
Hardman Johnston

Select Equity

2025 First Quarter Report



Performance



Performance is through March 31, 2025. 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, 1990.

Key Takeaways

- Disruptive policies have in turn disrupted the economic outlook
- Equity markets have corrected sharply since the end of the quarter
- Remaining invested is paramount. We do not know when the bottom will come, so we must be ready
- We have confidence in the soundness of our holdings and their ability to deliver strong long-term returns

Market Review & Outlook

While we look to the past to predict the future, in 2025, the immediate past, namely the first quarter, is unlikely to be much help in predicting near-term outcomes. Everyone expected Donald Trump to be disruptive as President, and, after a strong start in January, we saw markets sell off in February and March. However, that turned out to be a blip compared to the almost 10% drop in the S&P 500 in the first week of the new quarter. The new administration's policies are indeed disruptive and are upending business investment plans, as well as consumer confidence. With no clarity on the longevity of the new tariffs imposed and their effects on supply, investors have chosen to take a step back from the markets until they have better clarity on how corporate profit growth may evolve.

The magnitude and breadth of the tariffs are what took investors by surprise, as well as the absolute lack of any hint of compromise when they were first announced. Without modification, they will be disruptive to virtually every sector of the economy. We expect negotiations and agreements so that Americans can continue to buy groceries, diapers, cars, and services. However, we do not expect that to be telegraphed, and we anticipate further volatility in global stock markets. Nonetheless, exiting the market now is not the right course, because, when the turn comes, it will be swift. It might not be a "V" shaped bottom, but we don't want to be on the sidelines when the market decides any recession has been fully discounted.

We have the luxury of remaining in the markets because of our steadfast belief in the soundness of the portfolio holdings. These companies create value for their shareholders by creating value for their customers. The products or services they deliver are usually difficult to replicate. As growth investors, we believe that their customers will want more of what they offer with each passing year. If that changes, we exit the position. We do not assume that once a position is in place it will perform as expected. Our research is continual, with regular checks on the business environment and execution against our expectations. Finally, we expect to pay a price that doesn't fully reflect the potential of a new holding. The good news is that, in environments like this, we often find such opportunities.

Portfolio Commentary

During the first quarter of 2025, the Select Equity composite had a total return of -5.25%, net of fees, compared to the S&P 500 Total Returns Index's -4.27%. Relative underperformance was primarily driven by stock selection although it was partially offset by a positive sector allocation effect. Specifically, the Communication Services sector was the largest active detractor from the portfolio's performance, while the Consumer Discretionary sector was the largest contributor.

The portfolio's off-benchmark position in Vertiv Holdings Co. ("VRT") contributed negatively, with a return of -36.4% for Q1'25. Shares in VRT underperformed largely due to ongoing fears of a data center capex bubble after the introduction of DeepSeek, a Chinese AI competitor to ChatGPT and other large language models ("LLMs") that claimed to operate at significantly lower cost. Vertiv reported a very solid Q4'24 beat, but this was overshadowed by the ongoing deceleration in new orders, which were

only flat year-over-year and sequentially down. Such a deceleration should be expected given the blistering pace of order growth over the past 2 years, but the emergence of DeepSeek has complicated the interpretation. VRT remains a core beneficiary of data center investment given its full suite of thermal equipment, electrical equipment and services.

Additionally, the portfolio's off-benchmark position in Illumina, Inc. contributed negatively, with a return of -40.6% during the quarter. Illumina experienced several challenges, including being named an unreliable entity by China in March, which led to a prohibition on exporting gene sequencers to the country, significantly impacting its market access. This was further exacerbated by increased tariffs on China, resulting in a 38% decline over six weeks. Additionally, the company's shares fell 6.9% after the introduction of a potentially competitive sequencing technology. Despite these setbacks, Illumina reported an increase in Q4 2024 revenue, driven by consumables growth, and improved its non-GAAP operating margin by 170 basis points. Furthermore, Scott Gottlieb was elected non-executive Chair of the board, and Keith Meister will join the board.

Contributors to performance were led by Howmet Aerospace, Inc. and Vertex Pharmaceuticals Inc. Shares in Howmet continued to outperform during the quarter after the company reported another earnings beat. While initial 2025 guidance was somewhat conservative, we view them as prudently cautious given ongoing supply chain issues while also establishing a low bar for ongoing earnings beats. A major fire at a competitor's fastener facility has the potential to further exacerbate industry supply chain issues, which could imperil competitors' planned production ramps. For Howmet, it is an opportunity to gain share, and any slowdown would be offset by its high-margin aftermarket sales. We continue to view Howmet as exhibiting resilient growth driven by its core aerospace exposure, with increasing contribution from its industrial gas turbine component business.

Vertex reported strong financial results for Q4'24, with revenue in line and operating expenses higher than anticipated to support their pipeline. Investor confidence has been bolstered by Vertex's consistent growth and strategic initiatives, as the company has expanded its portfolio beyond cystic fibrosis. The recent FDA approval of suzetrigine (VX-548) for moderate-to-severe acute pain introduces a non-opioid pain treatment, addressing a significant market need.

Quarterly Attribution* & Portfolio Activity

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	S&P 500	Rep. Portfolio	S&P 500	
Cons. Discretionary	2.6	10.8	-14.3	-13.8	
Info. Technology	25.5	31.1	-12.5	-12.6	
Financials	17.0	14.0	2.3	3.5	
Materials	4.9	2.0	-3.4	2.8	
Health Care	19.3	10.5	0.9	6.5	
Real Estate	0.0	2.1	0.0	3.6	
Industrials	20.0	8.3	-4.3	-0.2	
Utilities	0.0	2.4	0.0	4.9	
Energy	0.0	3.3	0.0	10.2	
Comm. Services	7.1	9.5	-13.3	-6.2	
Consumer Staples	0.0	5.6	0.0	5.2	
Cash	3.7	0.3	1.0	1.0	

-1.0% -0.5% 0.0% 0.5% 1.0%

Contributors & Detractors

First Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
Largest Contributors			Largest Contributors		
Howmet Aerospace, Inc.	7.33	1.56	Howmet Aerospace, Inc.	7.10	4.33
Vertex Pharmaceuticals Inc.	4.07	0.83	NVIDIA Corp.	6.48	0.70
Marsh & McLennan Cos. Inc.	4.35	0.76	Marsh & McLennan Cos. Inc.	4.21	0.50
Largest Detractors			Largest Detractors		
Vertiv Holdings Co.	5.01	-1.46	ASML Holding N.V.	3.41	-1.68
Illumina, Inc.	1.91	-0.85	IQVIA Holdings Inc.	2.65	-1.26
PayPal Holdings, Inc.	2.74	-0.55	Illumina, Inc.	1.38	-1.22

Quarterly Initiations

Hexcel Corp.

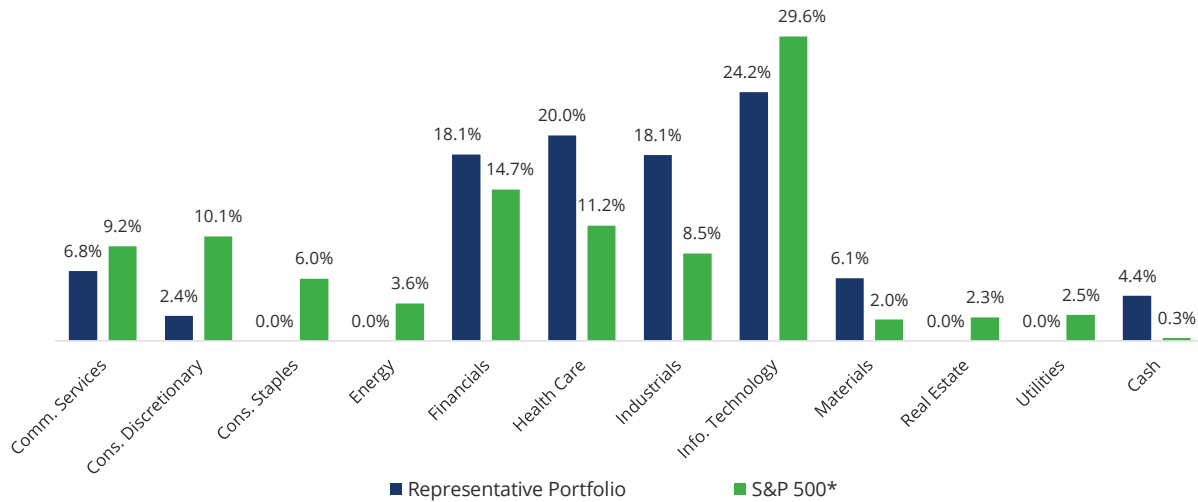
Quarterly Liquidations

None

Data for the quarter ending March 31, 2025. 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 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.

Exposures & Characteristics*

Exposure by Sector



	Representative Portfolio		S&P 500*	
	1Q 2025	5 Year Average	1Q 2025	5 Year Average
Capitalization				
Weighted Average Market Cap (\$B)	651.6	494.5	906.0	652.1
Median Market Cap (\$B)	90.5	84.4	36.2	31.3
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%) ¹	11.4	14.6	10.2	12.1
Revenue Growth: 3 to 5 year forecast (%) ¹	8.5	9.5	7.5	7.8
Value Fundamentals				
P/E Ratio: 12 Months - forward ¹	22.9	25.2	22.9	24.3
P/E Ratio: 12 Months - trailing ¹	26.3	29.2	25.8	27.0
PEG Ratio: forward ²	2.0	1.7	2.2	2.0
Dividend Yield (%) ³	0.9	0.9	1.3	1.5
Price/Book ⁴	5.2	5.6	4.5	4.1
Quality Fundamentals				
Return on Equity: 5 Year (%) - trailing ¹	23.7	21.5	26.7	24.1
Return on Invested Capital: 5 Year (%) - trailing ¹	17.6	16.1	16.9	15.8
Long-Term Debt / Equity (%) ¹	79.5	80.5	78.2	86.8
Other				
Number of Positions	32	31	504	504
Beta: 3 year portfolio ⁵	0.9	1.0	1.0	1.0
Tracking Error: 5 Year - trailing (%)	3.6	--	--	--

¹Interquartile weighted mean, ²PEG Ratio is calculated as "P/E Ratio: 12 Months - forward" divided by "EPS Growth: 3 to 5 year forecast", ³Weighted mean, ⁴Weighted harmonic mean, ⁵MPT beta (daily). Data as of March 31, 2025. **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 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. The representative portfolio was chosen as most representative of the Select 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
Communication Services			
Alphabet Inc.	United States	4.6	Interactive Media & Services
Comcast Corp.	United States	2.2	Media
Consumer Discretionary			
SharkNinja, Inc.	United States	2.4	Household Durables
Financials			
Charles Schwab Corp.	United States	3.3	Capital Markets
HDFC Bank Ltd.	India	2.3	Banks
Marsh & McLennan Cos. Inc.	United States	5.0	Insurance
Mastercard Inc.	United States	5.1	Financial Services
PayPal Holdings, Inc.	United States	2.4	Financial Services
Health Care			
AstraZeneca plc	United Kingdom	3.4	Pharmaceuticals
Becton, Dickinson & Co.	United States	2.4	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	2.1	Health Care Equipment & Supplies
Illumina, Inc.	United States	1.5	Life Sciences Tools & Services
IQVIA Holdings Inc.	United States	2.2	Life Sciences Tools & Services
Medtronic plc	United States	1.5	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.3	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	4.5	Biotechnology
Industrials			
Automatic Data Processing, Inc.	United States	3.2	Professional Services
Curtiss-Wright Corporation	United States	3.7	Aerospace & Defense
Howmet Aerospace, Inc.	United States	7.1	Aerospace & Defense
Stanley Black & Decker Inc.	United States	1.0	Machinery
Vertiv Holdings Co.	United States	3.1	Electrical Equipment
Information Technology			
Adobe Inc.	United States	2.2	Software
Advanced Energy Industries	United States	1.7	Electronic Equipment, Instruments & Components
Apple Inc.	United States	5.6	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	2.9	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	4.5	Software
NVIDIA Corp.	United States	4.8	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	2.5	Semiconductors & Semiconductor Equipment
Materials			
Albemarle Corp.	United States	0.8	Chemicals
Corteva, Inc.	United States	3.1	Chemicals
FMC Corp.	United States	0.9	Chemicals
Hexcel Corp.	United States	1.3	Chemicals
Cash & Equivalents			
Cash		4.4	

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

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