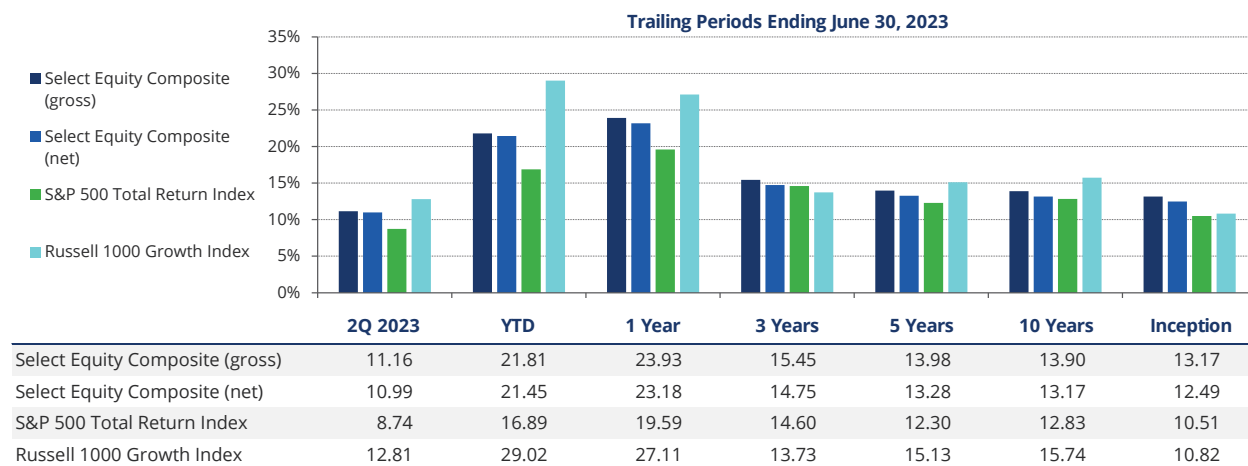

Hardman Johnston

Select Equity

2023 Second Quarter Report



Performance



Performance is through June 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: December 31, 1990.

Key Takeaways

- Market returns were strong in the face of bad news
- Higher interest rates will slow business activity and will likely cause a mild recession
- Recessions typically provide fresh investment opportunities

Market Review & Outlook

A banking crisis, a debt ceiling crisis, stubborn inflation, a stubbornly inverted yield curve, a continuing war with no end in sight. None of this sounds conducive to strong stock market returns, but with the S&P 500 up almost nine percent in the quarter, and close to seventeen percent for the first half, that is what we had. Yes, a lot of that performance was driven by the Information Technology sector, particularly companies involved in the development and proliferation of artificial intelligence, but other sectors of both the economy and the stock market remain strong as well, especially Consumer Discretionary and Industrial companies.

Looking forward, we fail to see how we can escape the stubbornly high inflation without a softening in wage inflation. This will inevitably be brought on by layoffs from businesses that have resisted letting people go given how hard it has been over the last few years to hire workers. We think this will probably lead to a, hopefully, mild recession late this year or early next. It will no doubt be painful for many but will assure the longer-term health of the US economy. If we can escape with a “soft landing”, so much the better, but it is hard to see that happening.

When we voice the prediction of a mild recession, we are inevitably asked what it means for the portfolio. The answer is always “opportunity”. We find companies that can grow. We find companies that have strong and durable competitive advantages. What is hard to find is the combination of those two traits with a valuation that we find acceptable as an entry point. Recessions often provide that opportunity. Based on our history, we do not expect abnormally high turnover, but we do expect that we will be able to add a small number of new holdings that will take up the mantle of performance over the next five years and more.

Portfolio Commentary

The Select Equity composite delivered a 10.99% return for the 2nd quarter, net of fees, compared to 8.74% for the S&P 500. Key contributors to the positive performance included NVIDIA Corp., Vertiv Holdings Co., and Adobe Inc. All are thought to be beneficiaries of the anticipated development and adoption of artificial intelligence technologies, which should prove to be a powerful driver of productivity in a tight labor market.

Detractors included FMC Corp., whose crop protection products saw slowing sales to distributors, partly due to overstocking and partly due to lower demand in the face of falling crop prices. Universal Display Corp. also languished given soft current smartphone sales as we wait for wider adoption of their organic LED technology in larger displays and the commercial roll out of their blue emitter. Finally, Illumina, Inc.’s stock continues to tread water with management turnover and lack of clarity on the disposition of its Grail diagnostics division. We believe that the longer-term outlook for all three holdings looks good.

Quarterly Attribution* & Portfolio Activity

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	S&P 500	Rep. Portfolio	S&P 500	
Industrials	13.0	8.4	19.5	6.6	1.2%
Info. Technology	28.4	26.7	19.1	17.2	1.9%
Consumer Staples	0.0	7.1	0.0	0.5	0.5%
Energy	0.0	4.4	0.0	-0.9	-0.9%
Utilities	0.0	2.8	0.0	-2.5	-2.5%
Financials	13.1	12.7	7.6	5.4	2.2%
Real Estate	0.0	2.5	0.0	1.6	1.6%
Health Care	29.8	14.1	6.5	3.0	3.5%
Comm. Services	6.7	8.4	13.6	13.1	0.5%
Cons. Discretionary	0.0	10.1	0.0	14.6	-14.6%
Materials	8.5	2.5	-6.3	3.3	-9.6%
Cash	0.6	0.3	1.2	1.3	0.1%

Contributors & Detractors

Second Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
Largest Contributors			Largest Contributors		
NVIDIA Corp.	5.57	1.37	NVIDIA Corp.	3.90	3.09
Vertiv Holdings Co.	2.42	1.32	Vertiv Holdings Co.	2.18	2.49
Adobe Inc.	3.04	0.45	Howmet Aerospace, Inc.	4.59	1.52
Largest Detractors			Largest Detractors		
FMC Corp.	3.04	-0.77	Edwards Lifesciences Corp.	3.13	-0.72
Universal Display Corp.	2.63	-0.47	PayPal Holdings, Inc.	0.86	-0.72
Illumina, Inc.	1.35	-0.40	FMC Corp.	3.34	-0.66

Quarterly Initiations

None

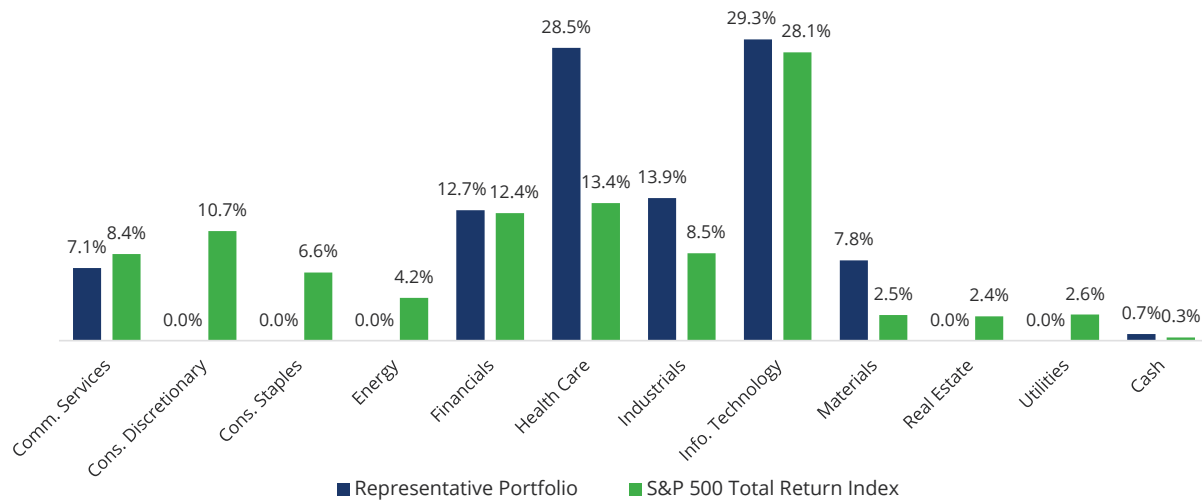
Quarterly Liquidations

None

Data for the quarter ending June 30, 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	
	2Q 2023	5 Year Average	2Q 2023	5 Year Average
Capitalization				
Weighted Average Market Cap (\$B)	532.4	333.8	682.1	428.0
Median Market Cap (\$B)	82.8	80.7	31.1	27.0
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%) ¹	14.2	14.1	10.6	11.6
Revenue Growth: 3 to 5 year forecast (%) ¹	8.2	9.5	5.8	7.4
Value Fundamentals				
P/E Ratio: 12 Months - forward ¹	24.5	24.0	24.9	22.5
P/E Ratio: 12 Months - trailing ¹	25.7	27.3	25.2	24.4
PEG Ratio: forward ¹	1.7	1.7	2.3	2.0
Dividend Yield (%) ²	0.9	1.1	1.5	1.7
Price/Book ³	5.4	5.2	4.0	3.6
Quality Fundamentals				
Return on Equity: 5 Year (%) ¹	20.3	21.5	22.2	22.5
Return on Invested Capital: 5 Year (%) ¹	16.5	15.8	16.8	15.2
Long-Term Debt / Equity (%)	87.7	74.3	94.6	89.0
Other				
Number of Positions	32	31	501	505
Beta: 3 year portfolio ⁴	1.0	1.0	1.0	1.0
Tracking Error: 5 Year Trailing (%)	3.3	--	--	--
Turnover: 12 Months - Trailing (%)	4.3	7.3	--	--

¹Interquartile weighted mean, ²MPT beta (daily), ³Based on aggregate purchases and sales over prior 12 months. Data as of June 30, 2023. **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
Communication Services			
Alphabet Inc.	United States	4.1	Interactive Media & Services
Comcast Corp.	United States	3.0	Media
Financials			
HDFC Bank Ltd.	India	2.9	Banks
Marsh & McLennan Cos. Inc.	United States	4.6	Insurance
Mastercard Inc.	United States	4.3	Financial Services
PayPal Holdings, Inc.	United States	1.0	Financial Services
Health Care			
AstraZeneca plc	United Kingdom	3.9	Pharmaceuticals
Becton, Dickinson & Co.	United States	3.3	Health Care Equipment & Supplies
Dentsply Sirona, Inc.	United States	2.8	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	3.1	Health Care Equipment & Supplies
Illumina, Inc.	United States	1.2	Life Sciences Tools & Services
IQVIA Holdings Inc.	United States	3.3	Life Sciences Tools & Services
Johnson & Johnson	United States	2.7	Pharmaceuticals
Medtronic plc	United States	1.8	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.5	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	4.0	Biotechnology
Industrials			
Automatic Data Processing, Inc.	United States	2.8	Professional Services
Howmet Aerospace, Inc.	United States	5.1	Aerospace & Defense
Leidos Holdings Inc.	United States	1.3	Professional Services
Stanley Black & Decker Inc.	United States	1.4	Machinery
Vertiv Holdings Co.	United States	3.3	Electrical Equipment
Information Technology			
Adobe Inc.	United States	3.4	Software
Advanced Energy Industries	United States	1.7	Electronic Equipment, Instruments & Components
Apple Inc.	United States	6.0	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	3.7	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	4.8	Software
NVIDIA Corp.	United States	6.1	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	2.3	Semiconductors & Semiconductor Equipment
Wolfspeed, Inc.	United States	1.4	Semiconductors & Semiconductor Equipment
Materials			
Albemarle Corp.	United States	2.7	Chemicals
Corteva, Inc.	United States	2.5	Chemicals
FMC Corp.	United States	2.6	Chemicals
Cash & Equivalents			
Cash		0.7	

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

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