machinery
Vertiv Holdings Co.	United States	7.5	Electrical Equipment
<b>Information Technology</b>			
Adobe Inc.	United States	2.9	Software
Advanced Energy Industries	United States	1.3	Electronic Equipment, Instruments & Components
Apple Inc.	United States	4.4	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	4.3	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	5.1	Software
NVIDIA Corp.	United States	7.0	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	3.1	Semiconductors & Semiconductor Equipment
Wolfspeed, Inc.	United States	0.6	Semiconductors & Semiconductor Equipment
<b>Materials</b>			
Albemarle Corp.	United States	1.4	Chemicals
Corteva, Inc.	United States	2.1	Chemicals
FMC Corp.	United States	1.4	Chemicals
<b>Cash &amp; Equivalents</b>			
Cash		1.9	

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

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