
Hardman Johnston Select Equity

2020 SECOND QUARTER REPORT



**Hardman
Johnston**
Global Advisors

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

| | 2nd QTR | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
|-------------------------------|---------|-------|--------|---------|---------|----------|-----------|
| Select Equity (gross of fees) | 22.50 | 0.91 | 11.59 | 11.72 | 11.79 | 13.97 | 12.94 |
| Select Equity (net of fees) | 22.34 | 0.62 | 10.92 | 11.03 | 11.09 | 13.24 | 12.26 |
| S&P 500 Total Return Index | 20.54 | -3.08 | 7.50 | 10.72 | 10.69 | 13.92 | 10.11 |
| Russell 1000 Growth Index | 27.84 | 9.81 | 23.28 | 18.98 | 15.87 | 17.22 | 10.53 |

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. Composite inception date: December 31, 1990.

KEY TAKEAWAYS

- Markets rebound in the second quarter as economies reopen and give way to early signs of recovery
- Paradigm shift in social norms are creating investment opportunities in areas of the market that poised to benefit from the changes like technology and healthcare
- Monetary and fiscal stimulus have underpinned the early recovery but COVID-19 presents continued uncertainty in global equity markets

MARKET REVIEW AND OUTLOOK

Mid-year is always a good time to take stock of where we are, but this quarter's review is particularly eventful. In a pattern repeated around the world, the United States entered the year with strong employment and good economic growth but fell into a breathtakingly deep and rapid recession driven by a global pandemic. A recovery is now underway. In parallel, equity markets made new highs and have recovered most of their lost value after lows in late March. In the midst of the pandemic and the recovery the country underwent a social awakening about racial injustice which, combined with the pandemic, has caused a re-examination of social norms and institutional beliefs that will permanently alter our relationships with each other and the rest of the world, in most cases for the better.

Considering these events we have spent much of the first half examining the portfolio holdings and assessing which companies will be able to thrive in a new environment. We have always believed that companies that are good long term investments have to be good corporate citizens, but we have delved further into how they are behaving vis a vis the environment, society, and corporate governance. To that end we have become signatories to the United Nations' Principles for Responsible Investing, and will continue to update you on how the portfolio holdings stack up against their peers. We also looked at whose supply chains are vulnerable when global trade is disrupted. We made sure that the products and services our companies offer continue to be valuable if not essential to their customers in a new era of social distancing, remote working, and tighter hygiene requirements.

The information technology holdings are well positioned to help society cope and adapt to a new environment. Indeed, many of them are essential. For example, our firm relies on high speed communications networks, remote software, and robust cloud and security services to allow us to continue to service our clients. We are invested in companies that enable millions to remain productive from home, stay in touch with customers, and continue to deliver services.

Healthcare companies were more disrupted by the pandemic. While all are essential to the practitioners and patients they serve with life saving technologies, drugs, and services, many medical procedures were deferred until hospital systems are better able to cope with the tremendous surge in COVID-19 patients. Most systems now have spare capacity and are eager

to resume the surgeries and interventions they rely on to remain financially viable.

Other industries that we are invested in were affected in the short term, but have bounced back with an improved economic outlook. The one exception was energy, and we divested our holdings in EOG Resources and Schlumberger. While both are world class companies and the best at what they do, we believe hydrocarbon use has entered a period of slow decline over the next few decades as the world moves to new energy sources.

Looking forward, there is reason for cautious optimism. Enormous monetary and fiscal stimulus have staved off much of the consumer and business failures we would have expected, and employment trends indicate that businesses are eager to hire when possible and workers are eager to work. Housing markets continue to improve, and there is significant traction with reshoring manufacturing. One global manufacturing company we spoke with said that they plan to make products where they sell them. Between improved productivity, shorter supply chains, and greater investment in the local community it is simply more cost effective.

COVID-19 remains the wild card. We are learning all the time and have come a long way in a very short period. There will be no such thing as an “all clear” whistle or bell, but treatment regimens are continuously improving, and the vaccine development program around the world is progressing at a pace that makes the Manhattan Project look slow. While cases are rising again here and there, no one is interested in another complete shutdown and we expect swift reactions to stem the outbreaks.

PERFORMANCE ATTRIBUTION



Preliminary data as of 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 Select 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.



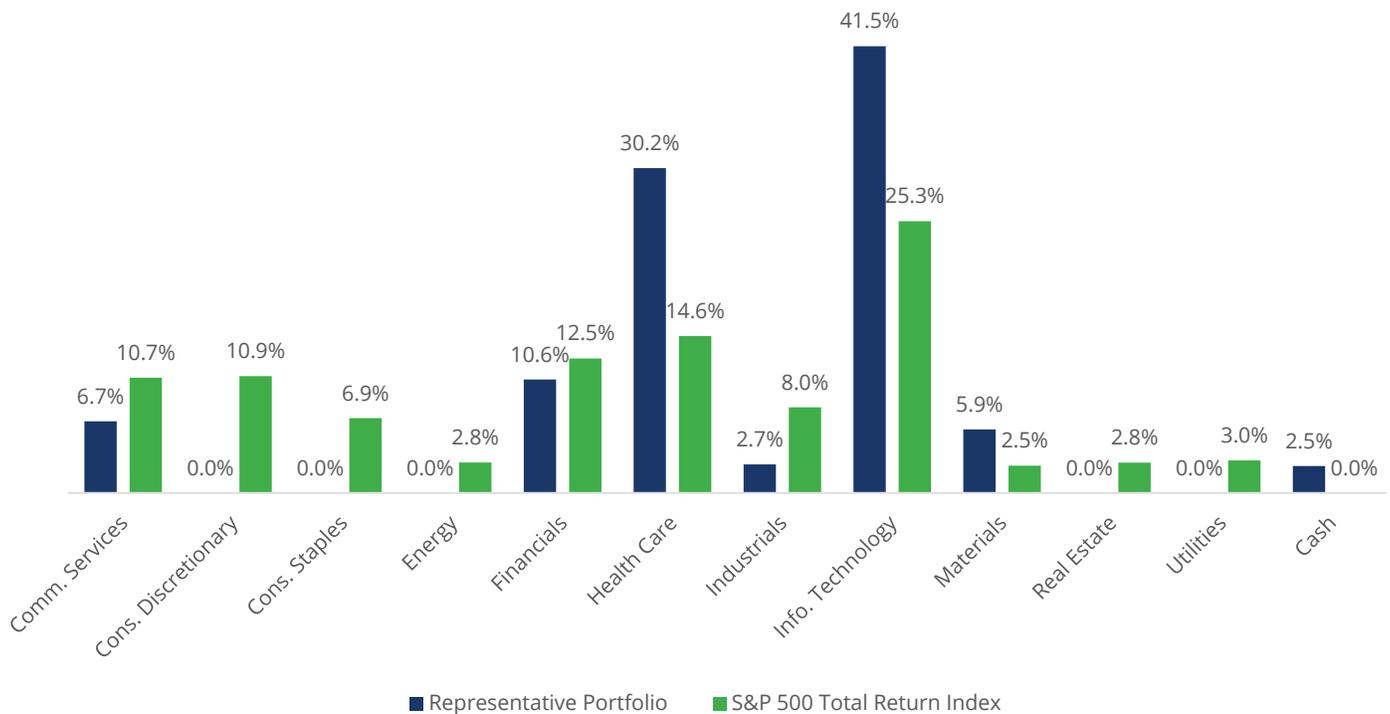
PORTFOLIO COMMENTARY

In the quarter the Select Equity Composite rose 22.3% net of fees compared to a rise of 20.5% for the S&P 500. The top contributors this quarter were NVIDIA, Adobe, and ASML. NVIDIA, a semiconductor company, saw its shares rise after announcing a quarterly earnings beat with strength in multiple business units. They also held a virtual user conference during the quarter where they introduced several new product releases that should add to the current business momentum. Adobe also continues to execute well and is benefiting from the accelerated pace of digitization and technologies to enable remote work. Lastly, ASML continues to book strong orders for its lithography equipment that allows semiconductor manufacturers to keep improving the power, speed, and size of their products.

Detractors this quarter included Medtronic, ADP, and Becton Dickinson. Medtronic, despite its strong competitive positioning across medical devices, saw its shares drop due to reductions in elective procedures as a result of the pandemic. ADP and Becton Dickinson were also impacted from COVID-19, with ADP's business declining from lower employment while Becton Dickinson also saw pressure from fewer procedures and declines in research lab activity.

Turnover in the portfolio was low, but we started new positions in Universal Display and Leidos. Universal Display controls intellectual property critical to the production of organic light emitting diodes, which is what our cell phones and televisions will mostly be using within 5 years. Leidos helps mostly government clients manage information systems and networks, with particular expertise in cyber security. In addition to EOG Resources and Schlumberger mentioned above, we exited our position in Cognizant Technology Solutions as their growth has slowed.

PORTFOLIO EXPOSURE (period ending June 30, 2020)



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CONTRIBUTORS & DETRACTORS (period ending June 30, 2020)

| Second Quarter | Average Weight (%) | Total Effect* (%) | Last Twelve Months | Average Weight (%) | Total Effect* (%) |
|---------------------------------|--------------------|-------------------|-----------------------------|--------------------|-------------------|
| Largest Contributors | | | Largest Contributors | | |
| NVIDIA Corp. | 5.09 | 0.91 | NVIDIA Corp. | 3.88 | 3.29 |
| Adobe Inc. | 5.14 | 0.57 | Vertex Pharmaceuticals Inc. | 3.37 | 1.44 |
| ASML Holding N.V. | 2.61 | 0.44 | ASML Holding N.V. | 2.36 | 1.41 |
| Largest Detractors | | | Largest Detractors | | |
| Medtronic plc | 3.05 | -0.40 | HDFC Bank Ltd. | 1.92 | -1.03 |
| Becton, Dickinson & Co. | 2.83 | -0.37 | Dentsply Sirona Inc. | 2.69 | -0.93 |
| Automatic Data Processing, Inc. | 3.47 | -0.36 | FLIR Systems Inc. | 2.51 | -0.91 |

Past performance does not guarantee future results. Securities reflect the period's three largest contributors and detractors of portfolio holdings to total effect. Total effect reflects a position's total contribution to excess performance relative to the stated benchmark. *Total effect includes only securities that were held in the Hardman Johnston representative account and excludes benchmark-only securities that may have contributed or detracted from relative results. A full list of securities held as of June 30, 2020, contribution to performance and the methodology to calculate is available upon request. The data shown is of a representative portfolio for the Hardman Johnston Select 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 - SECOND QUARTER

Leidos Holdings Inc. Universal Display Corp.

LIQUIDATIONS - SECOND QUARTER

 Cognizant Technology Solutions EOG Resources, Inc.
 Schlumberger Ltd.

The holdings identified represent all new positions and liquidations in the Hardman Johnston Select Equity strategy for the quarter-to-date period ending June 30, 2020. 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 June 30, 2020)

| | Representative Portfolio | | S&P 500 Total Return Index | |
|---|--------------------------|----------------|----------------------------|----------------|
| | Current | 5 Year Average | Current | 5 Year Average |
| Capitalization | | | | |
| Weighted Average Market Cap (\$B) | 285.9 | 163.0 | 389.4 | 206.2 |
| Median Market Cap (\$B) | 70.1 | 55.6 | 21.6 | 21.0 |
| Growth Fundamentals | | | | |
| EPS Growth: 3 to 5 year forecast (%) ¹ | 12.7 | 12.4 | 9.2 | 10.3 |
| EPS Growth: 5 year trailing (%) ¹ | 10.9 | 6.8 | 12.4 | 10.8 |
| Value Fundamentals | | | | |
| P/E Ratio: 12 Months - forward ¹ | 27.0 | 24.0 | 25.2 | 22.0 |
| P/E Ratio: 12 Months - trailing ¹ | 34.0 | 27.2 | 24.6 | 21.3 |
| PEG Ratio: forward ¹ | 2.1 | 1.9 | 2.7 | 2.1 |
| Dividend Yield (%) ² | 1.1 | 1.3 | 1.9 | 2.0 |
| Price/Book ³ | 5.6 | 4.4 | 3.3 | 3.0 |
| Quality Fundamentals | | | | |
| Return on Equity: 5 Year (%) ¹ | 18.2 | 16.3 | 21.0 | 19.4 |
| Return on Invested Capital: 5 Year (%) ¹ | 13.5 | 11.8 | 13.3 | 12.2 |
| Other | | | | |
| Number of Positions | 30 | 32 | 506 | 506 |
| Beta: 3 year portfolio ⁴ | 1.0 | 1.0 | 1.0 | 1.0 |

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

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PORTFOLIO HOLDINGS (period ending June 30, 2020)

| | Country | Weight (%) | Industry |
|---------------------------------|----------------|------------|--|
| Communication Services | | | |
| Alphabet Inc. | United States | 3.7 | Interactive Media & Services |
| Comcast Corp. | United States | 3.0 | Media |
| Financials | | | |
| HDFC Bank Ltd. | India | 1.6 | Banks |
| Marsh & McLennan Cos. Inc. | United States | 3.7 | Insurance |
| Mastercard Inc. | United States | 5.3 | Consumer Finance |
| Health Care | | | |
| AstraZeneca plc | United Kingdom | 3.7 | Pharmaceuticals |
| Becton, Dickinson & Co. | United States | 2.6 | Health Care Equipment & Supplies |
| Cerner Corp. | United States | 1.9 | Health Care Technology |
| Dentsply Sirona Inc. | United States | 2.7 | Health Care Equipment & Supplies |
| Edwards Lifesciences Corp. | United States | 3.3 | Health Care Equipment & Supplies |
| IQVIA Holdings Inc. | United States | 3.3 | Life Sciences Tools & Services |
| Johnson & Johnson | United States | 2.8 | Pharmaceuticals |
| Medtronic plc | Ireland | 2.7 | Health Care Equipment & Supplies |
| Varian Medical Systems, Inc. | United States | 3.0 | Health Care Equipment & Supplies |
| Vertex Pharmaceuticals Inc. | United States | 4.1 | Biotechnology |
| Industrials | | | |
| Stanley Black & Decker Inc. | United States | 2.7 | Machinery |
| Information Technology | | | |
| Adobe Inc. | United States | 5.7 | Software |
| Advanced Energy Industries | United States | 3.0 | Semiconductors & Semiconductor Equipment |
| Apple Inc. | United States | 4.0 | Technology Hardware, Storage & Peripherals |
| ASML Holding N.V. | Netherlands | 2.9 | Semiconductors & Semiconductor Equipment |
| Automatic Data Processing, Inc. | United States | 3.4 | IT Services |
| Broadcom Inc. | United States | 3.2 | Semiconductors & Semiconductor Equipment |
| Cisco Systems, Inc. | United States | 2.6 | Communications Equipment |
| FLIR Systems Inc. | United States | 2.0 | Electronic Equipment, Instruments & Components |
| Leidos Holdings Inc. | United States | 1.4 | IT Services |
| Microsoft Corp. | United States | 5.7 | Software |
| NVIDIA Corp. | United States | 5.0 | Semiconductors & Semiconductor Equipment |
| Universal Display Corp. | United States | 2.7 | Semiconductors & Semiconductor Equipment |
| Materials | | | |
| Albemarle Corp. | United States | 2.8 | Chemicals |
| FMC Corp. | United States | 3.1 | Chemicals |
| Cash & Equivalents | | | |
| Cash | | 2.5 | |

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