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# Hardman Johnston

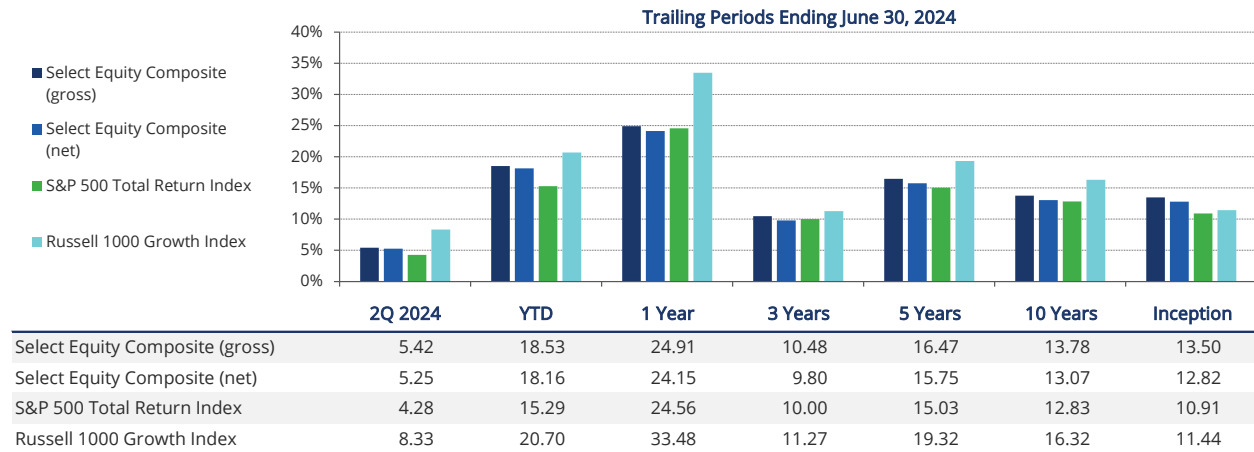
## Select Equity

### 2024 Second Quarter Report

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## Performance



Performance is through June 30, 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, 1990.

## Key Takeaways

- While much is going wrong currently, the outlook is improving
- The improved outlook is helping equity prices
- The wide disparity in stock prices is not uncommon and is driven by differences in outlooks
- Innovation remains the key to future growth. Solving problems is the key to innovation

## Market Review & Outlook

There is a lot that is going wrong in the world. There are two major wars, deteriorating consumer confidence, sluggish business spending, and a divisive political environment, just for starters. Yet, US equity markets are up in the mid-teens halfway through the year. What gives? How can stocks be up when so much is going wrong?

We must remember that stock prices are predicting the future, not reflecting current events. Yes, things could get worse, but it is more likely that conditions improve. For example, interest rates are likely to start falling before year end. Eventually, this will spur business investment, help the housing market, and improve the fiscal health of the government. Worker productivity, after being stagnant for several years, should start improving again with the advent of AI driven tools. Labor costs are moderating, after spiking in the inflationary period of the last few years. Finally, we may avoid a recession, although we do expect a slowdown. All these factors and others bode well for improving corporate profitability and therefore equity prices.

But the market is being driven by a handful of stocks, you say. What about the rest of the economy? That is not unusual. There are always under and out-performers. For example, after Russia invaded Ukraine energy companies surged while the rest of the market languished. Many areas are catching their breath after a huge pandemic surge. It does not necessarily point to something wrong, but rather reflects the unusually volatile nature of the economy for the last four years. It is likely that smoother roads are ahead.

We remain optimistic. In the midst of sensationalist headlines and handwringing, innovation continues to solve the world's problems. It is possible, for example, that global CO2 emissions have peaked. Cancer treatments are voiding the death sentences that used to come with so many diagnoses. Obesity drugs may change the course of another global pandemic, diabetes. Information technology continues to help us become more efficient in almost every area of life. All this is thanks to the imagination and hard work of millions, many for whom work for the companies we have the privilege of investing in.

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### Portfolio Commentary

In the second quarter the Select Equity composite returned 5.25%, net of fees, compared to 4.28% for the S&P 500. Key contributors in the quarter were Universal Display Corp., a company that is getting traction with its energy saving organic LED materials, NVIDIA Corp., whose high-speed processors are the tip of the spear in the AI and machine learning revolution, and Howmet Aerospace Inc., whose metallurgical expertise is facilitating more efficient and reliable air travel and transportation.

Detractors were led by IQVIA Holdings Inc., as concerns about near term drug development spending persist. Dentsply Sirona, Inc. continues to be plagued by lower dental care volumes, perhaps an echo from the pandemic catch-up, but we are paying close attention to the new management team's execution. Finally, concerns about consumer spending are holding Mastercard Inc. back.

## Quarterly Attribution\* & Portfolio Activity

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	S&P 500	Rep. Portfolio	S&P 500	
Info. Technology	28.6	30.4	18.4	13.8	
Industrials	19.8	8.6	5.7	-3.0	
Cons. Discretionary	0.0	10.1	0.0	0.6	
Energy	0.0	3.8	0.0	-2.5	
Consumer Staples	0.0	6.0	0.0	1.4	
Real Estate	0.0	2.2	0.0	-1.9	
Financials	14.1	12.8	-0.5	-2.0	
Utilities	0.0	2.3	0.0	4.2	
Comm. Services	7.2	9.3	9.8	9.4	
Materials	4.5	2.3	-12.9	-4.5	
Health Care	23.1	12.0	-2.7	-1.0	
Cash	2.7	0.2	1.3	1.3	

-2.0%   -1.0%   0.0%   1.0%   2.0%

### Contributors & Detractors

Second Quarter	Average Weight (%)	Total Effect (%)	Last Twelve Months	Average Weight (%)	Total Effect (%)
<u>Largest Contributors</u>			<u>Largest Contributors</u>		
Universal Display Corp.	3.16	0.64	Vertiv Holdings Co.	5.86	6.88
NVIDIA Corp.	7.06	0.59	NVIDIA Corp.	6.83	3.26
Howmet Aerospace, Inc.	6.39	0.54	Howmet Aerospace, Inc.	5.51	1.62
<u>Largest Detractors</u>			<u>Largest Detractors</u>		
IQVIA Holdings Inc.	2.85	-0.64	Albemarle Corp.	1.71	-2.18
Dentsply Sirona, Inc.	1.67	-0.56	FMC Corp.	1.58	-1.74
Mastercard Inc.	4.22	-0.45	Dentsply Sirona, Inc.	2.17	-1.67

### Quarterly Initiations

None

### Quarterly Liquidations

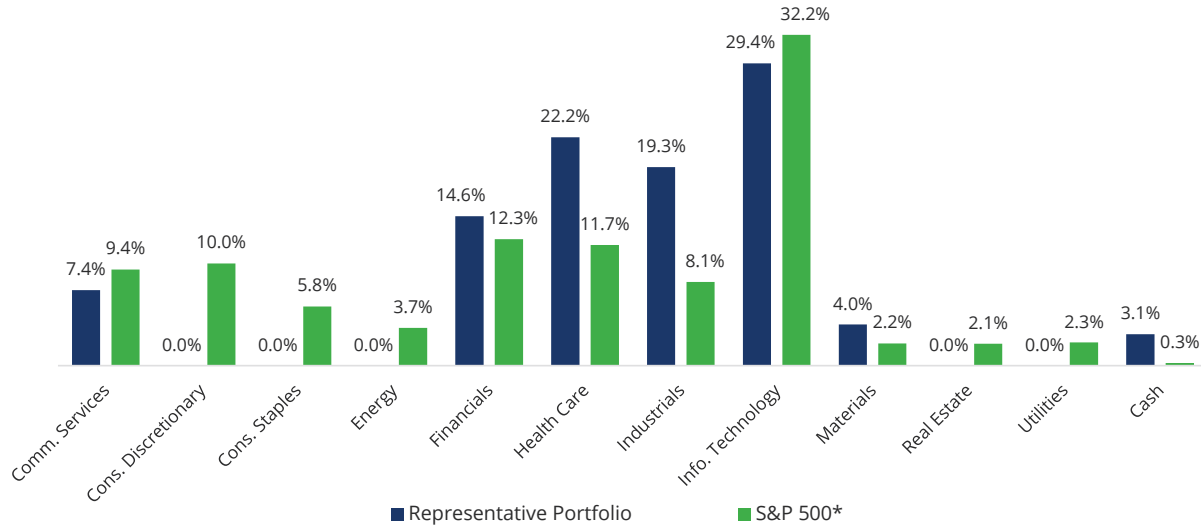
Grail Inc.\*\*

\*\*Grail Inc. is a spinoff from Illumina, Inc. We liquidated the position shortly after receiving the shares.

Data for the quarter ending June 30, 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 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*	
	2Q 2024	5 Year Average	2Q 2024	5 Year Average
<b>Capitalization</b>				
Weighted Average Market Cap (\$B)	773.7	417.9	1013.2	542.7
Median Market Cap (\$B)	97.8	79.6	34.8	29.1
<b>Growth Fundamentals</b>				
EPS Growth: 3 to 5 year forecast (%) <sup>1</sup>	14.5	14.5	12.4	11.9
Revenue Growth: 3 to 5 year forecast (%) <sup>1</sup>	8.9	9.4	7.7	7.6
<b>Value Fundamentals</b>				
P/E Ratio: 12 Months - forward <sup>1</sup>	26.3	24.7	25.4	23.6
P/E Ratio: 12 Months - trailing <sup>1</sup>	31.8	28.6	30.6	26.0
PEG Ratio: forward <sup>2</sup>	1.8	1.7	2.1	2.0
Dividend Yield (%) <sup>3</sup>	0.8	1.0	1.3	1.6
Price/Book <sup>4</sup>	5.7	5.5	4.7	3.8
<b>Quality Fundamentals</b>				
Return on Equity: 5 Year (%) - trailing <sup>1</sup>	23.0	20.8	25.2	23.3
Return on Invested Capital: 5 Year (%) - trailing	18.1	15.4	18.4	15.1
Long-Term Debt / Equity (%) <sup>1</sup>	78.8	78.4	76.4	88.2
<b>Other</b>				
Number of Positions	33	31	502	504
Beta: 3 year portfolio <sup>5</sup>	1.0	1.0	1.0	1.0
Tracking Error: 5 Year - trailing (%)	3.5	--	--	--
Turnover: 12 Months - trailing (%)	7.8	7.3	--	--

<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>MPT beta (daily). <sup>4</sup>Based on aggregate purchases and sales over prior 12 months. Data as of June 30, 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 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
<b>Communication Services</b>			
Alphabet Inc.	United States	5.1	Interactive Media & Services
Comcast Corp.	United States	2.3	Media
<b>Financials</b>			
Charles Schwab Corp.	United States	3.0	Capital Markets
HDFC Bank Ltd.	India	2.1	Banks
Marsh & McLennan Cos. Inc.	United States	4.1	Insurance
Mastercard Inc.	United States	3.9	Financial Services
PayPal Holdings, Inc.	United States	1.4	Financial Services
<b>Health Care</b>			
AstraZeneca plc	United Kingdom	3.5	Pharmaceuticals
Becton, Dickinson & Co.	United States	2.0	Health Care Equipment & Supplies
Dentsply Sirona, Inc.	United States	1.4	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	2.5	Health Care Equipment & Supplies
Illumina, Inc.	United States	0.7	Life Sciences Tools & Services
IQVIA Holdings Inc.	United States	2.6	Life Sciences Tools & Services
Johnson & Johnson	United States	1.9	Pharmaceuticals
Medtronic plc	United States	1.3	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.2	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	4.3	Biotechnology
<b>Industrials</b>			
Automatic Data Processing, Inc.	United States	2.5	Professional Services
Curtiss-Wright Corporation	United States	3.0	Aerospace & Defense
Howmet Aerospace, Inc.	United States	6.3	Aerospace & Defense
Stanley Black & Decker Inc.	United States	1.0	Machinery
Vertiv Holdings Co.	United States	6.6	Electrical Equipment
<b>Information Technology</b>			
Adobe Inc.	United States	3.0	Software
Advanced Energy Industries	United States	1.3	Electronic Equipment, Instruments & Components
Apple Inc.	United States	5.1	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	4.3	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	5.1	Software
NVIDIA Corp.	United States	6.5	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	3.7	Semiconductors & Semiconductor Equipment
Wolfspeed, Inc.	United States	0.4	Semiconductors & Semiconductor Equipment
<b>Materials</b>			
Albemarle Corp.	United States	1.0	Chemicals
Corteva, Inc.	United States	1.9	Chemicals
FMC Corp.	United States	1.2	Chemicals
<b>Cash &amp; Equivalents</b>			
Cash		3.1	

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

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