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# Hardman Johnston

# Large Cap Equity

2022 SECOND QUARTER REPORT

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**Hardman  
Johnston**  
Global Advisors

#### COMPOSITE PERFORMANCE (%) (period ending June 30, 2022)

	2nd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Large Cap Equity (gross of fees)	-14.81	-19.94	-14.16	8.94	9.69	12.28	11.04
Large Cap Equity (net of fees)	-14.93	-20.17	-14.63	8.36	9.10	11.65	10.52
S&P 500 Total Return Index	-16.10	-19.96	-10.62	10.59	11.30	12.91	9.80

Performance is through June 30, 2022. Periods greater than one year are annualized. **Past performance does not guarantee future results.** Net performance reflects the deduction of advisory fees and reinvestment of income (if applicable). Composite inception date: December 31, 1989.

#### KEY TAKEAWAYS

- A difficult economic environment has been reflected in stock markets. Regional recessions are likely, if not already in effect.
- Portfolio holdings are behaving as expected in this environment, and our investment theses hold.
- The difficult environment has engendered change, innovation, and valuation displacements, and therefore, investment opportunities.

#### MARKET REVIEW AND OUTLOOK

Markets and portfolio values are down significantly, and appropriately so given the economic environment and uncertainty around the globe. Are we in a bear market? Yes. Are we in a recession? Certainly in some regions (Europe) and quite likely in others (the United States, China). How long will it last? It depends...

While there are some strong economic underpinnings (employment remains solid, for example), the accelerated inflation sparked by Russia's invasion of Ukraine has spurred the Federal Reserve Board into a very hawkish stance that is contributing to an economic slowdown. The higher interest rates that all expect come on top of, and contribute to, declining business and consumer confidence. Low confidence drives lower hiring, investment, and spending, implying softening inflation and a reduced need to tighten. At some point, equilibrium will be reached. We are already seeing signs of prices softening, but how the Fed will react to that remains to be seen, and we expect the tightening cycle to last into next year.

Throughout, the portfolio holdings are behaving as we expect them to. For example, information technology stocks, particularly semiconductors, sold off significantly given their exposure to so many areas of the economy from consumer electronics to data centers for cloud computing. Their long term growth outlook remains very good, but nervousness about their short term prospects is understandable. Healthcare stocks have once again proven more defensive and have, for the most part, helped stem the portfolio value declines. Healthcare spending is often non-discretionary, which dampens the volatility from economic downturns.

Long term trends also drove performance in the quarter, particularly in materials, where exposure to agricultural productivity and vehicle electrification contributed positively to performance. Our lack of exposure to oil and gas producers hurt relative performance, but we still believe the de-carbonization of the economy will lead to slow declines in the use of those commodities over the long run.

Looking forward, we remain constructive. The companies in the portfolio are not facing existential threats because of the turmoil in the world, the economy, and their businesses. We believe these are solid, well-run companies whose customers rely on them. Having said that, the near-term environment is tougher. They likely will struggle to expand profit margins given the increases in their input costs for everything from labor to fuel. They should have pricing power, but those increases usually lag by a few months. It is likely that many of these headwinds are already reflected in stock prices, but time will tell.

We believe disruption and tragedy leads to change and innovation, which there is plenty of these days. Innovation creates opportunity, and that is what we look for. Our research team remains hard at work to make sure we are not missing anything with our existing holdings and are working equally hard to identify innovative companies that meet our stringent criteria for quality, growth, and valuation.

## PERFORMANCE ATTRIBUTION



Data as of the quarter ending June 30, 2022. 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 Large Cap Equity strategy and is for informational purposes only. Exposure refers to the contribution of the active segment weights to the total relative return. 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.



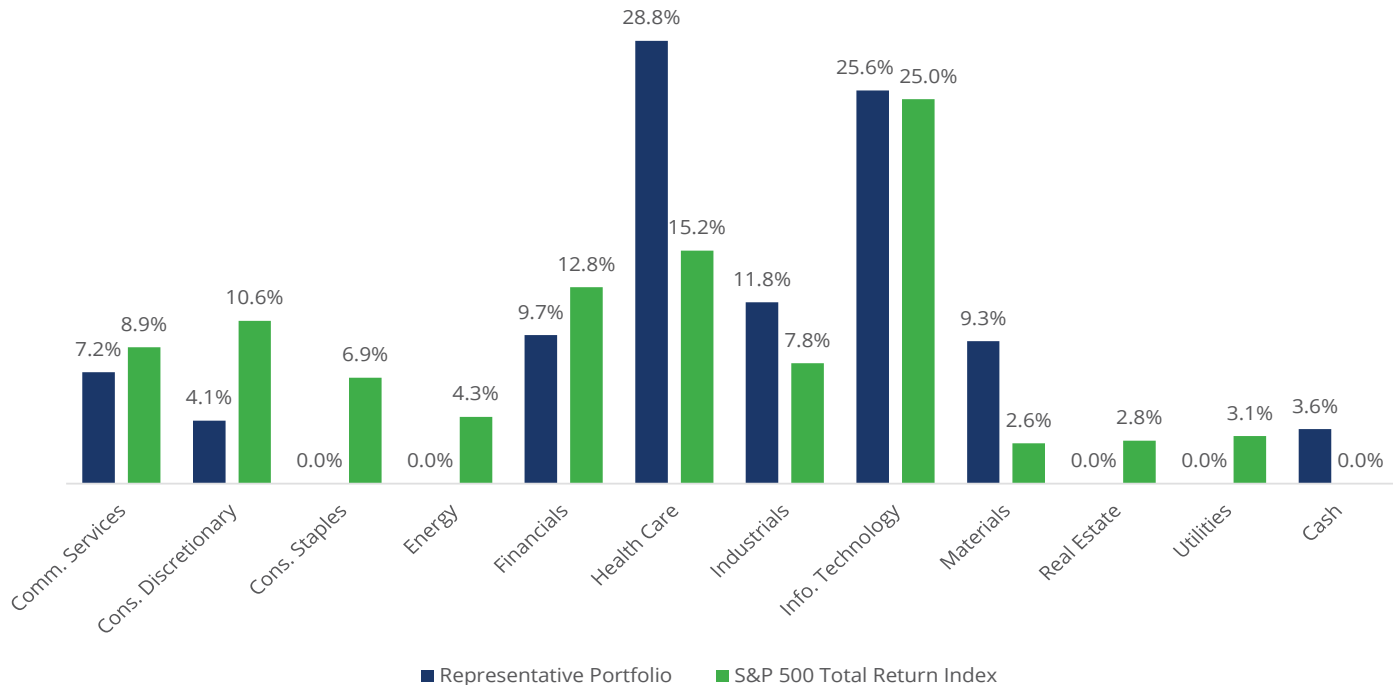
## PORTFOLIO REVIEW

In the second quarter, the Large Cap Equity Composite declined 14.9% (net) compared to a decline of 16.1% in the S&P 500 index. Gains in healthcare companies, Vertex Pharmaceuticals Inc., Cerner Corp., and UnitedHealth Group Inc. helped offset losses elsewhere. Vertex continues to help patients suffering from Cystic Fibrosis, and its triple combination therapy is becoming the standard of care for eligible patients. The company also continues to develop its portfolio of innovative drug candidates for other diseases through internal research and acquisitions.

Cerner, among the last of the independent hospital management software companies, was acquired by Oracle, in recognition of the potential growth and importance of applying technology to improve efficiency in healthcare delivery. That is a trend that UnitedHealth has long understood, as it continues to provide a safety net for much of society through insurance and care management for employers and government agencies.

Wolfsped, Inc., NVIDIA Corp., and Universal Display Corp. led the detractors in the quarter. Ironically, we believe that these companies are all very well positioned in their respective fields, and competitors will have a hard time catching them. However, short-term demand is disrupted for the silicon carbide semiconductors that Wolfsped manufactures for electric vehicles, the parallel processing chips that NVIDIA makes for myriad applications, and the highly efficient light emitting materials that Universal Display makes for the next generation of mobile phone, television, and computer displays.

### PORTFOLIO EXPOSURE (period ending June 30, 2022)



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**CONTRIBUTORS & DETRACTORS (period ending June 30, 2022)**

Second Quarter	Average Weight (%)	Total Effect* (%)	Last Twelve Months	Average Weight (%)	Total Effect* (%)
<b>Largest Contributors</b>			<b>Largest Contributors</b>		
Vertex Pharmaceuticals Inc.	4.07	0.79	Vertex Pharmaceuticals Inc.	2.96	1.40
Cerner Corp.	2.30	0.48	Albemarle Corp.	3.12	1.06
UnitedHealth Group Inc.	4.27	0.46	UnitedHealth Group Inc.	3.15	0.79
<b>Largest Detractors</b>			<b>Largest Detractors</b>		
Wolfspeed, Inc.	1.83	-0.65	Vertiv Holdings Co.	2.28	-1.83
NVIDIA Corp.	3.09	-0.64	Universal Display Corp.	1.92	-1.13
Universal Display Corp.	1.64	-0.45	Stanley Black & Decker Inc.	2.25	-0.98

**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, 2022, contribution to performance and the methodology to calculate is available upon request. The data shown is of a representative portfolio for the Hardman Johnston Large Cap 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**

Grifols, S.A.  
Deutsche Telekom AG  
JD.com, Inc.

**LIQUIDATIONS - SECOND QUARTER**

Alibaba Health Information Technology Ltd.  
Murata Manufacturing Co., Ltd.  
OMRON Corp.

The holdings identified represent all new positions and liquidations in the Hardman Johnston Large Cap Equity strategy for the quarter-to-date period ending June 30, 2022. 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, 2022)**

	Representative Portfolio		S&P 500 Total Return Index	
	Current	5 Year Average	Current	5 Year Average
<b>Capitalization</b>				
Weighted Average Market Cap (\$B)	348.6	258.1	483.9	362.4
Median Market Cap (\$B)	42.0	56.3	27.2	25.3
<b>Growth Fundamentals</b>				
EPS Growth: 3 to 5 year forecast (%) <sup>1</sup>	15.3	14.1	12.2	11.7
EPS Growth: 5 year trailing (%) <sup>1</sup>	17.2	15.9	18.7	17.3
<b>Value Fundamentals</b>				
P/E Ratio: 12 Months - forward <sup>1</sup>	20.2	24.0	19.3	21.9
P/E Ratio: 12 Months - trailing <sup>1</sup>	32.6	30.6	27.9	26.8
PEG Ratio: forward <sup>1</sup>	1.3	1.7	1.6	1.9
Dividend Yield (%) <sup>2</sup>	0.9	1.2	1.7	1.8
Price/Book <sup>3</sup>	4.4	4.7	3.5	3.5
<b>Quality Fundamentals</b>				
Return on Equity: 5 Year (%) <sup>1</sup>	21.6	20.3	24.6	23.4
Return on Invested Capital: 5 Year (%) <sup>1</sup>	15.2	14.0	15.1	14.2
<b>Other</b>				
Number of Positions	53	51	505	506
Beta: 3 year portfolio <sup>4</sup>	1.0	0.9	1.0	1.0

<sup>1</sup>Interquartile weighted mean, <sup>2</sup>Weighted mean, <sup>3</sup>Weighted harmonic mean, <sup>4</sup>MPT beta (daily). **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 Johnston Large Cap 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 Large Cap Equity strategy. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. In the event the portfolio holds multiple share classes of a company, the total number of positions reflects the multiple share classes as a single position.

**PORTFOLIO HOLDINGS (period ending June 30, 2022)**

	Country	Weight (%)	Industry
<b>Communication Services</b>			
Alphabet Inc.	United States	4.1	Interactive Media & Services
Comcast Corp.	United States	2.3	Media
Deutsche Telekom AG	Germany	0.7	Diversified Telecommunication Services
Sea Ltd.	Singapore	0.2	Entertainment
<b>Consumer Discretionary</b>			
Aptiv plc	United Kingdom	0.6	Auto Components
JD.com, Inc.	China	0.2	Internet & Direct Marketing Retail
LVMH	France	0.7	Textiles, Apparel & Luxury Goods
Meituan	China	0.7	Internet & Direct Marketing Retail
Melco Resorts & Entertainment Ltd.	Hong Kong	0.3	Hotels, Restaurants & Leisure
Prosus NV	Netherlands	0.9	Internet & Direct Marketing Retail
Puma SE	Germany	0.7	Textiles, Apparel & Luxury Goods
<b>Financials</b>			
AIA Group Ltd.	Hong Kong	0.9	Insurance
ICICI Bank Ltd.	India	0.5	Banks
Marsh & McLennan Cos. Inc.	United States	4.5	Insurance
Mastercard Inc.	United States	3.8	Consumer Finance
<b>Health Care</b>			
Alkermes plc	Ireland	0.4	Biotechnology
AstraZeneca plc	United Kingdom	0.8	Pharmaceuticals
Becton, Dickinson & Co.	United States	2.9	Health Care Equipment & Supplies
Dentsply Sirona, Inc.	United States	1.7	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	3.3	Health Care Equipment & Supplies
Embecta Corporation	United States	0.1	Health Care Equipment & Supplies
Genmab AS	Denmark	0.7	Biotechnology
Grifols, S.A.	Spain	0.3	Biotechnology
IQVIA Holdings Inc.	United States	4.1	Life Sciences Tools & Services
Johnson & Johnson	United States	2.8	Pharmaceuticals
Medtronic plc	United States	2.0	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	4.7	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	4.3	Biotechnology
WuXi Biologics Inc.	China	0.7	Life Sciences Tools & Services
<b>Industrials</b>			
Airbus SE	France	0.7	Aerospace & Defense
Daifuku Co., Ltd.	Japan	0.5	Machinery
Howmet Aerospace, Inc.	United States	3.5	Aerospace & Defense
Leidos Holdings Inc.	United States	2.7	Professional Services
Nidec Corp.	Japan	0.5	Electrical Equipment
Prysmian S.p.A.	Italy	0.6	Electrical Equipment
Safran S.A.	France	0.7	Aerospace & Defense
Stanley Black & Decker Inc.	United States	1.6	Machinery
Vertiv Holdings Co.	United States	1.1	Electrical Equipment
<b>Information Technology</b>			
Adobe Inc.	United States	3.0	Software
Advanced Energy Industries	United States	3.4	Electronic Equipment, Instruments & Components
Apple Inc.	United States	4.4	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	0.6	Semiconductors & Semiconductor Equipment
Atlassian Corp.	Australia	0.3	Software
Automatic Data Processing, Inc.	United States	3.4	IT Services
Microsoft Corp.	United States	4.2	Software
Nordic Semiconductor ASA	Norway	0.3	Semiconductors & Semiconductor Equipment
NVIDIA Corp.	United States	2.6	Semiconductors & Semiconductor Equipment
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	0.7	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	1.4	Semiconductors & Semiconductor Equipment
Wolfspeed, Inc.	United States	1.5	Semiconductors & Semiconductor Equipment
<b>Materials</b>			
Albemarle Corp.	United States	3.2	Chemicals
Corteva Inc.	United States	2.6	Chemicals
FMC Corp.	United States	3.4	Chemicals
<b>Cash &amp; Equivalents</b>			
Cash		3.6	

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