Hardman Johnston Growth Equity

2018 FOURTH QUARTER REPORT

Hardman Johnston Global Advisors

COMPOSITE PERFORMANCE (%) (period ending December 31, 2018)						
	4th QTR	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Growth Equity (gross of fees)	-13.00	-2.23	9.14	8.87	13.71	12.51
Growth Equity (net of fees)	-13.14	-2.85	8.46	8.17	12.96	11.83
Russell 1000 Growth Index	-15.89	-1.51	11.14	10.40	15.28	9.53
S&P 500 Total Return Index	-13.52	-4.38	9.25	8.44	13.06	9.72

Performance is preliminary through December 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 S&P 500 Total Return index is shown as supplemental information. Composite inception date: December 31, 1990.

KEY TAKEAWAYS

- US economy remains in a strong position but global growth concerns and trade dispute weigh on investor sentiment
- FOMC completes 2018 objective of four hikes to interest rate target but softens tone for 2019; indications from yield curve will be an increasing focus in 2019
- Despite concerns, consumer confidence is strong and potential trade agreements can brighten the outlook for US equities

MARKET REVIEW AND OUTLOOK

We usually start our commentary with what is going right in our world and then temper our natural optimism with a sober assessment of where we have concerns. Given the sharp pull back in global equities in the fourth quarter, we decided to flip the script and focus on the reasons for the pullback and how they may be resolved.

US equity markets peaked within a few days of the beginning of the fourth quarter. Even as US employment and economic growth moved forward, storm clouds were forming around a sharp economic slowdown in China and a less accommodative interest rate policy from the Federal Reserve. Despite strong denials from public figures, news had been emerging from China for most of the year about a drop in consumption, reduced investment, heavy debt burdens at both the consumer and local government levels, and increased disruptions stemming from what appeared to be an escalating trade war. China, whose growth we have learned to take for granted, was showing vulnerability. As the old saw goes, when China sneezes, Asia catches a cold. Sure enough, neighboring economies slowed, the prices of copper (having peaked in June), oil and other input commodities fell over the second half of the year. Investors naturally wondered what impact China would have on the large multinationals that make up much of the US market and increasingly rely on China and the rest of Asia to drive much of their growth. Apple's dramatic announcement of a large drop in Chinese demand is likely the strongest symptom of this contagion we have seen, and may prove to be the capitulation event that helps market participants reset their expectations.

In addition, the Federal Reserve's Open Market Committee raised its target for interest rates twice in the second half of the year but was starting to be perceived as out of step with a possible slowdown in the US economy. Rising rates had already contributed to a slowdown in the housing market as mortgages became less affordable, and the gap between short term rates and longer term interest rates, known as the yield curve, was narrowing, or flattening. When they flip most will tell you that a recession is imminent.

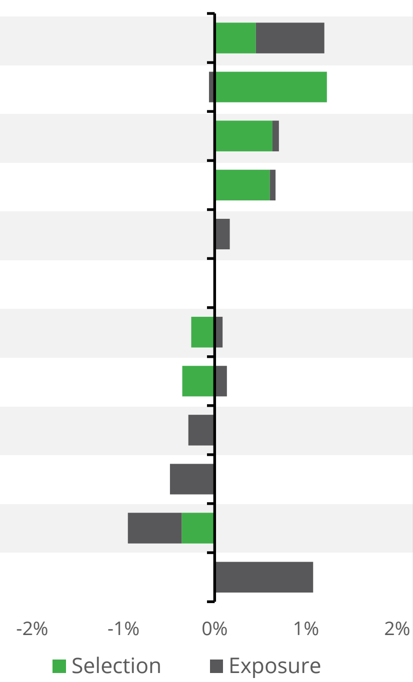
We do not argue that these are the only two factors affecting investor perceptions, but they can be mapped to other negative effects. For example, we have recently seen a tick down in business confidence, although it remains at strong levels. Given the actual and potential effects of a changing global trade environment and the rising interest rates on business loans, we understand how that may inject some doubt into businesses' planning process.

However, all is not lost. The US economy remains in a remarkable position. US employment is high, yet labor force participation keeps increasing. Real wages are finally moving up, and while business confidence is ticking down, consumer confidence is improving. Fed Chairman Powell acknowledges that interest rates may need to hold steady for a while, as inflation appears to be calm, thanks to productivity increases. That in turn may help housing affordability and spur a positive reversal in that market. Business investment was strong in 2018 and may yet pick up again in 2019 if a bilateral agreement is reached with China and a new normal is achieved.

Most importantly, innovation continues at a remarkable pace. Not a day goes by where we do not read about a new application for artificial intelligence (AI), or a scientific breakthrough that can help the sick return to health. Thousands of the brightest minds are working on improving the environment with clever and sometimes breathtakingly simple ideas. Knowledge on all topics is spreading rapidly thanks to the new media that we are all still learning to use. All bode well for a bright future, and for the few insightful and nimble companies, excellent long term returns.

PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Relative Attribution
	Portfolio	Russell 1000 Growth	Portfolio	Russell 1000 Growth	
SECTOR					
Health Care	33.3	14.0	-10.8	-12.2	
Info. Technology	30.2	28.5	-15.7	-19.5	
Financials	9.8	7.8	-6.2	-12.6	
Comm. Services	7.0	11.8	-8.7	-17.3	
Cons. Discretionary	0.0	14.9	0.0	-17.2	
Utilities	0.0	0.0	0.0	0.0	
Industrials	3.0	12.2	-23.0	-16.5	
Materials	5.2	1.8	-18.0	-12.0	
Real Estate	0.0	2.2	0.0	-2.0	
Consumer Staples	0.0	5.9	0.0	-6.8	
Energy	4.6	0.9	-34.6	-28.8	
Cash	6.9	0.0	0.6	0.0	



Preliminary data as of the quarter ending December 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. 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

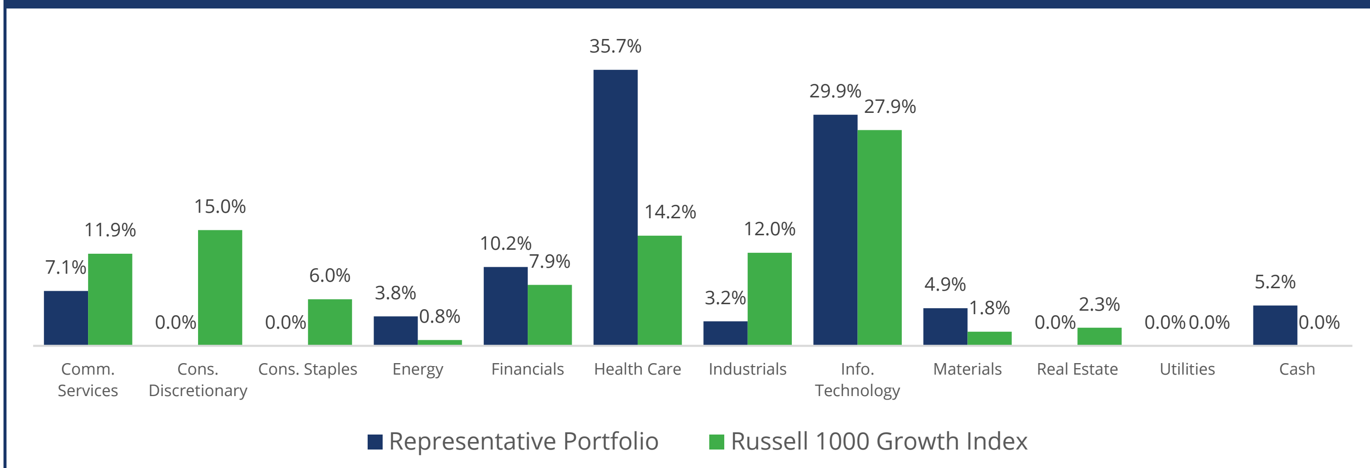
With a 13.1% contraction in the fourth quarter, the portfolio ended the year down 2.9% on a net basis. Apple's steady decline given a parade of hints from their suppliers culminated with Tim Cook's confession on January 2nd. Apple remains a very powerful franchise, but the company must adapt to changes in its customer's needs. Energy producer EOG also fell in the quarter in sympathy with oil and natural gas prices. The company remains among the most efficient producers and is well positioned for any rebound. FLIR Systems also experienced a sharp pull back as the shift in control in the House of Representatives raised the specter of de-emphasis of defense spending.

While stocks in positive territory were precious few in Q4, HDFC Bank, Broadcom, and Varian Medical all eked out modest gains. The business environment in HDFC's home market of India is improving, and Broadcom's role in enabling next generation communications networks is increasingly understood by investors. Varian shareholders received good news when important approvals for their latest radiation therapy machines came through.

Turnover in the portfolio remained low, but we initiated a position in Becton Dickinson, a supplier of unappreciated but critical supplies to the healthcare and life sciences industry. Becton has made some important strategic acquisitions over the last few years and management has an excellent track record of creating value from these combinations.

We said goodbye to General Electric, after losing confidence in the company's accounting and strategy, and also sold Celgene, a company that has delivered excellent returns to our clients for many years but is facing dramatically slowing growth over the next few years.

PORTFOLIO EXPOSURE (period ending December 31, 2018)



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FOURTH QUARTER	Average Weight (%)	Contribution to Return (%)	LAST TWELVE MONTHS	Average Weight (%)	Contribution to Return (%)
Largest Contributors			**Largest Contributors**		
HDFC Bank Ltd.	1.92	0.20	Adobe Inc.	4.21	1.02
Broadcom Inc.	2.78	0.15	Edwards Lifesciences Corp.	3.48	0.92
Varian Medical Systems, Inc.	3.33	0.05	Mastercard Inc.	4.01	0.77
Largest Detractors			**Largest Detractors**		
Apple Inc.	3.41	-1.14	Albemarle Corp.	2.37	-1.12
EOG Resources, Inc.	2.97	-1.09	Stanley Black & Decker Inc.	2.88	-0.91
Flir Systems Inc.	2.87	-0.96	Schlumberger Ltd.	2.04	-0.90

Past performance does not guarantee future results. A full list of securities held as of December 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 Growth 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 - FOURTH QUARTER	LIQUIDATIONS - FOURTH QUARTER	
Becton Dickinson	Celgene Corp.	General Electric Co.

The holdings identified represent all new positions and liquidations in the Hardman Johnston Growth Equity strategy for the quarter-to-date period ending December 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 December 31, 2018)

	Representative Portfolio	Russell 1000 Growth
Capitalization		
Weighted Average Market Cap ($B)	162.3	247.4
Median Market Cap ($B)	54.0	10.4
Growth Fundamentals		
EPS Growth: 3 to 5 year forecast (%)[1]	13.5	13.5
EPS Growth: 5 year trailing (%)[1]	5.9	11.6
Value Fundamentals		
P/E Ratio: 12 Months - forward[1]	19.4	21.6
P/E Ratio: 12 Months - trailing[1]	39.1	32.0
PEG Ratio: forward[1]	1.4	1.6
Dividend Yield (%)[2]	1.4	1.4
Price/Book[3]	4.2	6.1
Quality Fundamentals		
Return on Equity: 5 Year (%)[1]	15.7	21.9
Return on Invested Capital: 5 Year (%)[1]	12.5	15.7
Other		
Number of Positions	30	546
Beta: 3 year portfolio[4]	0.89	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 December 31, 2018)

Sector / Company	Country	Weight (%)	Industry
Communication Services			
Alphabet Inc. Class A	United States	3.8	Interactive Media & Services
Comcast Corp.	United States	3.3	Media
Energy			
EOG Resources, Inc.	United States	2.6	Oil, Gas & Consumable Fuels
Schlumberger Ltd.	United States	1.3	Energy Equipment & Services
Financials			
HDFC Bank Ltd.	India	2.2	Banks
March & McLennan Cos. Inc.	United States	3.7	Insurance
Mastercard Inc.	United States	4.3	Consumer Finance
Health Care			
AstraZeneca	United Kingdom	3.4	Pharmaceuticals
Becton, Dickinson & Co.	United States	3.0	Health Care Equipment & Supplies
Cerner Corp.	United States	1.9	Health Care Technology
Edwards Lifesciences Corp.	United States	4.0	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	3.7	Life Sciences Tools & Services
Johnson & Johnson	United States	3.3	Pharmaceuticals
Medtronic plc	Ireland	3.9	Health Care Equipment & Supplies
Qiagen N.V.	Netherlands	3.0	Life Sciences Tools & Services
Quest Diagnostics Inc.	United States	2.9	Health Care Providers & Services
Varian Medical Systems, Inc.	United States	3.5	Health Care Equipment & Supplies
Vertex Pharmaceuticals Inc.	United States	3.2	Biotechnology
Industrials			
Stanley Black & Decker Inc.	United States	3.2	Machinery
Information Technology			
Adobe Inc.	United States	4.3	Software
Apple Inc.	United States	3.0	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	1.8	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	3.7	IT Services
Broadcom Inc.	United States	3.2	Semiconductors & Semiconductor Equipment
Cisco Systems, Inc.	United States	3.3	Communications Equipment
Cognizant Technology Solutions	United States	2.9	IT Services
Flir Systems Inc.	United States	2.7	Electronic Equipment, Instruments & Components
Microsoft Corp.	United States	5.0	Software
Materials			
Albemarle Corp.	United States	2.0	Chemicals
FMC Corp.	United States	2.9	Chemicals
Cash & Equivalents			
Cash		5.2	

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