Hardman Johnston International Equity

2018 FIRST QUARTER REPORT

Hardman Johnston Global Advisors

Hardman Johnston Global Advisors LLC, 300 Atlantic Street, Stamford, CT 06901 T203 324 4722 hardmanjohnston.com

COMPOSITE PERFORMANCE (%) (period ending March 31, 2018)						
	1st QTR	1 Year	3 Years	5 Years	10 Years	Inception
International Equity (gross of fees)	1.32	25.33	10.88	10.18	7.31	11.38
International Equity (net of fees)	1.18	24.65	10.22	9.50	6.61	10.79
MSCI EAFE Net Index	-1.53	14.80	5.55	6.49	2.73	5.33
MSCI AC World ex US Net Index	-1.18	16.53	6.18	5.88	2.70	N/A

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 ex US Net Index is shown as supplemental information . The MSCI AC World ex US Index inception date is 1/1/2001. Composite inception date: September 30, 1993.

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
- International Equity Composite returned 1.2%, net, beating the MSCI EAFE return of –1.5% and the MSCI ACWI ex US return of –1.2%
- The Consumer Discretionary and Industrial sectors were the largest contributors to performance in the first quarter; ASML Holding N.V. (+14%) and Keyence Corp. (+11%) 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.

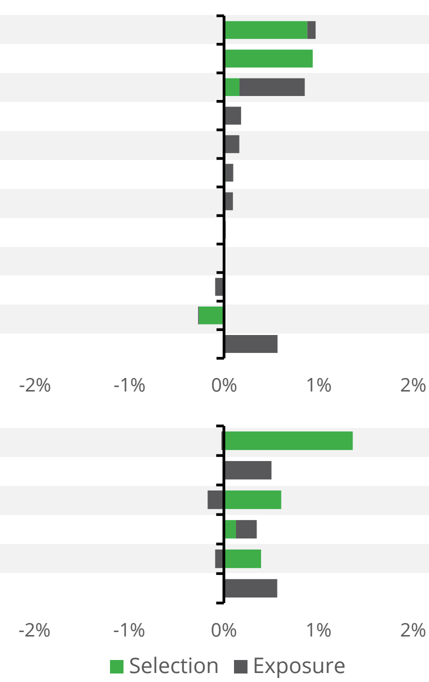
Discussions between the US and China allayed initial jitters – and were more in line with the White House model of tough talk followed by a more measured policy response. Still the prospect of tariffs cast a long shadow globally. Germany's DAX – with a high component of exporting industrials reliant 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	
	Portfolio	EAFE	Portfolio	EAFE
SECTOR				
Cons. Discretionary	16.5	12.5	5.9	0.7
Industrials	20.1	14.7	3.4	-1.5
Info. Technology	29.9	6.5	1.3	1.1
Materials	0.0	8.2	0.0	-3.8
Consumer Staples	0.0	10.9	0.0	-3.0
Financials	9.7	21.5	-1.8	-2.2
Telecom. Services	0.0	3.8	0.0	-3.9
Energy	0.0	5.3	0.0	-2.0
Real Estate	0.0	3.5	0.0	-1.5
Utilities	0.0	3.1	0.0	1.3
Health Care	14.0	10.0	-2.7	-0.9
Cash	9.8	0.0	0.3	0.0
REGION				
Europe & Middle East	35.7	46.5	2.4	-1.3
Emerging Markets	15.2	0.0	1.5	0.0
Japan	17.8	24.4	4.1	0.8
United Kingdom	7.4	17.3	-1.1	-3.9
Pacific Ex Japan	14.2	11.9	-2.0	-3.7
Cash	9.8	0.0	0.3	0.0

Relative Attribution



Preliminary 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 International 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

- International Equity outperformed the MSCI EAFE Index by over 270 bps during the first quarter
- Security selection in Consumer Discretionary and Industrials drove positive relative results while positioning in Health Care modestly detracted
- Security selection in Europe and exposure to Emerging Markets were top contributors from a regional perspective; no region detracted from results during the quarter

LARGEST CONTRIBUTORS

ASML Holding N.V. (+0.7% contribution, +14.2% total return) reported an impressive quarter that beat sales expectations by 20%. Continued solid and steady progress on next-generation EUV tools were apparent in the strong order book as well. Customers have already committed to the entirety of 2019 production and are now ordering tools for delivery in 2020.

Keyence Corp. (+0.6% contribution, +10.8% total return) continued to perform well in the first quarter after a strong 2017. In February, the company reported a close to 2017 that faced very high expectations from sell side analysts, and still Keyence beat net income estimates by 11%. Despite tough comps, Keyence showed accelerating growth and broad based strength across all regions and end markets. Keyence continues to be a core holding in industrial automation.

Nidec Corp. (+0.5% contribution, +10.1% total return) delivered strong operating profit growth driven by organic growth in Auto, Industrial, and Machinery segments. Auto continues to exceed the market's early expectations. The outlook for Nidec's organic growth in power steering, next generation breaking systems, and transmission applications continues to move higher, supported by significant existing wins on auto platforms that take it to 2021. Moreover, Nidec is increasing investment in response to greater order activity for its speed reducers for robots. Historically, speed reducers were dominated by competitors Nabtesco and Harmonic Drive, but Nidec is now winning market share.

LARGEST DETRACTORS

Alps Electric Co., Ltd. (-0.6% contribution, -13.6% total return) has been affected by disappointing Apple iPhone X unit sales as its dual-camera OIS (Optical Image Stabilizers) was expected to be a positive driver to earnings. We expect that in the 2018 iPhone lineup this fall, dual camera OIS will significantly grow its place in the portfolio. While we acknowledge that growth prospects are somewhat lower now, the upcoming consolidation with Alpine should generate significant synergies and position Alps Alpine to be an even more significant competitor in the auto supply chain with results in the auto segment already showing steady improvement. In addition, valuation is quite attractive.

Bayer AG (-0.3% contribution, -9.6% total return) aims to build a leadership position in the crop sciences sector spanning seeds and plant traits, crop protection, and non-agricultural pest control with the company's pending Monsanto acquisition. During the quarter the stock was negatively impacted by uncertainty around the timing and finality of approvals from regulators. Shortly after quarter-end Bayer was able to achieve regulatory permission from the U.S. DOJ, representing the last major regulatory hurdle for the deal. We believe the merger will be transformative for Bayer, and presents an opportunity to enhance efficiencies at a time when the agricultural sector may be at, or near, the "bottom" of a cycle that has seen depressed prices by inventory levels.

We were supportive of **Broadcom Ltd.'s (-0.3% contribution, -7.6% total return)** bid for Qualcomm, but the market understandably pressured Broadcom shares because of the uncertainty. Following President Trump's blocking of the bid on national security grounds, the market is uncertain about what other M&A Broadcom might pursue. We are confident that Broadcom's management are highly disciplined and shareholder focused. If attractive M&A is not on the horizon, we see this best-in-class management significantly stepping up cash returns with increases to both dividends and share buybacks.

PORTFOLIO ACTIVITY

- During the quarter, we initiated a position in Nippon Shinyaku Co. Ltd. and liquidated our position in NXP Semiconductors N.V.

INITIATIONS

Nippon Shinyaku Co. Ltd. is a Japanese based pharmaceuticals company with a strong internal R&D engine that has a proven track record domestically and internationally. We believe Nippon Shinyaku is currently trading below a fair value price of the commercial business, excluding growth prospects from its pipeline. The major growth drivers for the company are the efficiency of its internal R&D engine and its drug pipeline, particularly the drug NS-065 which targets Duchenne muscular dystrophy, a rare disorder where patients have no physical muscle function.

LIQUIDATIONS

NXP Semiconductors N.V. is in the process of being acquired by Qualcomm. We sold our remaining position as we realized the benefit of Qualcomm's increased offer with the stock trading at a very narrow spread. Our sale was well timed and avoided the recent market volatility that we have seen driven by fears of a US-China trade war.

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.

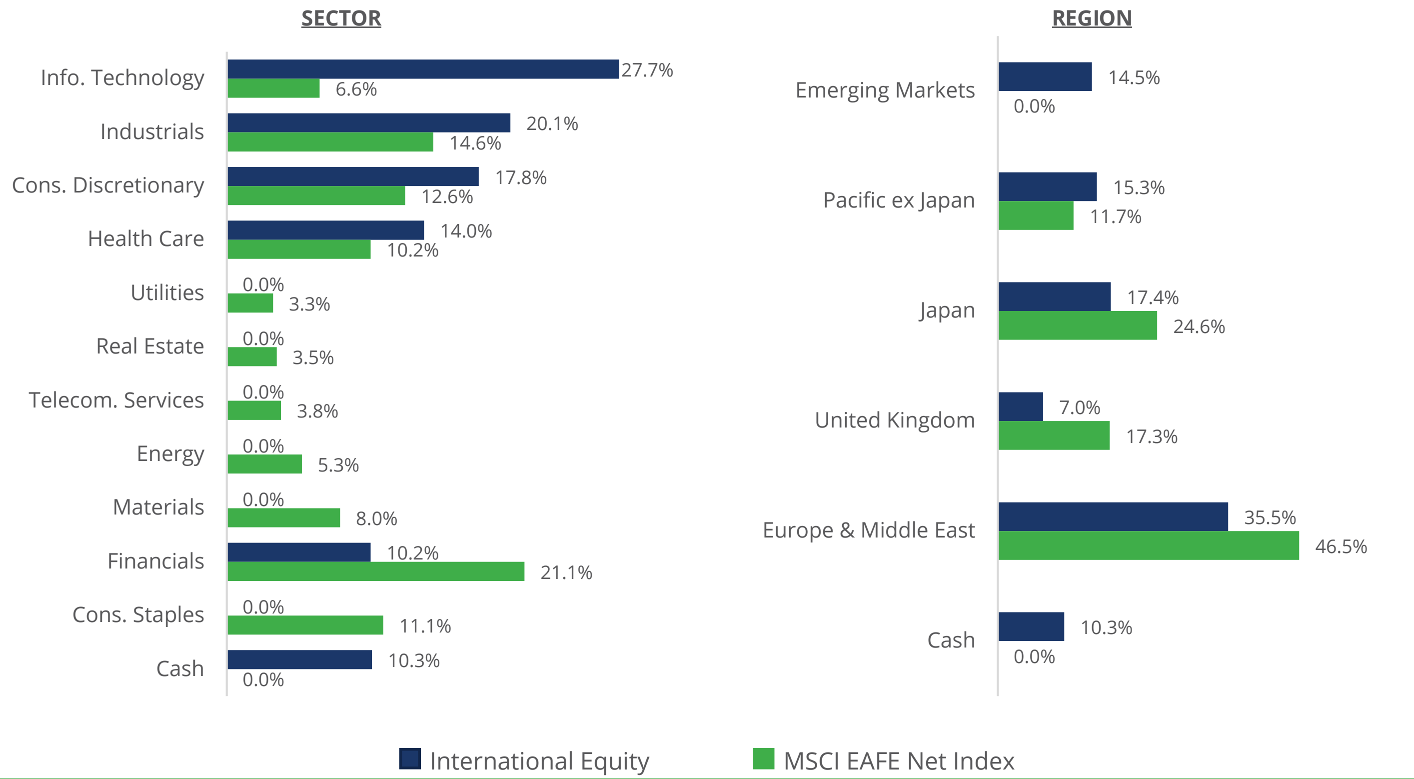
On the plus side, there is more mileage in the current synchronized global economic growth. Fiscal policy and a light touch approach to regulation will be particularly supportive in the US, where consumer spending and company capex should continue to tick up. The global growth picture should be supportive 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.

PORTFOLIO ALLOCATIONS (period ending March 31, 2018)



PORTFOLIO CHARACTERISTICS (period ending March 31, 2018)

	International Equity	MSCI EAFE Net Index
Capitalization		
Weighted Average Market Cap ($B)	101.3	60.6
Median Market Cap ($B)	50.8	11.4
Growth Fundamentals		
EPS Growth: 3 to 5 year forecast (%)[1]	16.0	9.6
EPS Growth: 5 year trailing (%)[1]	19.5	8.2
Value Fundamentals		
P/E Ratio: 12 Months - forward[1]	21.9	15.8
P/E Ratio: 12 Months - trailing[1]	26.8	18.1
Dividend Yield (%)[2]	1.3	3.1
Price/Book[3]	4.0	1.6
Quality Fundamentals		
Return on Equity: 5 Year (%)[1]	15.2	12.6
Return on Invested Capital: 5 Year (%)[1]	10.9	8.6
Other		
Number of Stock Holdings	22	927
Beta: 3 year portfolio[4]	0.83	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 International 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			
adidas AG	Germany	2.6	Textiles, Apparel & Luxury Goods
Alibaba Group Holding Ltd.	China	4.8	Internet & Direct Marketing Retail
Kering S.A.	France	5.1	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	5.3	Hotels, Restaurants & Leisure
Financials			
AIA Group Ltd.	Hong Kong	5.0	Insurance
HDFC Bank Ltd.	India	5.2	Banks
Health Care			
AstraZeneca	United Kingdom	5.3	Pharmaceuticals
Bayer AG	Germany	3.8	Pharmaceuticals
Nippon Shinyaku Co. Ltd.	Japan	0.8	Pharmaceuticals
Qiagen N.V.	Netherlands	2.4	Life Sciences Tools & Services
Shire plc	United Kingdom	1.7	Biotechnology
Industrials			
Atlas Copco AB	Sweden	2.6	Machinery
Fanuc Corp	Japan	2.8	Machinery
Nidec Corp.	Japan	5.1	Electrical Equipment
Prysmian S.p.A.	Italy	4.6	Electrical Equipment
Safran S.A.	France	5.0	Aerospace & Defense
Information Technology			
Alps Electric Co., Ltd.	Japan	3.7	Electronic Equipment, Instruments & Components
ASML Holding N.V.	Netherlands	4.8	Semiconductors & Semiconductor Equipment
Broadcom Ltd.	Singapore	4.9	Semiconductors & Semiconductor Equipment
Infineon Technologies AG	Germany	4.7	Semiconductors & Semiconductor Equipment
Keyence Corp.	Japan	5.1	Electronic Equipment, Instruments & Components
Tencent Holdings Ltd.	China	4.5	Internet Software & Services
Cash & Equivalents			
Cash		10.3	

Preliminary data as of 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 data shown is of a representative portfolio for the Hardman Johnston International 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 International Equity strategy. Future investments may or may not be profitable.