Hardman Johnston Large Cap Equity

2018 FIRST QUARTER REPORT

Hardman Johnston
Global Advisors

COMPOSITE PERFORMANCE (%) (period ending March 31, 2018)

	1st QTR	1 Year	3 Years	5 Years	10 Years	Inception
Large Cap Equity (gross of fees)	0.12	12.93	10.63	13.01	10.55	11.30
Large Cap Equity (net of fees)	-0.02	12.31	10.00	12.36	9.91	10.89
S&P 500 Total Return Index	-0.76	13.99	10.72	13.24	9.44	9.65

Performance is preliminary through March 31, 2018. Periods greater than one year are annualized. **Past performance does not guarantee future results.** Net performance reflects the deduction of advisory fees. Composite inception date: December 31, 1989.

KEY TAKEAWAYS

- Volatility returns as inflation, interest rates and global trade weigh on share prices
- US economy strengthens, tax cuts boost company earnings potential
- Synchronized global growth continues but confidence starts to soften in Europe after strong 2017
- The Information Technology and Health Care sectors were the largest contributors to performance in the first quarter; Adobe Systems Inc. (+23%) and Edwards Lifesciences Corp. (+24%) were the top contributors

MARKET REVIEW AND OUTLOOK

It would sound silly to say that we enjoyed the sharp pullbacks the market has experienced since we last wrote you, but we do welcome the end of relentless upward pressure on equities and feel that the recent volatility is, in fact, a healthy development. Sure, it is uncomfortable, and we hope it is not a portent of a bear market in the near term, but we were increasingly nervous about two years of uninterrupted gains and an increasingly rich valuation for most companies.

It is easy to attribute the volatility to threats of a trade war, or threats of real wars, or threats to the ability of technology companies to deliver valuable services to their users, or to changes in the direction of monetary policies, but those are just excuses for the selloff. In fact, the outlook for the global economy is as good as it has been in years. All the major regions are growing and forecasts for corporate profit growth, the real long term determinant of stock prices, are strong. Instead the volatility is mostly a function of professional and retail investors deciding that they have made some healthy gains in their portfolios, that the largest drivers of the market may have gotten a little too richly valued, and that equity risk, after years of being ignored and in the face of some "headline risk", may rear its head.

We welcome the volatility for two reasons. Firstly, it takes the bubble out of play. We never approached the valuations we saw in 2000 and it looks unlikely that we will in this cycle. While prices got a little rich, they were never irrational. Bubbles still occur (think Bitcoin and the Crypto-Currency phenomenon), but the larger stock market is not among them, as of now.

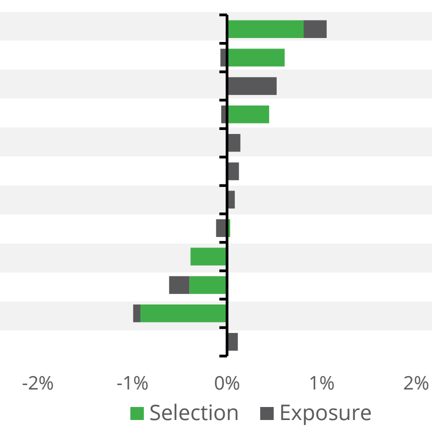
Secondly, it makes our job a little easier. Remember that our philosophy requires three things for a new stock to make it into the portfolio: 1) a competitive advantage 2) attractive growth prospects and 3) an over-reaction or some other form of mispricing in the stock. With markets going up and up in unison it had become increasingly difficult to achieve the third criteria. A disciplined approach compelled us to not chase the market darlings when they were priced for perfect execution, and few other companies were advantageously priced in the general run-up. Fortunately, our existing holdings enjoy both growth and competitive advantages and have generally performed well. Our long investment horizon allowed us to stay with them, but the natural lifecycle of even the best companies compels us to eventually trim or sell some positions and to find fresh replacements. That has been a challenge for the past year or more. On the other hand, a market where there is some tension between buying and selling provides dislocations and opportunities.

In the short to medium term, say 2 years or so, we are constructive on the outlook for the global economy and growth in corporate profits. The US economy is accelerating, Europe and Japan are growing at a more moderate but apparently sustainable pace, and China's government appears committed to continuing the pivot from an export driven to a consumption driven economy. It is inevitable that this expansion will eventually die of natural causes, but that end has yet to appear over the horizon.

Longer term, we are excited by the innovation and creativity that companies are using to solve problems. We are encouraged by an environment that rewards investment, despite the legitimate and important dialog about the desire for innovation balanced with the need for reasonable privacy and job security. We are energized by the productivity opportunity that US, and indeed, global businesses have in front of them as a result of tighter labor markets. We feel that this will spur an investment in production that in turn will boost overall output. We are excited about alternative energy, electric vehicles and other technologies that will make a long run difference in our stewardship of the planet. Most of all, we are gratified by the trust our clients place in us as they allow us to pursue work that we consider both an enormous privilege and a heavy responsibility.

PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Relative Attribution
	Portfolio	S&P 500	Portfolio	S&P 500	
SECTOR					
Info. Technology	28.8	22.9	6.2	3.1	
Health Care	26.6	13.9	1.1	-1.3	
Consumer Staples	0.0	7.8	0.0	-7.1	
Financials	8.6	16.5	5.5	0.0	
Telecom. Services	0.0	1.9	0.0	-7.5	
Real Estate	0.0	2.7	0.0	-5.0	
Utilities	0.0	2.7	0.0	-3.3	
Energy	7.6	5.8	-5.6	-5.9	
Industrials	9.5	10.2	-5.5	-1.6	
Cons. Discretionary	6.5	12.6	-3.2	3.1	
Materials	4.6	2.9	-23.0	-5.5	
Cash	7.8	0.0	0.4	0.4	



Data as of the period ending March 31, 2018. 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 Growth Equity strategy and is for informational purposes only. Exposure refers to the contribution of the active segment weights to the total relative return. 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.

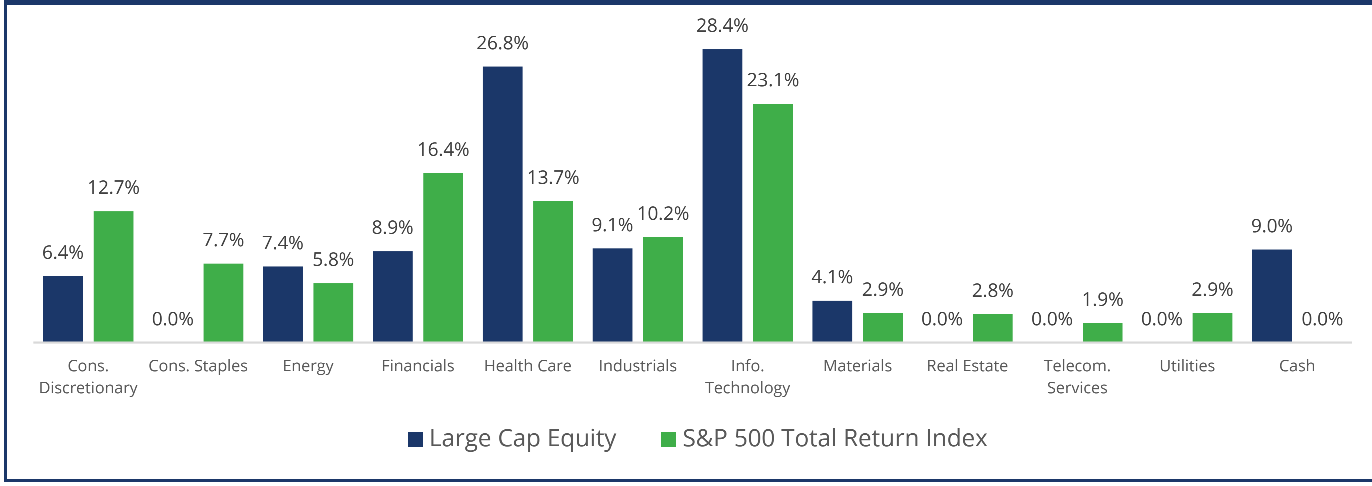
PORTFOLIO COMMENTARY

The Large Cap Equity composite ended the quarter effectively flat after a strong January and give backs in both February and March. As discussed above, volatility has returned!

As usual, we saw both good and bad in the quarter. Adobe Systems, Edwards Lifesciences, and MasterCard had strong performances. Adobe's recurring revenues continue to grow, and customers are buying more of the company's products for their digital content creation and management. Edwards reported results that boosted confidence in future growth for trans-catheter heart valves. Finally, MasterCard, at the center of the cashless transaction trend, benefited from strong volumes in a strengthening global economy.

On the other hand, the three greatest laggards were Albemarle, FMC, and Comcast. Albemarle and FMC were both subjects of a scare about lithium over-supply over the next few years. Apparently the buyers of this important metal for making batteries for everything from iPhones to Teslas don't share that point of view and are increasingly signing long term supply contracts to avoid shortages over the same time period. We remain constructive on the long term outlook for both companies. Comcast shareholders were nervous as they tried to discern what the company's strategy was with regard to large media purchases. With discussions of buying the British broadcaster Sky or its American peer, Fox, rumored or announced, some shareholders decided to step to the sidelines and await the outcome.

SECTOR ALLOCATIONS (period ending March 31, 2018)



PORTFOLIO ACTIVITY

In the first quarter we added two new positions, Vertex Pharmaceuticals and Nippon Shinyaku. Vertex, a biotechnology company, is making great strides in helping patients with cystic fibrosis, a devastating disease for which few good treatments are available. Their "doublet" (two drugs delivered together) therapies are working well, but a "triplet" therapy is in clinical trials and may prove to be a game changer.

Nippon Shinayku has launched Uptravi, a drug that has proven effective in treating certain types of high blood pressure, and has a pipeline with promising drugs to treat other blood disorders as well as a form of muscular dystrophy. While focused on the Japanese market, the company enjoys royalties from sales of its innovative drugs around the world.

We sold our position in NXP Semiconductors, pending their take out by Qualcomm.

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FIRST QUARTER	Average Weight (%)	Contribution to Return (%)	LAST TWELVE MONTHS	Average Weight (%)	Contribution to Return (%)
Largest Contributors			**Largest Contributors**		
Adobe Systems Inc.	3.36	0.71	Adobe Systems Inc.	3.30	1.73
Edwards Lifesciences Corp.	2.69	0.53	Microsoft Corp.	3.63	1.29
Mastercard Inc.	2.93	0.40	Mastercard Inc.	2.58	1.19
Largest Detractors			**Largest Detractors**		
Albemarle Corp.	2.18	-0.64	General Electric Co.	1.86	-1.44
FMC Corp.	2.41	-0.47	Dick's Sporting Goods Inc.	0.82	-1.03
Comcast Corp.	3.04	-0.43	Celgene Corp.	2.45	-0.67

Past performance does not guarantee future results. A full list of securities held as of March 31, 2018, contribution to performance and the methodology to calculate is available upon request. The data shown is of a representative portfolio for the Hardman Johnston Large Cap 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. 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.

PURCHASES - FIRST QUARTER		LIQUIDATIONS - FIRST QUARTER
Nippon Shinyaku Co.	Vertex Pharmaceuticals	NXP Semiconductors N.V.

The holdings identified represent all new positions and liquidations in the Hardman Johnston Large Cap Equity strategy for the quarter-to-date period ending March 31, 2018. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. . The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable.

PORTFOLIO CHARACTERISTICS (period ending March 31, 2018)	Large Cap Equity	S&P 500 Total Return
Capitalization		
Weighted Average Market Cap ($B)	147.6	199.4
Median Market Cap ($B)	49.3	20.9
Growth Fundamentals		
EPS Growth: 3 to 5 year forecast (%)[1]	13.7	11.9
EPS Growth: 5 year trailing (%)[1]	7.5	7.5
Value Fundamentals		
P/E Ratio: 12 Months - forward[1]	21.0	17.4
P/E Ratio: 12 Months - trailing[1]	33.5	26.1
Dividend Yield (%)[2]	1.3	1.9
Price/Book[3]	4.1	3.1
Quality Fundamentals		
Return on Equity: 5 Year (%)[1]	15.5	17.2
Return on Invested Capital: 5 Year (%)[1]	11.5	12.1
Other		
Number of Stock Holdings	51	506
Beta: 3 year portfolio[4]	0.89	1.00

[1]Interquartile weighted mean, [2]Weighted mean, [3]Weighted harmonic mean, [4]MPT beta.

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PORTFOLIO HOLDINGS (period ending March 31, 2018)			
Sector / Company	**Country**	**Weight (%)**	**Industry**
Consumer Discretionary			
adidas AG	Germany	0.6	Textiles, Apparel & Luxury Goods
Alibaba Group Holding Ltd.	China	1.0	Internet & Direct Marketing Retail
Comcast Corp.	United States	2.7	Media
LVMH	France	1.1	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	1.1	Hotels, Restaurants & Leisure
Energy			
EOG Resources, Inc.	United States	2.4	Oil, Gas & Consumable Fuels
Occidental Petroleum Corp	United States	2.5	Oil, Gas & Consumable Fuels
Schlumberger Ltd.	United States	2.6	Energy Equipment & Services
Financials			
AIA Group Ltd.	Hong Kong	1.2	Insurance
HDFC Bank Ltd.	India	1.1	Banks
Marsh & McLennan Cos. Inc.	United States	3.5	Insurance
Mastercard Inc.	United States	3.1	Consumer Finance
Health Care			
AstraZeneca	United Kingdom	1.1	Pharmaceuticals
Bayer AG	Germany	0.8	Pharmaceuticals
Becton, Dickinson & Co.	United States	3.3	Health Care Equipment & Supplies
Celgene Corp.	United States	1.4	Biotechnology
Cerner Corp.	United States	1.6	Health Care Technology
Edwards Lifesciences Corp.	United States	3.0	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	2.5	Life Sciences Tools & Services
Johnson & Johnson	United States	2.4	Pharmaceuticals
Koninklijke Philips N.V.	Netherlands	0.6	Health Care Equipment & Supplies
Medtronic plc	Ireland	2.2	Health Care Equipment & Supplies
Nevro Corp.	United States	0.9	Health Care Equipment & Supplies
Nippon Shinyaku Co. Ltd.	Japan	0.2	Pharmaceuticals
Qiagen N.V.	Netherlands	0.6	Life Sciences Tools & Services
Quest Diagnostics Inc.	United States	1.8	Health Care Providers & Services
Shire plc	United Kingdom	0.4	Biotechnology
Varian Medical Systems, Inc.	United States	2.5	Health Care Equipment & Supplies
Vertex Pharmaceuticals Inc.	United States	1.6	Biotechnology
Industrials			
Atlas Copco AB	Sweden	0.6	Machinery
Fanuc Corp	Japan	1.1	Machinery
General Electric Co.	United States	1.3	Industrial Conglomerates
Nidec Corp.	Japan	1.0	Electrical Equipment
Prysmian S.p.A.	Italy	0.9	Electrical Equipment
Safran S.A.	France	1.0	Aerospace & Defense
Stanley Black & Decker Inc.	United States	3.2	Machinery
Information Technology			
Adobe Systems Inc.	United States	3.4	Software
Alphabet Inc. Class A	United States	2.8	Internet Software & Services
Alps Electric Co., Ltd.	Japan	0.8	Electronic Equipment, Instruments & Components
Apple Inc.	United States	2.1	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	1.0	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	3.0	IT Services
Broadcom Ltd.	Singapore	1.0	Semiconductors & Semiconductor Equipment
Cisco Systems, Inc.	United States	2.7	Communications Equipment
Cognizant Technology Solutions	United States	3.1	IT Services
FLIR Systems Inc.	United States	2.5	Electronic Equipment, Instruments & Components
Infineon Technologies AG	Germany	1.0	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	4.1	Software
Tencent Holdings Ltd.	China	1.0	Internet Software & Services
Materials			
Albemarle Corp.	United States	1.9	Chemicals
FMC Corp.	United States	2.2	Chemicals
Cash & Equivalents			
Cash		9.0	

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