Hardman Johnston International Equity

2020 SECOND QUARTER REPORT

Hardman Johnston Global Advisors

FIRM UPDATE

On May 11, 2020, the Firm became a signatory to the United Nations' Principles of Responsible Investing (PRI) to continue our commitment to invest in quality companies and thoughtfully evaluate their ESG record. The Firm's integration of ESG practices and engagement with portfolio companies will continue to be led by the investment team. In addition, the Firm has established an ESG oversight committee which consists of four members: the CIO of International and Global Strategies and CEO, the Director of US Strategies, the President, and the Director of Portfolio Attribution and Analytics.

COMPOSITE PERFORMANCE (%) (period ending June 30, 2020)

	2nd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
International Equity (gross of fees)	25.31	-1.70	10.24	9.35	9.12	9.20	10.90
International Equity (net of fees)	25.14	-1.97	9.62	8.75	8.49	8.52	10.30
MSCI EAFE Net Index	14.88	-11.34	-5.13	0.81	2.05	5.73	4.66
MSCI AC World ex US Net Index	16.12	-11.00	-4.80	1.13	2.26	4.97	N/A

Performance is preliminary through June 30, 2020. 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

- Markets rebound strongly on continued fiscal and monetary stimulus measures
- Economic performance weakens as first quarter readings point to sharp contractions in major markets
- Countries begin reopening measures, epicenter of COVID-19 outbreak shifts to Latin America
- International Equity Composite returned 25.14%, net, outperforming the MSCI EAFE return of 14.88% and the MSCI AC World ex US return of 16.12%

MARKET REVIEW

Global equities rebounded strongly in the second quarter as extensive fiscal and monetary stimulus flooded markets and investors responded to developments in the fight against the COVID-19 pandemic. The MSCI ACWI returned more than 19%, driven by the best quarter for US shares since 1998 as the S&P 500 rose over 20%.

Around the globe, governments and central banks stepped up efforts to combat the impact of COVID-19 on businesses and jobs with extensive and rapid stimulus – up to, and sometimes in excess of, 10%, of annual GDP. The initial $2 trillion package agreed to by US Congress included almost $300 billion for economic impact payment checks sent directly to individuals and over $500 billion in forgivable loans dispersed to small businesses. At the same time, the Federal Reserve pledged unlimited support for the economy. It increased its balance sheet to over $7 trillion as it bought up treasuries, corporate debt and higher-risk junk bonds, while guiding that interest rates could stay close to zero through 2022.

European policymakers also took steps into previously uncharted territory. The European Union supplemented measures at a country level with plans for a €750 billion package to help businesses, and the European Central Bank increased its bond-buying program to €1.4 trillion. The UK extended its support package to pay the majority of worker salaries at temporarily shuttered or severely impacted companies through October. Meanwhile, in Asia, Japan pledged what it referred to as the world's largest pandemic package, including wage and rent subsidies, although its figure did include allocations from its previous December 2019 stimulus.

The response in emerging markets was mixed as many governments and central banks contended with more limited resources, as well as more practical challenges relating to lockdown measures. On the one hand, the Chinese authorities proposed broad stimulus measures equivalent to roughly 6% of GDP at their annual policy meeting. On the other, Mexico's response amounted to around 3% of GDP and focused on social programs and infrastructure spending.

Globally, the packages provided the fuel for a rapid recovery in stock prices in the second quarter, although volatility remained ever present as markets followed COVID-19 related news closely. Shares responded to success for Gilead Pharmaceuticals' Remdesivir in shortening recovery times from the virus, as well as positive results for steroid treatment dexamethasone in cutting fatality rates for patients on ventilators and oxygen treatments. In contrast, news about rising infection rates increased concerns about further lockdown measures and pulled shares back. The S&P 500 re-entered positive territory for the year in June before giving back some gains in the second half of the month. Chinese shares also rose strongly with the Shanghai Composite closing in on a new 2020 high at the end of the quarter.

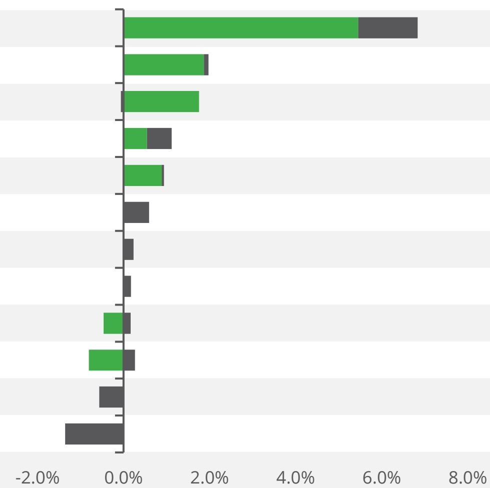
The rebound in stock markets contrasted with the sharp decline in economic performance around the world. Only two countries in the G20, India and Turkey, avoided economic contraction in the first quarter of 2020. Other countries suffered sharp downturns as they braced for almost certain recession. The US recorded a 5.0% annualized decline in GDP in the first quarter, the worst performance since 2008. China recorded its first quarterly decline in GDP since 1992 as its economy contracted by 6.8% year-on-year. The Eurozone shrank 3.1% and the UK was down 2.2% versus the previous year. Estimates are showing there is worse to come for most countries as the International Monetary Fund forecasts a global contraction of 4.9% in 2020, with a fall of 8.0% for the US, over 10% in the Eurozone and UK, but a 1% increase for China.

Closely watched indicators started to show some improvement towards the end of the period. US unemployment figures ballooned to over 40 million in April but then reduced by 2.5 million in May and a further 4.8 million in June as companies brought back workers. In Europe, travel search engine visits rose as countries reopened borders in time for the important summer season. Other soft measures like restaurant bookings in Germany showed signs of improvement. Key activity indicators for China, who were earlier into lockdown and earlier to re-open, also picked up. The Caixin/Markit Services PMI rose to 55.0 in May, followed by an expectation-beating performance for the official manufacturing PMI in June.

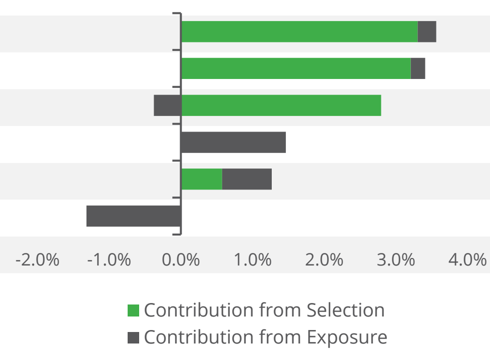
While the international reaction to COVID-19 dominated the agenda, it was not the only factor to weigh on markets. China's move to impose a new security law for Hong Kong prompted a muscular response from the White House, as well as condemnation in Europe, raising concerns of a re-escalation in diplomatic and economic tensions between the world's two largest economies.

PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Contribution to
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	Relative Return
By Sector					
Info. Technology	24.3	7.9	50.4	23.4	
Industrials	18.6	14.3	30.0	17.9	
Health Care	15.0	14.7	27.1	14.2	
Consumer Staples	2.9	12.4	26.5	9.4	
Comm. Services	5.6	5.5	31.5	13.5	
Energy	0.0	3.7	0.0	0.0	
Real Estate	0.0	3.3	0.0	8.8	
Utilities	0.0	4.0	0.0	12.5	
Financials	7.2	16.0	6.2	13.4	
Cons. Discretionary	19.1	11.3	13.1	17.8	
Materials	0.0	7.0	0.0	23.8	
Cash	7.3	0.0	-0.2	0.0	



	Average Weight		Total Return		Contribution to
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	Relative Return
By Region					
Japan	21.4	26.0	28.0	11.6	
Pacific Ex Japan	14.1	11.6	46.5	20.2	
Europe	32.9	47.8	26.3	17.7	
Emerging Markets	18.8	0.0	22.9	0.0	
United Kingdom	5.5	14.7	16.5	7.8	
Cash	7.3	0.0	-0.2	0.0	



Preliminary data for the quarter ending June 30, 2020. 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 1,026 bps on a net basis during the second quarter
- Security selection and overweight exposure in Information Technology and security selection in Industrials were the largest contributors during the quarter while no exposure to Materials and security selection in Consumer Discretionary were the largest detractors
- Security selection in Japan and security selection in the Pacific ex Japan were the top contributors to relative performance from a regional perspective; no broad region detracted from relative results in the second quarter

LARGEST CONTRIBUTORS

Afterpay Ltd. (+3.8% total effect) shares rebounded strongly in the second quarter after coming under pressure earlier in the year around concerns of potentially weak consumer spending and a challenging consumer credit environment due to the COVID-19 impact. While overall spending has been impacted, the combination of several factors has allowed Afterpay to perform well in these circumstances. First, over 75% of Afterpay's revenue is tied to online spending versus in-store, and as spending has shifted towards online, Afterpay has been a beneficiary. Second, Afterpay is still early in its growth and adoption lifecycle and continues to benefit from new merchant and user growth, leaving it more economically resilient. Finally, from a credit profile, Afterpay does not extend an open line of credit to a consumer, which allows the company to more effectively manage its credit risk. As the buy-now-pay-later market continues to take share from traditional credit cards, Afterpay stands to be a major beneficiary as a leader in the space.

Strong adoption of EUV technology continues to lead to favorable fundamentals for **ASML Holding N.V. (+1.5% total effect)**. Major foundry customer roadmaps are largely dependent on EUV improvements to drive technology migration to smaller nodes, especially 5-nanometer and below. Management has recently confirmed that these customers are adhering to their roadmaps, and this visibility is very valuable in these uncertain times. Further, as EUV scales, the company targets to achieve their long-term revenue and margin goals.

Infineon Technologies AG (+1.2% total effect) shares have benefited from early signs of a recovery in the auto, industrial and enterprise markets. Auto exposure constitutes approximately 40% of the company's revenue, and the steep decline in auto unit demand as a result of COVID-19 weighed heavily on auto-related fundamentals. Given demand in China was the earliest to be impacted, investors are looking towards the current recovery of auto sales in the country as an indicator of what to expect in the rest of the world. As signs of a rebound in autos and other end markets continue to materialize, it lends support to the anticipation of a recovery that is getting built into assumptions for the back of 2020, as well as 2021.

LARGEST DETRACTORS

Kering S.A. (-0.5% total effect) underperformed during the quarter due to a decline in sales as stores around the world were forced to close because of COVID-19. Q1 revenue declined 16.4% and despite resilient results at Bottega Veneta, the core Gucci brand was severely impacted by a sharp decline in luxury sales, particularly in China where Gucci derives a large portion of revenue. Going forward, we believe Kering should fare better than most of its peers due to the broad strength of its brands and its scale, which gives the group greater financial flexibility. Additionally, Gucci's larger exposure to China should be a tailwind going forward as economic activity in the country continues to recover.

AIA Group Ltd. (-0.4% total effect) underperformed as sales of insurance products were disrupted by Covid-19 lockdowns and social distancing in both China, Hong Kong and other ASEAN countries in the second quarter. In addition, Hong Kong protests had an additional effect on the value of new business sold in the period. Business is likely to be partially impacted early in the third quarter as well before recovering. Late in the second quarter, AIA received approval to convert their China branch networks into a wholly owned subsidiary which will allow the company to expand into other provinces and tier 1 and tier 2 cities. This should result in faster growth over the next several years.

Alibaba Group Holding Ltd. (-0.2% total effect) results going into the 618 shopping festival were record breaking at over US$1 billion in merchandise value but reported without the context of a growth rate, while competitor JD.com posted 34% growth in merchandise value (level just below half that of BABA). JD is benefitting from excellent performance in logistics during lockdown. In addition, Pinduoduo (PDD) reported branded products growth of +144% and agricultural products growth of +136%, but declined to provide merchandise value. Due to differences in accounting, we view PDD's figures with the understanding that they are not comparable and likely aggressive, but nonetheless, represents impressive growth. We are comfortable that the performance of Alibaba's third party logistics providers will rebound post-recovery to reduce JD's current advantage. BABA's competitive moat is formidable and PDD must demonstrate that it can be competitive outside of its rural footprint without its unsustainable hyper-levels of marketing spend.

PORTFOLIO ACTIVITY

- During the quarter, we initiated positions in Atlassian Corp. and Genmab AS; there were no liquidations during the second quarter

INITIATIONS

We initiated a position in **Atlassian Corp.**, a provider of collaboration and productivity software. Atlassian has a differentiated business and go-to-market model that has allowed the company to grow at a rapid pace with higher profitability than its peers. With a focus on modern, well-integrated software products at a low-cost, Atlassian has been able to rapidly gain adoption, particularly with its core target model of software developers. The company has established strong, self-service infrastructure that allows users to easily onboard and discover new offerings. This is supplemented by a large base of users and partners that provide a community resource for support and troubleshooting.

Genmab AS is an innovative, antibody design biotechnology company based in Demark. They have three products on the market, with Darzalex ($3B growing 20-30%) their lead asset. Genmab is maturing as a company with a well balanced pipeline in oncology, rare diseases and other indications. Genmab has technology platforms in bispecific antibodies, hexamerized antibodies (for greater potency) and HexElect antibodies (for greater potency and specificity).

MARKET OUTLOOK

The impact of COVID-19 is likely to remain the main issue for international markets in the coming months. Countries are gradually recovering from the devastating impact of lockdown measures on their economies, but the journey is likely to be slow and uneven. According to IMF forecasts, developed economies will still not have regained pre-COVID-19 GDP levels by the end of 2021, while many emerging markets in Latin America and sub-Saharan Africa will be in a similar position. Overall, global GDP in 2021 will be some 6.5 percentage points below where it had been projected to be before the impact of COVID-19.

Given the harsh economic consequences of shuttering economies and the necessary scale of the stimulus measures, governments are unlikely to want to implement such sweeping lockdowns again. Even as COVID-19 cases spike in some regions, authorities are opting for more targeted actions and relying on better-prepared healthcare systems, particularly in developed markets. Stimulus has put a floor under economies and many governments still have the firepower to increase their responses as needed. Brexit had dropped down on the agenda in Europe but will become increasingly tense in the second half of 2020 as the UK continues to refuse to extend its transition period while both sides seek a new trade deal that can be ratified before the end of the year.

On the whole, developing economies face a greater range of challenges. Many have limited scope to introduce or extend fiscal packages, although those borrowing in local currencies will be in a stronger position than those borrowing in dollars. Many also face severe structural challenges that will impact their ability to combat the virus. For instance, high numbers of people in densely populated and poor areas - such as in India - reduce the ability to social distance. Others, like Brazil, are showing weakness in healthcare infrastructure. There will be additional economic issues from accelerated de-globalization as companies in developed economies look to greater onshoring or near-shoring to protect their supply chains and businesses.

China is becoming a bright spot with the economy showing broad-based improvement, including recovering domestic demand and resilient exports. A strong Chinese economy has global benefits, as demonstrated by an uptick in demand for copper and other commodities used in construction and infrastructure. However, rising geopolitical tensions pose a material risk.

Spending patterns and savings rates are likely to be significantly altered by COVID-19 as lifestyles change and consumers become more conservative. Figures from the ECB indicated that European household savings hit an all-time record €7.3 trillion by the end of May, while the US personal savings rate spiked at over 32% in April before declining to 23% in May, according to the Bureau of Economic Analysis. There are green shoots in retail, leisure and travel as pent-up demand is released. However, that could dissipate as many consumers are likely to remain cautious without the discovery of a vaccine or an effective cure.

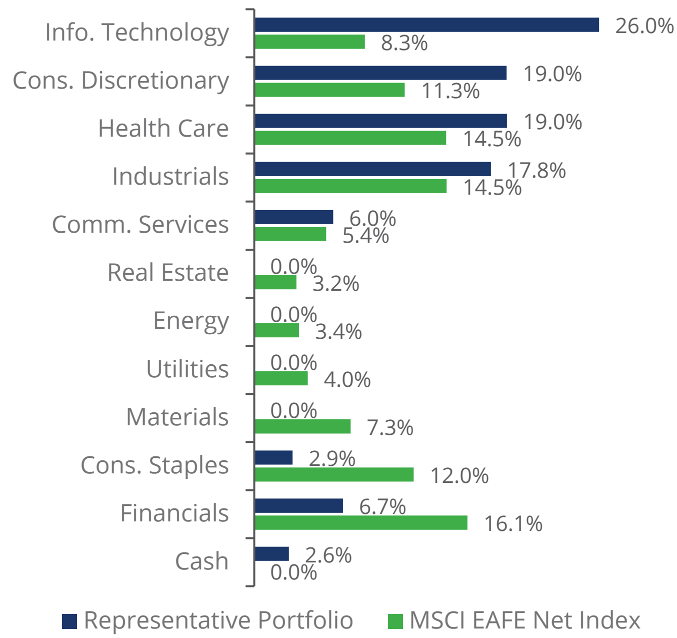
The result is likely to be a very mixed picture for companies. Some companies, particularly in the tech or communications services spaces, are witnessing an acceleration in established trends, such as business migration to cloud computing platforms. Others are in sectors, such as travel, that are structurally impaired and could take years to recover.

While we take a long-term view on individual stocks, the market has pulled forward a significant portion of future returns. A lack of other alternatives has contributed to the swing and there are plenty of risks that could push markets back down.

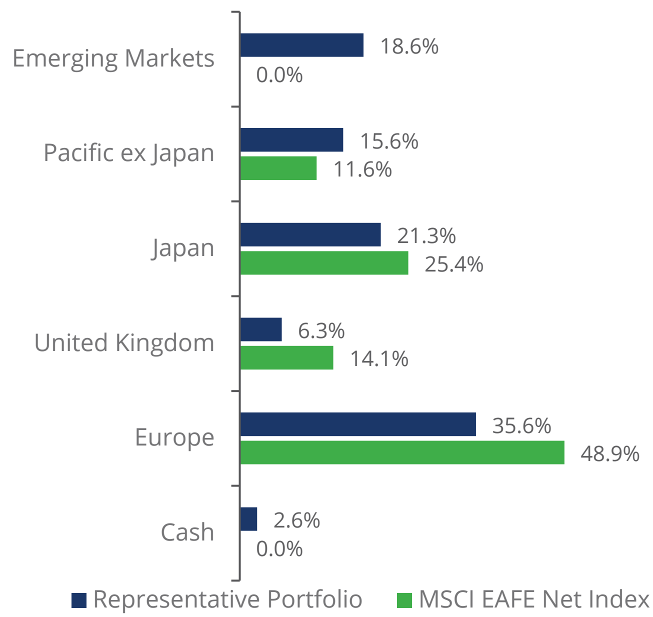
Nonetheless, there are reasons for optimism. Markets have recognized quality and we would expect that trend to continue. Valuations are full but are not overstretched when looking through the current disruption at the three-to-five-year view. It is important to remain disciplined. We are focused on market-leading companies with strong balance sheets and top-quality management teams. We also look for companies with sound ESG credentials. All these factors will be essential to ensure that our portfolio outperforms long-term and is positioned for when markets go down as well as up.

PORTFOLIO EXPOSURE (period ending June 30, 2020)

Exposure by Sector



Exposure by Region



PORTFOLIO CHARACTERISTICS (period ending June 30, 2020)

	Representative Portfolio		MSCI EAFE Net Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	118.9	76.2	64.2	60.9
Median Market Cap ($B)	39.1	40.8	9.8	10.2
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	15.9	14.8	7.4	8.3
EPS Growth: 5 year trailing (%)[1]	15.8	14.1	7.0	5.6
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	30.0	26.7	21.4	19.3
P/E Ratio: 12 Months - trailing[1]	29.8	24.5	18.3	16.1
PEG Ratio: forward[1]	1.9	1.8	2.9	2.4
Dividend Yield (%)[2]	1.0	1.5	3.2	3.3
Price/Book[3]	4.1	3.4	1.5	1.5
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	17.2	15.6	12.5	11.4
Return on Invested Capital: 5 Year (%)[1]	11.9	11.2	9.4	8.3
Other				
Number of Positions	25	25	902	923
Beta: 3 year portfolio[4]	1.1	1.0	1.0	1.0

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

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PORTFOLIO HOLDINGS (period ending June 30, 2020)

	Country	Weight (%)	Industry
Communication Services			
Tencent Holdings Ltd.	China	6.0	Interactive Media & Services
Consumer Discretionary			
adidas AG	Germany	2.5	Textiles, Apparel & Luxury Goods
Alibaba Group Holding Ltd.	China	5.8	Internet & Direct Marketing Retail
Kering S.A.	France	4.2	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	3.9	Hotels, Restaurants & Leisure
Puma SE	Germany	2.6	Textiles, Apparel & Luxury Goods
Consumer Staples			
a2 Milk Co., Ltd.	New Zealand	2.9	Food Products
Financials			
AIA Group Ltd.	Hong Kong	4.1	Insurance
ICICI Bank Ltd.	India	2.6	Banks
Health Care			
AstraZeneca plc	United Kingdom	4.6	Pharmaceuticals
Bayer AG	Germany	4.6	Pharmaceuticals
Genmab AS	Denmark	3.5	Biotechnology
Orpea S.A.	France	2.1	Health Care Providers & Services
WuXi Biologics Inc.	China	4.4	Life Sciences Tools & Services
Industrials			
Airbus SE	France	2.0	Aerospace & Defense
Daifuku Co., Ltd.	Japan	6.1	Machinery
Nidec Corp.	Japan	4.6	Electrical Equipment
Prysmian S.p.A.	Italy	2.9	Electrical Equipment
Safran S.A.	France	2.2	Aerospace & Defense
Information Technology			
Afterpay Ltd.	Australia	4.7	IT Services
ASML Holding N.V.	Netherlands	6.4	Semiconductors & Semiconductor Equipment
Atlassian Corp.	United Kingdom	1.7	Software
Infineon Technologies AG	Germany	2.6	Semiconductors & Semiconductor Equipment
Keyence Corp.	Japan	5.8	Electronic Equipment, Instruments & Components
Murata Manufacturing Co., Ltd.	Japan	4.8	Electronic Equipment, Instruments & Components
Cash & Equivalents			
Cash		2.6	

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