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# Hardman Johnston

## Large Cap Equity

### 2024 Fourth Quarter Report

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## Performance



Performance is through December 31, 2024. 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

- We expect US policy changes to, on balance, support economic growth and therefore corporate investment and profit growth
- Labor market strength and its inflationary impact may keep interest rates higher than anticipated and could moderate growth
- Opportunities, and therefore growth, are far from homogeneous. As always, these disparities create both risks and opportunities in the portfolios

## Market Review & Outlook

A lot has happened in three months, and, while we typically look forward, last quarter's events have outsized impacts on our outlook. Firstly, the significant shift in the U.S. political landscape has notably impacted the business environment. While we expect favorable impacts to corporate profitability from lower regulatory and tax burdens, muddy outlooks for trade policy and immigration, and therefore labor force growth, are chilling business investment decisions. Overall, we believe the environment supports economic growth, though confounding factors remain.

Secondly, the labor market has remained stronger than expected. Yes, this is good news in terms of consumer spending, but also keeps wage, and therefore inflationary pressures, high. Inflation should slow in 2025, but both the debt market and the Federal Reserve's rate setting board are reticent about lowering interest rates given these pressures. Higher rates make business investment more expensive, mortgages less affordable, and equities relatively less attractive. In practical terms, businesses may slow their plans to expand, the housing market and related industries may remain sluggish, and stock valuations may remain attractive.

Thirdly, while overall US stock markets had strong performance last year, the returns were not evenly distributed. Investment in data centers for artificial intelligence applications was strong, but housing construction was soft. Healthcare generally weakened, as much of the industry came under attack from policy makers on both sides of the aisle. Finally, the transition to carbon free energy has lost impetus for now, and stocks with that exposure underperformed.

Are we worried? Always. Worrying is what we do. We are also optimistic. Any equilibrium requires forces pulling or pushing in both directions. They are, by definition, equal. Looking forward we see forces that concern us, such as persistently high interest rates and inflation, as well as forces that will spur growth, such as a renewed improvement in worker productivity driven by technology application. We wonder about disruptive trade actions, but also understand that the world continues to invest to rebalance its supply chain footprint. This can't help but spur investment and economic growth. We believe, as we always have, that there is no substitute for thorough research into companies and the environment they operate in. This is what allows us to discern when the opportunities outweigh the risks and might allow us to worry just a little less.

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## Portfolio Commentary

The Large Cap Equity composite fell 1.31%, net of fees, in the fourth quarter, compared to an increase of 2.41% for the S&P 500. While full year returns were strong at 17.29%, net of fees, they also lagged the S&P 500 due primarily to the relative underperformance in Q4. In the quarter healthcare exposure was a drag on performance, along with consumer discretionary. We have lightened up the healthcare sector by exiting positions in Johnson & Johnson, Dentsply Sirona, Inc., Novo Nordisk A/S. We also exited information technology positions in Wolfspeed, Inc. and Taiwan Semiconductor Mfg. Co., Inc.

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Individual stocks that hurt were led by Universal Display Corp., Dentsply Sirona, Inc., and Vertex Pharmaceuticals, Inc.. Ironically, these are generally companies who have very strong intellectual property in the form of patents, good long term outlooks, and are essential to their customers. Near term stock price movements based on short term outlooks had a significant impact in a concentrated portfolio.

Contributors were led by Vertiv Holdings Co. Marvell Technology, Inc., and Howmet Aerospace, Inc. Marvell and Vertiv's role in datacenter buildout remains strong, as does Howmet's role in making air travel more efficient.

Given the sales of the three healthcare stocks, along with Taiwan Semi and Wolfspeed, and the purchases of SharkNinja, Inc., Marvell Technologies, and Lennar Corporation, portfolio turnover was relatively high. SharkNinja is a fast-paced consumer products company, both through innovation and a fast follower strategy. They offer high quality products at a significant discount to brand name competitors. This has allowed them to gain share from younger, price conscious customers who also embrace their social media based marketing. Marvell has a strong position in data networking chips in data centers. Lennar supplies housing to a US market where there is a chronic supply shortage. The current high mortgage rate environment has provided an entry opportunity.

## Quarterly Attribution\* & Portfolio Activity

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	S&P 500	Rep. Portfolio	S&P 500	
Industrials	21.5	8.4	2.9	-2.2	
Consumer Staples	0.0	5.7	0.0	-3.3	
Real Estate	0.0	2.2	0.0	-7.9	
Utilities	0.0	2.4	0.0	-5.5	
Energy	1.6	3.3	-2.8	-2.3	
Financials	14.2	13.4	5.2	7.1	
Comm. Services	7.3	9.0	6.4	8.9	
Materials	4.9	2.1	-11.0	-12.4	
Info. Technology	22.9	31.9	0.2	4.9	
Cons. Discretionary	5.8	10.6	-0.9	14.2	
Health Care	19.4	10.7	-12.9	-10.3	
Cash	2.4	0.2	1.1	1.1	

-2.0%    -1.0%    0.0%    1.0%

### Contributors & Detractors

Fourth Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
<u>Largest Contributors</u>			<u>Largest Contributors</u>		
Vertiv Holdings Co.	4.32	0.70	Vertiv Holdings Co.	4.34	4.02
Marvell Technology, Inc.	1.03	0.46	Howmet Aerospace, Inc.	4.62	2.88
Howmet Aerospace, Inc.	4.79	0.33	Curtiss-Wright Corporation	3.39	1.03
<u>Largest Detractors</u>			<u>Largest Detractors</u>		
Universal Display Corp.	2.75	-1.07	Dentsply Sirona, Inc.	1.66	-2.02
Dentsply Sirona, Inc.	0.74	-0.71	Adobe Inc.	3.14	-1.69
Vertex Pharmaceuticals Inc.	4.15	-0.63	Universal Display Corp.	2.94	-1.66

### Quarterly Initiations

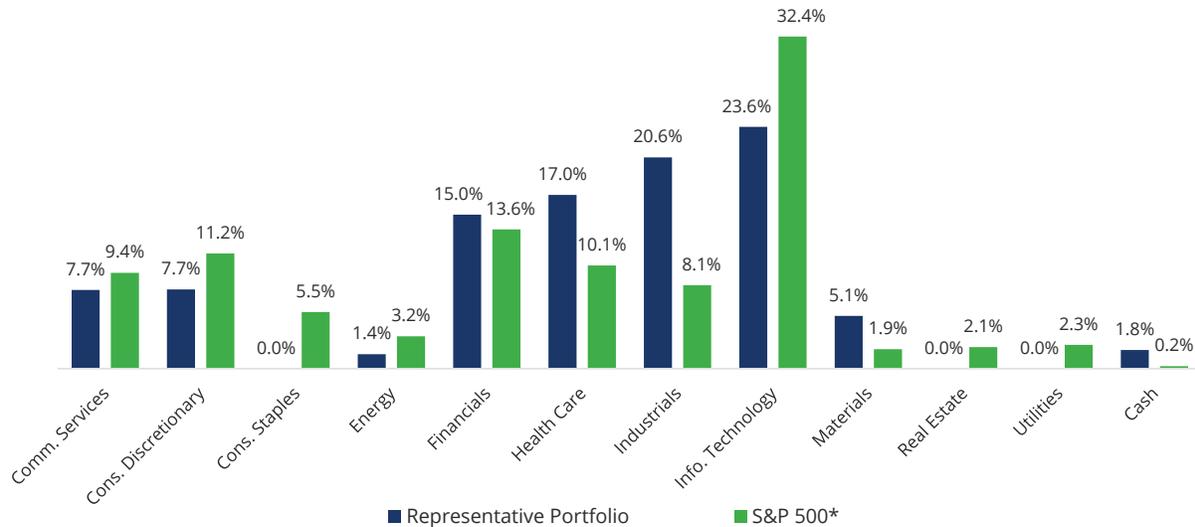
Lennar Corporation	Dentsply Sirona, Inc.
Marvell Technology, Inc.	Johnson & Johnson
SharkNinja, Inc.	Novo Nordisk A/S
	Taiwan Semiconductor Mfg. Co., Ltd.
	Wolfspeed, Inc.

### Quarterly Liquidations

Data for the quarter ending December 31, 2024. Source: FactSet, Hardman Johnston Global Advisors LLC®. **Past performance does not guarantee future results.**  
\*Information for S&P 500 attribution, exposures, and characteristics are derived from the iShares S&P 500 ETF. The data shown is of a representative portfolio for the Hardman Johnston Large Cap 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.

## Exposures & Characteristics\*

### Exposure by Sector



	Representative Portfolio		S&P 500*	
	4Q 2024	5 Year Average	4Q 2024	5 Year Average
<b>Capitalization</b>				
Weighted Average Market Cap (\$B)	724.3	421.8	1116.6	621.1
Median Market Cap (\$B)	65.6	62.0	37.1	30.5
<b>Growth Fundamentals</b>				
EPS Growth: 3 to 5 year forecast (%) <sup>1</sup>	15.1	14.6	11.3	12.1
Revenue Growth: 3 to 5 year forecast (%) <sup>1</sup>	8.8	9.2	7.9	7.7
<b>Value Fundamentals</b>				
P/E Ratio: 12 Months - forward <sup>1</sup>	24.6	24.8	25.1	24.2
P/E Ratio: 12 Months - trailing <sup>1</sup>	29.3	28.8	29.6	26.7
PEG Ratio: forward <sup>2</sup>	1.6	1.7	2.2	2.0
Dividend Yield (%) <sup>3</sup>	0.8	0.9	1.3	1.6
Price/Book <sup>4</sup>	4.6	5.1	4.8	4.0
<b>Quality Fundamentals</b>				
Return on Equity: 5 Year (%) - trailing <sup>1</sup>	20.2	20.0	25.1	23.8
Return on Invested Capital: 5 Year (%) - trailing	14.7	14.9	16.4	15.5
Long-Term Debt / Equity (%) <sup>1</sup>	77.1	77.4	76.6	87.3
<b>Other</b>				
Number of Positions	45	51	503	505
Beta: 3 year portfolio <sup>5</sup>	1.0	0.9	1.0	1.0
Tracking Error: 5 Year - trailing (%)	3.8	--	--	--

<sup>1</sup>Interquartile weighted mean, <sup>2</sup>PEG Ratio is calculated as "P/E Ratio: 12 Months - forward" divided by "EPS Growth: 3 to 5 year forecast", <sup>3</sup>Weighted mean, <sup>4</sup>Weighted harmonic mean, <sup>5</sup>MPT beta (daily). Data as of December 31, 2024. **Past performance does not guarantee future results.** \*Information for S&P 500 attribution, exposures, and characteristics are derived from the iShares S&P 500 ETF. 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. Future investments may or may not be profitable. 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. Hardman Johnston Global Advisors generally uses Global Industry Classification Standard ("GICS") to determine sector classification. Hardman Johnston may reclassify a company into a more suitable sector if it believes that the GICS classification for a specific company does not accurately classify the company from our perspective.

**Portfolio Holdings**

	Country	Weight (%)	Industry
<b>Communication Services</b>			
Alphabet Inc.	United States	4.7	Interactive Media & Services
Comcast Corp.	United States	1.9	Media
T-Mobile US, Inc.	United States	1.1	Wireless Telecommunication Services
<b>Consumer Discretionary</b>			
Amazon.com, Inc.	United States	2.9	Broadline Retail
Lennar Corporation	United States	1.9	Household Durables
MercadoLibre, Inc.	Brazil	0.6	Broadline Retail
SharkNinja, Inc.	United States	1.5	Household Durables
Suzuki Motor Corp.	Japan	0.9	Automobiles
<b>Energy</b>			
Schlumberger NV	United States	1.0	Energy Equipment & Services
TechnipFMC plc	United Kingdom	0.4	Energy Equipment & Services
<b>Financials</b>			
Charles Schwab Corp.	United States	2.9	Capital Markets
ICICI Bank Ltd.	India	0.5	Banks
Marsh & McLennan Cos. Inc.	United States	3.6	Insurance
Mastercard Inc.	United States	4.3	Financial Services
PayPal Holdings, Inc.	United States	3.0	Financial Services
Standard Chartered PLC	United Kingdom	0.6	Banks
<b>Health Care</b>			
AstraZeneca plc	United Kingdom	0.7	Pharmaceuticals
Becton, Dickinson & Co.	United States	1.8	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	1.8	Health Care Equipment & Supplies
Elanco Animal Health, Inc.	United States	0.7	Pharmaceuticals
Illumina, Inc.	United States	1.9	Life Sciences Tools & Services
IQVIA Holdings Inc.	United States	2.5	Life Sciences Tools & Services
Medtronic plc	United States	1.2	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.7	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	3.7	Biotechnology
<b>Industrials</b>			
Automatic Data Processing, Inc.	United States	2.9	Professional Services
Curtiss-Wright Corporation	United States	4.0	Aerospace & Defense
Howmet Aerospace, Inc.	United States	4.8	Aerospace & Defense
Leidos Holdings Inc.	United States	2.2	Professional Services
Prysmian S.p.A.	Italy	1.1	Electrical Equipment
Safran S.A.	France	0.6	Aerospace & Defense
Stanley Black & Decker Inc.	United States	1.4	Machinery
Vertiv Holdings Co.	United States	3.7	Electrical Equipment
<b>Information Technology</b>			
Adobe Inc.	United States	2.5	Software
Advanced Energy Industries	United States	1.2	Electronic Equipment, Instruments & Components
Apple Inc.	United States	4.7	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	0.7	Semiconductors & Semiconductor Equipment
Atlassian Corp.	United States	0.9	Software
Marvell Technology, Inc.	United States	2.7	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	4.2	Software
NVIDIA Corp.	United States	4.4	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	2.3	Semiconductors & Semiconductor Equipment
<b>Materials</b>			
Albemarle Corp.	United States	0.9	Chemicals
Corteva, Inc.	United States	3.1	Chemicals
FMC Corp.	United States	1.2	Chemicals
<b>Cash &amp; Equivalents</b>			
Cash		1.8	

Green text indicates the security has been in the portfolio for greater than five years.

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