Hardman Johnston Global Equity

2018 THIRD QUARTER REPORT

Hardman Johnston Global Advisors

COMPOSITE PERFORMANCE (%) (period ending September 30, 2018)	3rd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Global Equity (gross of fees)	2.15	11.48	17.72	21.81	14.47	12.71	10.79
Global Equity (net of fees)	1.97	10.92	16.92	20.96	13.65	11.93	10.05
MSCI AC World Net Index	4.28	3.83	9.77	13.38	8.66	8.18	6.41
MSCI World Net Index	4.98	5.43	11.24	13.53	9.28	8.56	6.59

Performance is preliminary through September 30, 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"). The performance for the MSCI World Net Index ("World") is shown as a supplemental index. The inception date of the composite is December 31, 2005.

KEY TAKEAWAYS

- Markets bifurcate as trade war concerns weigh heavier on emerging market stocks
- Tax cuts help spur US growth and higher company profits, leading to record share buybacks
- Companies hold off capex due to trade outlook and US mid-term election uncertainty
- Global Equity Composite returned 1.97%, net, underperforming the MSCI ACWI return of 4.28% and the MSCI World return of 4.98%

MARKET REVIEW

It was a tough quarter for international equity investors but one which – in the longer run – should benefit those that held their nerve and exposure to emerging markets. The MSCI Emerging Markets Index was down 1.1% as trade war fears escalated. In Europe, the Stoxx 600 flatlined. US indices continued their upward march as the S&P 500 and the Nasdaq hit new highs and gained over 7%.

After a period of relatively coordinated progress, markets have bifurcated. While investors expect growth in the US, consensus suggests more turbulent times in emerging markets, as well as Europe. Our analysis differs in that we do not see such a wide divergence in performance as pricing suggests.

The US economy is doing well. GDP growth nearly doubled in Q2 to 4.2%, a performance it could sustain in Q3 (with the Atlanta Fed modeling 4.1% growth at the start of October). Consumer confidence is at levels not seen for almost two decades on the back of near-full employment and strong wage growth. Following the Fed's third interest rate hike of 2018 in September, expectations of another 0.25% hike in December are being priced in. Corporate tax cuts have clearly added fuel to the fire and are filtering into the real economy.

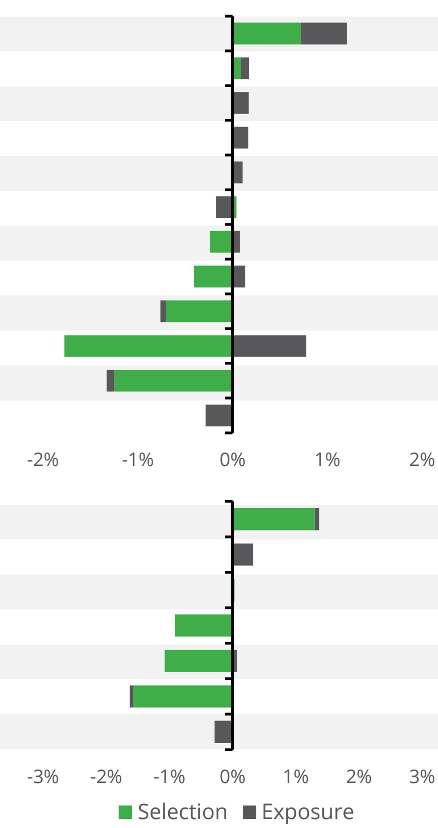
Lower taxes are also working their way into financial markets, with both positive and negative consequences. US company share buybacks could hit $1 trillion this year, led by Apple's $100 billion repurchase plan. While positive for investors' pockets, buybacks also highlight caution about the simmering US-China trade conflict. Returning cash to shareholders means companies are forgoing capital investments that could drive a steep change in productivity. There is further uncertainty for business from the finely-balanced US mid-term elections. As growth investors, we hope that companies will put more profits into capex when the outlook becomes clearer.

Conversely, we are not as bearish on emerging markets as some. China may take a hit from the extension of tariffs to another $200 billion of its US exports, but it does have growth levers it can pull on. The weakening of the Chinese Renminbi is helping offset the impact of higher export costs, while the authorities can always rekindle investment to boost GDP. It appears China is bracing for a protracted conflict and we do not underestimate its capacity to take a short-term hit to secure a long-term gain. Moreover, from a company perspective, results have been resilient and, to our mind, undervalue current performance and future prospects.

Other developed markets are not showing warning signals. In Japan, Shinzo Abe's appointment for a third term as Prime Minister is positive for the admittedly quiet reform working its way through the economy. While Europe has slowed, with Brexit and a new populist government in Italy presenting risks, the policy environment remains accommodative and growth has been solid. We do not believe synchronized global economic growth has come off the rails just yet.

PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Relative
	Rep. Portfolio	ACWI	Rep. Portfolio	ACWI	Attribution
SECTOR					
Health Care	19.4	11.5	14.8	10.9	
Financials	12.1	18.4	4.0	3.0	
Real Estate	0.0	2.9	0.0	-1.6	
Consumer Staples	0.0	8.0	0.0	2.1	
Utilities	0.0	2.9	0.0	0.6	
Industrials	0.3	10.6	5.7	5.9	
Energy	2.1	6.6	-8.4	2.4	
Materials	1.6	5.1	-22.7	0.3	
Comm. Services	10.0	9.0	-7.3	-0.4	
Info. Technology	30.7	14.4	3.3	9.4	
Cons. Discretionary	15.2	10.5	-5.2	2.7	
Cash	8.5	0.0	0.5	0.0	
REGION					
North America	61.1	57.5	9.2	7.0	
United Kingdom	0.0	5.4	0.0	-1.7	
Japan	3.5	7.4	2.9	3.7	
Pacific Ex Japan	3.2	3.7	-24.0	-0.5	
Europe	11.3	14.7	-7.2	2.0	
Emerging Markets	12.5	11.2	-12.6	-1.1	
Cash	8.5	0.0	0.5	0.0	



Preliminary data as of the quarter ending September 30, 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 underperformed the MSCI ACWI by approximately 230 bps during the third quarter
- Security selection and respective over/under weight positions in Health Care and Financials were the largest contributors during the quarter while security selection in Consumer Discretionary and Information Technology were the largest detractors
- Security selection in North America and no exposure to the United Kingdom contributed to performance from a regional perspective; security selection in Emerging Markets and Europe detracted from performance

LARGEST CONTRIBUTORS

After a strong run-up in the stock price heading into the second quarter earnings report, **IQVIA Holdings Inc. (+1.2% contribution, +30.0% total return)** delivered an even better than expected result in July, driven by strong performance in both core business segments, R&D solutions and Tech & Analytics. Importantly, the company's result featured a healthy book-to-bill ratio and an improving long-term outlook for the Next-Gen CRO platform, where management provided further evidence that the offering was resonating well with clients. Management also noted that it was the company's strongest bookings quarter ever and raised guidance for 2018 organic growth.

Edwards Lifesciences Corp.'s (+0.8% contribution, +19.6% total return) stock benefitted from positive implications out of the results of competitor Abbot's trial on transcatheter mitral valve repair (TMVR). Abbot and Edwards are the market leaders in this emerging treatment class and results for TMVR were well above expectations which represents a new multi-billion dollar market opportunity to pursue over the next several years.

Amazon.com, Inc. (+0.7% contribution, +17.8% total return) stock has continued its strong price performance, making new highs after reporting solid quarterly earnings at the end of July. The company reported robust revenue growth across all segments and stronger than expected profitability due to growth in the high margin Amazon Web Services and advertising businesses. Increased ecommerce penetration globally supplemented by increased Prime membership, a growing marketing business, and strong AWS growth will all continue to be drivers of earnings growth for the ecommerce giant.

LARGEST DETRACTORS

Melco Resorts and Entertainment Ltd. (-0.9% contribution, -24.0% total return) stock has underperformed with the rest of the Macau gaming operators due to investor concern of a deteriorating Chinese economy as a result of the trade tensions between the US and China. Although we have yet to see any major slowdown in Chinese spending or travelling, we are actively monitoring the situation. We continue to believe that Melco's recent opening of the Morpheus Hotel Tower will create significant value over time.

Tencent Holdings Ltd. (-0.7% contribution, -17.7% total return) shares underperformed in the third quarter due to delays in approval for the monetization of new online games as China restructures the relevant government agencies that oversee the video game industry. This approval process should resume soon after the restructuring is complete, which is expected to be done by the year-end. Moreover, trade war rhetoric has also weighed heavily on sentiment across all China-related holdings. While Tencent is not directly impacted by any potential disruption in trade, the derivative effect of a trade war could lead domestic companies to reign in advertising spending.

Alibaba Group Holding Ltd. (-0.4% contribution, -11.2% total return) stock underperformed during the quarter due to macro and regulatory uncertainty in China and concerns over increased investments. These negatives overshadowed strong quarterly results of revenue growth of over 60% and a well-received investor day that highlighted the long-term prospects for the company. Although we are seeing short term volatility, Alibaba continues to gain incremental market share, is capturing a larger share of the digital wallet market and is seeing strong growth across all segments.

- During the quarter, we initiated a position in Kratos Defense and Securities Solutions and liquidated our positions in Stanley Black and Decker, Inc. and Starbucks Corp.

PORTFOLIO ACTIVITY

INITIATIONS

Kratos Defense & Security Solutions, Inc. is a U.S. defense company that is focused on growing its business in unmanned aerial systems. The company embarked on a strategic investment program in high performance, jet-powered, unmanned drones in 2013. That strategy is about to pay off as the business is at a critical inflection point. The company has an ongoing series of programs already in production for their "target" drones. They have also been awarded contracts for other divisions outside of unmanned systems. Kratos has high visibility to underlying growth. Beyond that, the company has four development programs for "tactical" / combat drones that we believe are underappreciated by the market and can turn into significant revenue opportunities in the coming years.

LIQUIDATIONS

Throughout the year, **Stanley Black & Decker, Inc.** faced increasing pressure from multiple angles. First, the company is a net loser in the ongoing US-China trade spat, and guidance does not include the Section 301 Tariffs, nor subsequent escalation. Second, commodity cost inflation put significant pressure on Stanley's margins and those headwinds grew rapidly in size quarter over quarter. Lastly, the aging U.S. housing recovery began showing some signs of moderation during the summer, and with interest rates rising, slower end market growth is to be expected. Despite all of this, Stanley management maintained prior earnings guidance as they promised greater price increases, more productivity improvement in a shorter time, and also lifted their organic growth higher in their own model. We now believe it is a stretch to reach that guidance rather than it being an achievable target. We expect management to get a pass from sell-side in the immediate term, but later disappoint both in FY18 earnings and FY19 guidance, which we think would lead to prolonged underperformance in the shares.

Starbucks Corp. is the world's largest coffee chain with a large network of stores and global brand appeal. We liquidated our position during the quarter as fundamentals in the US remain challenged, competition in China has increased, and significant management turnover occurred, including Founder and CEO Howard Schultz and CFO Scott Maw. While we still admire the Starbucks brand, we now believe that it will take longer than originally anticipated to accelerate growth in the US and that the company may have to revise down their long-term growth algorithm.

MARKET OUTLOOK

Global growth should remain strong through the end of the year and into 2019, led by a robust US economy and resilience elsewhere in the world. That is not to say there aren't potholes to avoid along the road.

Looming largest is the US-China trade dispute, which will stymie long-term company planning and weigh on markets for the foreseeable future. It will have other negative effects, contributing to inflation as businesses pass on higher costs from tariffs, as well as the rising oil price and wage increases. While the US consumer is feeling good, higher prices – from goods to gasoline – will create increasingly strong headwinds.

That inflation will also be a double-edged sword with potential international repercussions. It provides the Fed with the impetus to continue normalizing interest rates, but will keep the dollar trading at high levels, making life tougher for exporters and heaping pressure on emerging markets debt.

We expect the Chinese economy to continue to slow at a modest pace – rather than alarming speed. Similarly in Europe, we see growth moderating, not collapsing, in spite of political uncertainty and Brexit negotiations going down to the wire.

Japan could be a bright light. After a testing summer of natural disasters, we expect solid growth to resume, helped by a stable political outlook and the relatively weak yen. The opening of bilateral trade talks with the US will keep Japan out of the direct firing line for tariffs and potentially underpin exports.

It is worth reiterating, as in previous quarters, that the outlook is broadly supportive of equities. Although valuations in the US are above long-term trends, pricing is not extreme. Meanwhile, in emerging markets, we believe the sell-off is overdone and that resilient company performance paves the way for a potential rebound in stocks.

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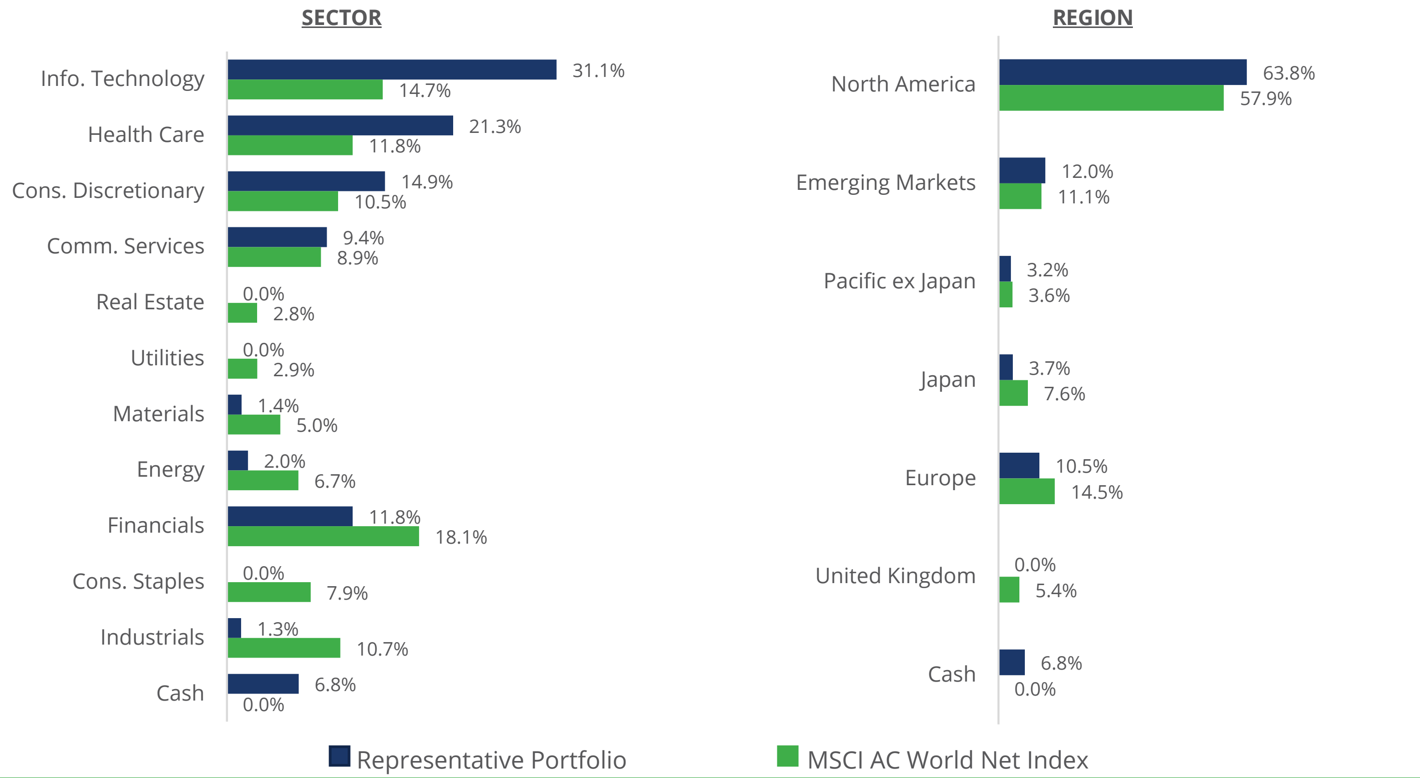
PORTFOLIO EXPOSURE (period ending September 30, 2018)



PORTFOLIO CHARACTERISTICS (period ending September 30, 2018)

	Representative Portfolio	MSCI AC World Net Index
Capitalization		
Weighted Average Market Cap ($B)	192.6	160.6
Median Market Cap ($B)	70.1	10.1
Growth Fundamentals		
EPS Growth: 3 to 5 year forecast (%)[1]	19.3	11.6
EPS Growth: 5 year trailing (%)[1]	14.5	7.8
Value Fundamentals		
P/E Ratio: 12 Months - forward[1]	24.7	17.3
P/E Ratio: 12 Months - trailing[1]	31.5	20.4
PEG Ratio: forward[1]	1.3	1.5
Dividend Yield (%)[2]	0.7	2.3
Price/Book[3]	5.0	2.3
Quality Fundamentals		
Return on Equity: 5 Year (%)[1]	12.9	15.1
Return on Invested Capital: 5 Year (%)[1]	10.2	10.6
Other		
Number of Positions	27	2,791
Beta: 3 year portfolio[4]	1.11	1.00

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

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PORTFOLIO HOLDINGS (period ending September 30, 2018)			
Sector / Company	**Country**	**Weight (%)**	**Industry**
Communication Services			
Alphabet Inc. Class A	United States	3.1	Interactive Media & Services
Alphabet Inc. Class C	United States	1.3	Interactive Media & Services
Facebook Inc.	United States	1.9	Interactive Media & Services
Tencent Holdings Ltd.	China	3.1	Interactive Media & Services
Consumer Discretionary			
Alibaba Group Holding Ltd.	China	3.2	Internet & Direct Marketing Retail
Amazon.com, Inc.	United States	4.6	Internet & Direct Marketing Retail
Kering S.A.	France	3.5	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	3.2	Hotels, Restaurants & Leisure
Puma SE	Germany	0.3	Textiles, Apparel & Luxury Goods
Energy			
Schlumberger Ltd.	United States	2.0	Energy Equipment & Services
Financials			
HDFC Bank Ltd.	India	3.4	Banks
JPMorgan Chase & Co.	United States	4.0	Banks
Mastercard Inc.	United States	4.4	Consumer Finance
Health Care			
Becton, Dickinson & Co.	United States	4.6	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	4.9	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	5.0	Life Sciences Tools & Services
Vertex Pharmaceuticals Inc.	United States	4.5	Biotechnology
WuXi Biologics	China	2.3	Life Sciences Tools & Services
Industrials			
Kratos Defense & Sec. Solutions	United States	1.3	Aerospace & Defense
Information Technology			
Adobe Systems Inc.	United States	4.4	Software
ASML Holding N.V.	Netherlands	3.5	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	4.4	IT Services
Broadcom Inc.	United States	3.8	Semiconductors & Semiconductor Equipment
Cognizant Technology Solutions	United States	3.6	IT Services
Infineon Technologies AG	Germany	3.2	Semiconductors & Semiconductor Equipment
Keyence Corp.	Japan	3.7	Electronic Equipment, Instruments & Components
PTC Inc.	United States	4.5	Software
Materials			
First Quantum Minerals Ltd.	Canada	1.4	Metals & Mining
Cash & Equivalents			
Cash		6.8	

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