Hardman Johnston Global Equity

2018 FIRST QUARTER REPORT

Hardman Johnston Global Advisors

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COMPOSITE PERFORMANCE (%) (period ending March 31, 2018)	1st QTR	1 Year	3 Years	5 Years	10 Years	Inception
Global Equity (gross of fees)	4.19	28.14	16.86	15.49	10.86	10.65
Global Equity (net of fees)	4.02	27.27	16.03	14.66	10.10	9.90
MSCI AC World Net Index	-0.96	14.85	8.11	9.20	5.57	6.27
MSCI World Net Index	-1.28	13.59	7.96	9.70	5.90	6.29

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. The MSCI AC World Net is the benchmark index. Effective April 1, 2015, the Company changed the primary benchmark for its Global Equity strategy to the MSCI All Country World Net Index ("ACWI"). Going forward, the Firm will continue to show historical performance versus the MSCI World Net Index ("World") and future performance will show MSCI World Net Index as a supplemental index. The inception date of the composite is December 31, 2005.

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
- Global Equity Composite returned 4.0%, net, beating the MSCI ACWI return of –1.0% and the MSCI World return of –1.3%
- The Information Technology and Consumer Discretionary sectors were the largest contributors to performance in the first quarter; PTC Inc. (+28%) and Amazon.com Inc. (+24%) were the top contributors

MARKET REVIEW

After the calm market conditions of 2017, volatility returned in the first quarter of 2018. The Dow Jones Industrial Average lost 1,175 points on February 5, marking its worst one-day point decline ever. In the same session, both the Dow and the S&P 500 endured their worst sessions since 2011 in percentage terms, as they fell by over 4%, with most global markets following suit. It was a clear reminder the market recovery is getting long in the tooth and that another downturn draws ever closer.

The catalyst for the slide was higher-than-expected US wage growth, which drew attention to the potential for rising inflation and sharper interest rate hikes. Markets quickly regained their composure by focusing on strong underlying economic performance and the stimulus effect of tax cuts.

Across the US, businesses increased capex and handed out bonuses to staff. Meanwhile, higher wages and continued employment growth helped drive consumer confidence to its highest level since 2000, according to the Conference Board's measure. When Federal Reserve Chairman Jerome Powell unveiled a 0.25% interest rate rise in March and guided to faster tightening, markets were prepared.

Yet while the US bounced back from the shock, European confidence started to slip. Figures released in February showed that the Eurozone grew by 2.7%, narrowly outstripping the US. Yet despite European economists' projections for positive comparable growth in 2018, confidence slipped. The European Commission's Economic Sentiment Indicator dipped for the third consecutive month in March – although it does remain at a high level.

Similarly in Japan, there are signals of slowing growth as the economy expanded at an annualized rate of just 0.5% in the fourth quarter, well below forecasts. The IMF predicts that Japan will struggle to keep up with other developed economies in 2018, due to limited expansion capacity and consumers' unwillingness to spend.

Before the end of the quarter, there were other sources of volatility at the company, sector and economy level. The revelation about the misuse of almost 90 million Facebook users' data contributed to a 14% fall in the company's share price over the last two weeks of March. Other tech stocks also fell, partly due to fears of increased regulatory scrutiny – although appetite for tougher regulation in the US remains low – as well as profit-taking after a strong run by the FAANGs.

We believe the broad tech sector still has significant potential for growth. While the recovery has driven employment and wages higher, productivity has lagged, in part due to a lack of investment. But now companies have a fiscal tailwind and plenty of firepower, with S&P 500 earnings forecast to rise by 16-18% in 2018 and again by 9% in 2019. Increased spending on software and automation should boost productivity and could drive another period of growth for the tech sector.

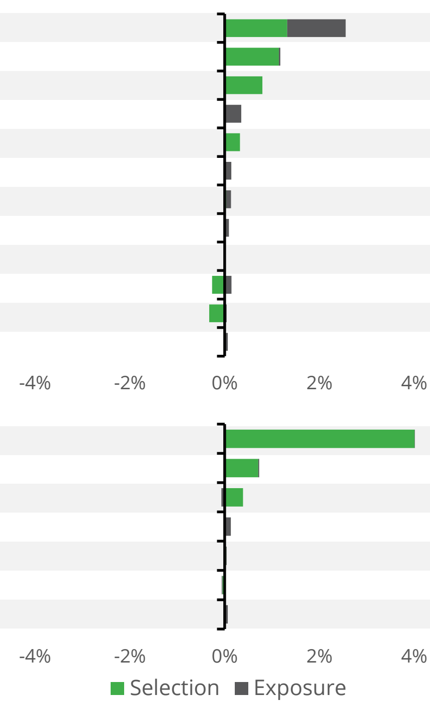
While tax cuts underpin ambitious growth forecasts, the threat of a global trade war loomed in the first quarter. President Trump's announcement of tariffs up to 25% on some $60 billion of Chinese imports provoked a predictable retaliation from China. According to researchers from Brookings, the Washington think tank, a trade skirmish in which tariffs rise by around 10% would reduce GDP in the US by around 1.3% and in China by 4.3%. However, much higher tariffs of 40% would cause a deep global recession.

Discussions between the US and China allayed initial jitters – and were more in line with the White House model of tough talk followed by a more measured policy response. Still the prospect of tariffs cast a long shadow globally. Germany's DAX – with a high component of exporting industrials reliant on imported steel and other materials – was among the period's notable underperformers, down almost 9%.

Geopolitical fears festered during the quarter. The potential for dialogue between North Korea, its neighbors, and the US marked a potentially welcome shift in relations. However, increasing Russian belligerence and alleged activity outside its borders were cause for concern. Furthermore, constitutional changes in China that put more power in the hands of President Xi Jinping must be tracked closely. The Chinese economy continues to hum along, but there is always the potential for regulatory change and we are keeping an eye on developments.

PERFORMANCE ATTRIBUTION: 1Q 2018

	Average Weight		Total Return		Relative Attribution
	Portfolio	ACWI	Portfolio	ACWI	
SECTOR					
Info. Technology	45.4	17.4	5.8	2.8	
Cons. Discretionary	14.0	12.7	9.9	1.2	
Financials	12.6	19.7	5.7	-0.6	
Consumer Staples	0.0	8.4	0.0	-4.9	
Health Care	13.2	10.7	1.1	-1.0	
Telecom. Services	0.0	2.9	0.0	-5.4	
Energy	2.3	6.2	-3.2	-3.8	
Real Estate	0.0	2.9	0.0	-3.6	
Utilities	0.0	2.8	0.0	-1.3	
Materials	0.9	5.5	-11.6	-3.7	
Industrials	3.9	10.9	-9.4	-1.6	
Cash	7.7	0.0	0.4	0.0	
REGION					
North America	59.2	54.9	5.7	-1.1	
Europe & Middle East	11.7	15.4	4.9	-1.2	
Japan	4.1	7.9	10.9	0.8	
United Kingdom	1.4	5.6	-4.4	-3.9	
Emerging Markets	12.0	12.1	1.4	1.4	
Pacific Ex Japan	4.0	4.1	-6.6	-4.0	
Cash	7.7	0.0	0.4	0.0	



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 Global 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.

PORTFOLIO COMMENTARY

- Global Equity outperformed the MSCI ACWI by nearly 500 bps during the first quarter
- Security selection and an overweight position in Information Technology and selection in Consumer Discretionary drove positive relative results while positioning in Industrials modestly detracted
- Security selection in the United States and Europe were top contributors from a regional perspective; selection in Pacific ex Japan was a marginal drag on relative results during the quarter

LARGEST CONTRIBUTORS

PTC Inc. (+1.0% contribution, +28.4% total return) eased investors' fears regarding weak bookings in Japan during 2017 when the Company reported solid third quarter results showing a rebound in performance in Japan, which sparked a new wave of buying from investors that continued into the first quarter. Moreover, the 4th quarter result reported in January confirmed that PTC is firing on all cylinders with new bookings 14% ahead of the Street's expectations. Included in the result was an important $7M business win for Product Lifecycle Management (PLM) and Internet of Things (IoT) with BMW, previously not a client.

Amazon Inc. (+0.9% contribution, +23.8% total return) had a strong run in January leading into their earnings release in early February. E-commerce penetration through their Prime services continues to grow globally while AWS (Amazon Web Services) addresses a massive market opportunity. Amazon also announced they would be partnering with Berkshire Hathaway and JP Morgan to form an independent health care company for their employees in the US. This will allow Amazon to expand their reach leveraging their technology and scale to reign in health care costs.

Adobe Systems Inc. (+0.9% contribution, +23.3% total return) continues to impress, delivering upside to revenue and expanding margins. The Creative Cloud business continues to benefit from very robust demand, driving impressive 35% revenue growth. Further momentum is expected from an upcoming price increase, which is not well factored into the market's expectations.

LARGEST DETRACTORS

Celgene Corp. (-0.4% contribution, -12.3% total return) has been a global leader in biopharmaceuticals but our view of the company has changed. The company's M&A deals have lacked clear rationale and were poorly executed (i.e. purchase price paid relative to quality of asset). Additionally Celgene's lead multiple myeloma drug, Revlimid, is facing a looming patent cliff. Lastly, near to medium-term pipeline events which are not already incorporated in consensus estimates are scarce. As a result, we no longer believe Celgene is the best option in the large biopharmaceuticals space to deliver double-digit growth over the long term and liquidated the position during the quarter.

Stanley Black & Decker, Inc. (-0.4% contribution, -9.4% total return) shares slumped as news of potential steel tariffs weighed on sentiment. Stanley Black & Decker procures approximately $250M of steel annually. Moreover, the market became more sensitive to the potential impacts of rising rates on the housing market, which has direct implications for Stanley Black & Decker's Tools and Storage business. However, despite rising rates and potential affordability concerns, the US Housing market is expected to continue to unfold at a modest pace of growth in 2018, supported by very low existing home inventory, robust housing prices, solid consumer confidence, availability of credit, and good construction job growth. Tariffs remain an open concern, but in the long run, we believe Stanley Black & Decker enjoys an enviable global manufacturing footprint coupled with a strategy to 'make it where it's sold', as well as a track record of launching new innovative products that should present an opportunity to offset a portion of the tariff impact with higher pricing.

Facebook, Inc. (-0.3% contribution, -9.5% total return) shares declined as controversy following revelations related to Russia's tampering of US elections, and specifically, Cambridge Analytica's data dump from 83 million Facebook users has caused a sharp sell off during the past several weeks. We sold half the position in the first week of March and are closely evaluating developments as we seek to gain more clarity on the fallout and longer term implications.

PORTFOLIO ACTIVITY

- During the quarter, we initiated positions in Becton Dickenson & Co., Melco Resorts & Entertainment Ltd., and Vertex Pharmaceuticals, and liquidated our holdings in Albemarle Corp., Apple Inc., and Celgene Corp.

INITIATIONS

Becton, Dickenson & Co. is a global medical technology company that is a recognized leader in medical research and clinical laboratories. In December 2017, the firm completed the acquisition of C.R. Bard, a medical technology company with complementary product offerings in interventional procedures. The acquisition created a medical technology leader in disease treatment and workflow. The combined company will be led by a strong management team that has a track record of delivering on near-term and long-term synergies from M&A to drive earnings growth beyond guidance.

Melco Resorts & Entertainment Ltd. is a leading casino operator in the thriving Macau market. We believe the company is poised to benefit from increased demand in the Macau market following the destruction of demand in 2014 due to the Chinese anti-corruption campaign, the smoking ban and visa restrictions. We also believe the launch of Morpheus Tower at the City of Dreams in 2018 and the opportunity to improve efficiencies at Studio City following a potential ownership negotiation with JV partner, New Cotai, should push growth to high double-digit levels.

Vertex Pharmaceuticals Inc. is a prominent biotechnology firm with a leadership position in the treatment of cystic fibrosis (CF). Vertex continues to develop new options in the CF treatment space including synergistic triple combo therapies. The position in CF has been insulated by the high efficacy bar established by Vertex in its initial combos as well as limitations competitors face in developing proprietary combo therapies. The CF franchise is high growth and high margin and we believe this segment, coupled with the prospective growth from combo therapy development, presents us with a high quality company with prospects for sustainable double-digit EPS growth.

LIQUIDATIONS

Albemarle Corp.'s key investment risk came forth after a series of supply side news indicated that lithium supply would ramp up in greater volumes than expected. A period of high lithium prices last year appears to have driven the industry to over investment. We anticipated a scenario like this during our initial research on Albemarle, so we responded quickly to the changing landscape, exiting our investment in the days immediately following an announcement from SQM. SQM, a competitor of Albemarle, reached a deal with the Chilean regulator, CORFO, which allowed for an increase in SQM's production quota by an amount that could add roughly 25% to total annual production by 2025 and likely to begin ramping up as early as 2019. SQM is technically skilled, and along with Albemarle, has the lowest costs globally. Moreover, given Chile's national interest to reach 50% of global lithium production, CORFO devised an incentive structure that encourages higher volume at the expense of price. SQM is both capable and incentivized to bring cheap supply online, thereby pushing higher cost production further out on the cost curve and eroding support for high lithium prices.

Apple Inc.'s disappointing sales of iPhone X have quashed hopes for a super cycle. The elongated upgrade cycle will temper Apple's growth prospects, while robust, we forecast EPS will fall below our double-digit growth hurdle over the medium term. Further, we have concerns that the next few quarters might still contain risk for disappointments. As a result, we have exited our position in Apple.

Celgene Corp. refer to the largest detractors section on page 4 for liquidation rationale.

MARKET OUTLOOK

Renewed market volatility in 2018 is likely to be normal by historical standards, but may feel uncomfortable following the relative tranquility of 2017. We are in the late stages of a long period of expansion and such instability is only natural. We expect the existing tension between buyers and sellers to continue throughout 2018.

On the plus side, there is more mileage in the current synchronized global economic growth. Fiscal policy and a light touch approach to regulation will be particularly supportive in the US, where consumer spending and company capex should continue to tick up. The global growth picture should be supportive of energy and commodities as oil trades at its highest price for three years.

Deflation fears have largely receded. However, the potential for a meaningful acceleration in inflation remains low as most developed countries continue to track below 2%. As a result, monetary policy will remain loose to support growth. While the Eurozone, Japan and the UK may follow the US in raising interest rates in 2018 and 2019, the pace of tightening is likely to be measured.

The potential for trade war will keep markets on edge for the foreseeable future. While the US and China continue to talk, a tariffs conflict is the biggest concern for the global economy and markets at the moment, followed by the prospect of over-eager monetary tightening.

The end of exuberance and the return of investor caution is a welcome development for active managers like Hardman Johnston. We see a slight lowering of company valuations but believe that the overall environment will remain supportive of equities. Ultimately, companies will sink or swim on their own merits, meaning that shrewd investors, with their ability to identify mispriced or underappreciated growth prospects, will be best placed to outperform.

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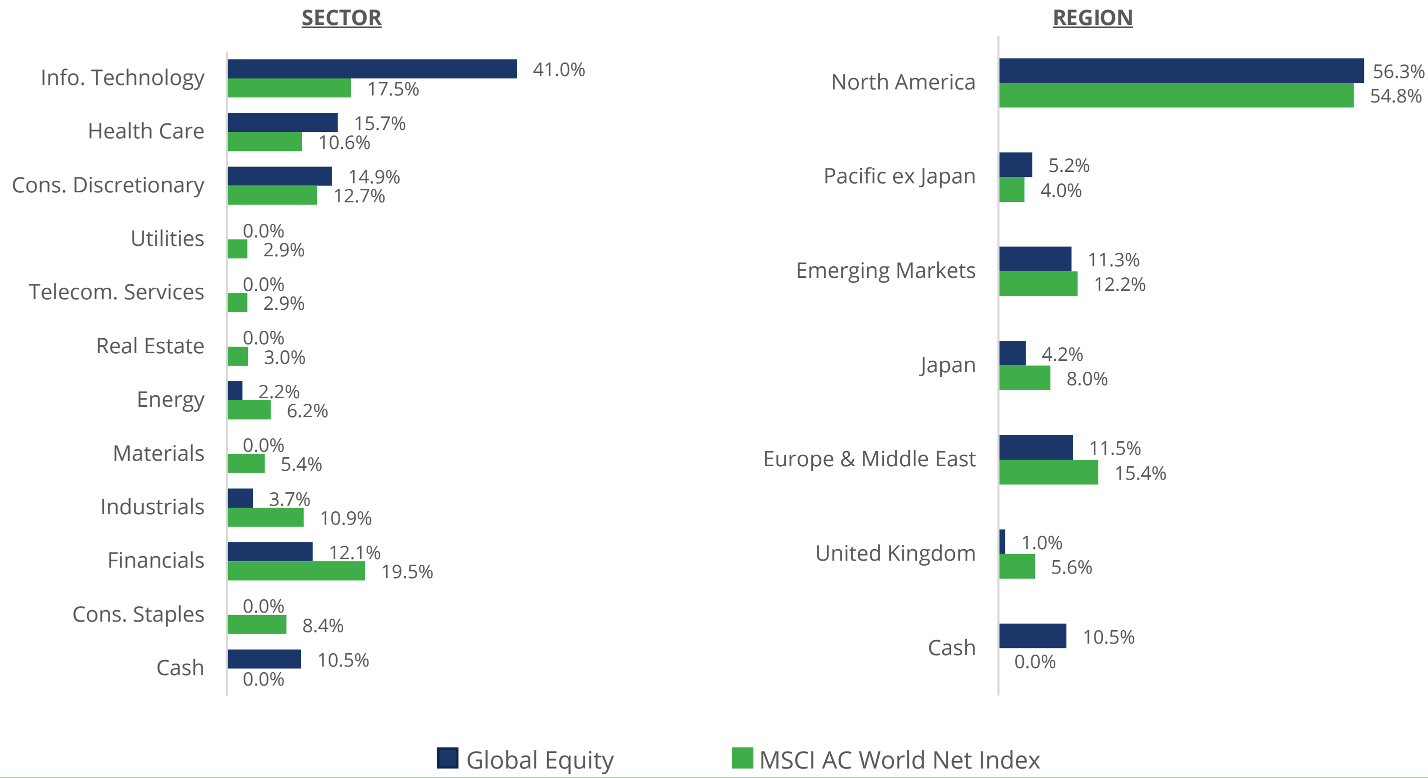
PORTFOLIO ALLOCATIONS (period ending March 31, 2018)



PORTFOLIO CHARACTERISTICS (period ending March 31, 2018)

	Global Equity	MSCI AC World Net Index
Capitalization		
Weighted Average Market Cap ($B)	176.3	131.9
Median Market Cap ($B)	81.5	11.0
Growth Fundamentals		
EPS Growth: 3 to 5 year forecast (%)[1]	19.0	11.7
EPS Growth: 5 year trailing (%)[1]	17.4	8.8
Value Fundamentals		
P/E Ratio: 12 Months - forward[1]	24.8	16.8
P/E Ratio: 12 Months - trailing[1]	31.9	22.2
Dividend Yield (%)[2]	0.8	2.3
Price/Book[3]	4.9	2.2
Quality Fundamentals		
Return on Equity: 5 Year (%)[1]	13.8	15.1
Return on Invested Capital: 5 Year (%)[1]	11.1	10.5
Other		
Number of Stock Holdings	27	2,495
Beta: 3 year portfolio[4]	1.00	1.00

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

Past performance does not guarantee future results. Source: FactSet, Hardman Johnston Global Advisors LLC. The data shown is of a representative portfolio for the Hardman Johnst on Global 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 unrestricted strategy being proposed. 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 HOLDINGS (Period Ending March 31, 2018)			
Sector / Company	**Country**	**Weight (%)**	**Industry**
Consumer Discretionary			
Alibaba Group Holding Ltd.	China	3.8	Internet & Direct Marketing Retail
Amazon.com, Inc.	United States	4.0	Internet & Direct Marketing Retail
Kering S.A.	France	3.9	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	1.3	Hotels, Restaurants & Leisure
Starbucks Corp.	United States	1.9	Hotels, Restaurants & Leisure
Energy			
Schlumberger Ltd.	United States	2.2	Energy Equipment & Services
Financials			
HDFC Bank Ltd.	India	3.8	Banks
JPMorgan Chase & Co.	United States	4.2	Banks
Mastercard Inc.	United States	4.1	Consumer Finance
Health Care			
Becton, Dickinson & Co.	United States	4.1	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	4.2	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	3.8	Life Sciences Tools & Services
Shire plc	United Kingdom	1.0	Biotechnology
Vertex Pharmaceuticals Inc.	United States	2.6	Biotechnology
Industrials			
Stanley Black & Decker Inc.	United States	3.7	Machinery
Information Technology			
Adobe Systems Inc.	United States	4.1	Software
Alphabet Inc. Class A	United States	2.3	Internet Software & Services
Alphabet Inc. Class C	United States	1.1	Internet Software & Services
ASML Holding N.V.	Netherlands	3.9	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	3.9	IT Services
Broadcom Ltd.	Singapore	3.9	Semiconductors & Semiconductor Equipment
Cognizant Technology Solutions	United States	4.1	IT Services
Facebook Inc.	United States	2.0	Internet Software & Services
Infineon Technologies AG	Germany	3.7	Semiconductors & Semiconductor Equipment
Keyence Corp.	Japan	4.2	Electronic Equipment, Instruments & Components
PTC Inc.	United States	4.2	Software
Tencent Holdings Ltd.	China	3.7	Internet Software & Services
Cash & Equivalents			
Cash		10.5	

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