Hardman Johnston Global Equity

2019 FIRST QUARTER REPORT

Hardman Johnston Global Advisors

COMPOSITE PERFORMANCE (%) (period ending March 31, 2019)	1st QTR	1 Year	3 Years	5 Years	10 Years	Inception
Global Equity (gross of fees)	17.11	7.98	19.75	13.15	15.60	10.44
Global Equity (net of fees)	16.92	7.22	18.91	12.35	14.81	9.70
MSCI AC World Net Index	12.18	2.60	10.67	6.45	11.97	5.99
MSCI World Net Index	12.48	4.01	10.68	6.77	12.38	6.12

Performance is preliminary through March 31, 2019. Periods greater than one year are annualized. **Past performance does not guarantee future results**. Net performance reflects the deduction of advisory fees. The MSCI AC World Net is the benchmark index. Effective April 1, 2015, the Company changed the primary benchmark for its Global Equity strategy to the MSCI All Country World Net Index ("ACWI"). The performance for the MSCI World Net Index ("World") is shown as a supplemental index. The inception date of the composite is December 31, 2005.

KEY TAKEAWAYS

- Global equity markets rebound strongly, largely reversing late 2018 declines
- US and European monetary policymakers adopt a more dovish tone to offset tariffs and deceleration in China which weighed on growth
- US first quarter corporate profit forecasts turn negative as the tax effect for 2018 waivers
- Global Equity Composite returned 16.92%, net, outperforming the MSCI ACWI return of 12.18% and the MSCI World return of 12.48%

MARKET REVIEW

Global equity markets rebounded strongly from their sharp declines at the end of 2018 to record one of the strongest first quarters in the past two decades. Concerns about the slowing global economy resurfaced towards the end of the period, cooling rather than stamping out early 2019 enthusiasm. The S&P 500 gained over 13% for the three months and the MSCI ACWI gained more than 12% while most equity benchmarks around the world followed suit.

The US continued to motor along in early 2019, buoyed by a more dovish tone from the US Federal Reserve, strong reported fourth quarter earnings, and hopes for a positive outcome to US-China trade tensions. Employment growth exceeded expectations for January. However, it was a tale of two quarters as job creation flagged again in February, and expected first quarter earnings at S&P 500 companies turned negative as companies begin to run up against last year's tax-cut fueled comparatives. Reported GDP growth slowed to 2.2% in the fourth quarter, taking growth for 2019 to 2.9%. In the face of weakening global performance, the Fed cut its outlook for 2019 to 2.1% and signaled that there may be no interest rate hikes at all in 2019.

Late in the quarter, the yield on 10-year treasuries dropped below that of three-month paper, signaling investor anxiety about the near-term outlook. An inverted yield curve typically is a useful guide to impending recession in the next couple of years. However, one of the main risks is that it precipitates rather than predicts the next downturn. Businesses that start watching the indicator too closely could hold off investment and hiring decisions, ultimately causing the economy to stall.

A catalyst for growing investor concern was weak IHS Markit data for Germany, which showed that manufacturing declined at the fastest rate in over six years. The picture was not all gloomy in the Eurozone as data that measures business confidence and activity improved incrementally, arresting share price falls and the flight into safer securities. Nevertheless, the worsening outlook across the Eurozone prompted the European Central Bank to echo the Fed's more dovish stance on interest rates and pledge a new round of cheap liquidity for banks.

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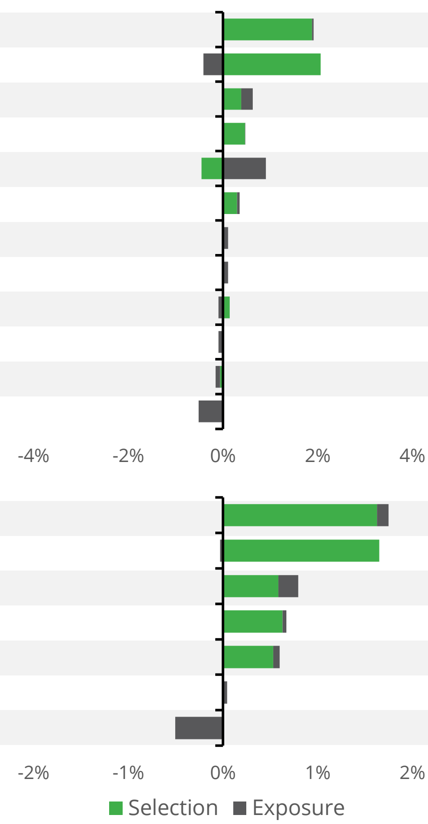
While Brexit and ensuing political uncertainty created distractions in Europe, the trade war and the slowdown in China weighed more heavily on the global economy. China's reported GDP growth slowed to 6.4% in the final three months of 2018, while an official state newspaper guided to growth of 6% in the first quarter. Profits at Chinese industrial companies slumped by 14% in January and February, according to the National Bureau of Statistics, while imports from its neighbor Japan also fell back sharply by 8.4% in January. We witnessed solid profits from Chinese companies in our portfolio, as well as international groups selling luxury goods into China, highlighting a potential bifurcation in the market.

Notwithstanding the pressure, Chinese stocks made strong gains as the Shanghai Composite climbed almost 24% over the quarter. The market received a boost from MSCI's decision to increase the China weighting in its benchmarks fourfold, although part of the rally may also have stemmed from investors optimistically pricing in an end to the trade spat. The US extended its pause on higher tariffs and dubbed ongoing talks as "constructive." It also warned that it could keep some existing levies in place for an extended period as an enforcement mechanism, even in the case of a deal.

PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Relative
	Rep. Portfolio	ACWI	Rep. Portfolio	ACWI	Attribution
SECTOR					
Cons. Discretionary	16.1	10.9	25.7	13.0	
Health Care	22.1	11.8	17.3	8.0	
Financials	11.8	18.2	14.2	8.9	
Comm. Services	10.1	8.7	16.0	11.3	
Info. Technology	29.4	14.1	16.7	18.6	
Materials	1.7	4.9	38.0	11.1	
Utilities	0.0	3.3	0.0	9.5	
Consumer Staples	0.0	8.2	0.0	11.4	
Energy	1.5	6.3	22.1	14.1	
Real Estate	0.0	3.2	0.0	16.0	
Industrials	4.4	10.4	12.5	13.8	
Cash	2.9	0.0	0.6	0.0	
REGION					
North America	63.0	57.5	16.5	13.8	
Emerging Markets	14.4	11.8	22.2	9.9	
Japan	4.0	7.4	23.0	6.7	
Pacific Ex Japan	4.0	3.8	29.1	12.2	
Europe	11.7	14.2	15.1	10.5	
United Kingdom	0.0	5.2	0.0	11.9	
Cash	2.9	0.0	0.6	0.0	



Preliminary data as of the quarter ending March 31, 2019. 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 Global 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

- Global Equity outperformed the MSCI ACWI by approximately 470 bps on a net basis during the first quarter
- Security selection in Consumer Discretionary and Health Care were the largest contributors during the quarter while underweight exposure in Industrials and no exposure to Real Estate were the largest detractors
- Security selection in North America and the Emerging Markets were the largest contributors to relative performance from a regional perspective; no broad region detracted from relative performance in the quarter

LARGEST CONTRIBUTORS

Alibaba Group Holding Ltd. (+1.2% contribution, +33.1% total return) stock experienced a strong rebound in the first quarter after a weak fourth quarter, where US-China trade war and China macro weakness were significant overhangs. The company reported strong retail eCommerce sales and robust growth across its other key segments, including advertising, cloud, and payments, driving outperformance.

Melco Resorts & Entertainment Ltd. (+1.1% contribution, +29.1% total return) was up 29% in the first quarter as the share price bounced back sharply after underperforming in 2018. Expectations were low going into the year and a series of industry and company specific data points surprised to the upside. Specifically, December-February monthly Gross Gaming Revenue (GGR) came in above or in-line with market expectations. Melco's fourth quarter earnings also were better than the market expected driven by improved operations at City of Dreams as a result of the new Morpheus tower. These positive fundamental developments combined with undemanding valuation led to a strong performance in the first quarter.

Shares of **Edwards Lifesciences Corp. (+1.0% contribution, 24.9% total return)** rallied following the presentation of strong data from a clinical trial at an important cardiology conference in mid-March. We have always thought Edwards's innovative heart valve technology to be revolutionary and disruptive and the opportunity to expand its addressable market by proving the technology's safety and efficacy in younger and healthier patients is finally happening with the data from these latest studies. Edwards continues to lead its industry in growth driven by innovation.

LARGEST DETRACTORS

A small position in **Livent Corp. (0.0% contribution, -3.1% total return)** was initiated late in March and has not yet contributed to performance, whereas existing positions contributed positively during the quarter as the markets overall rebounded and stock selection was positive.

UnitedHealth Group Inc. (0.0% contribution, -0.4% total return) underperformed during the quarter as a new "Medicare for All" bill that could replace almost all private plans drew focus. This will most likely be a topic of discussion through the election cycle and as such we will be paying close attention as news events evolve. We continue to believe that UNH has an excellent track record and balance sheet. This along with its operating efficiencies and economies of scale distinguish it as a leader among healthcare insurers.

Infineon Technologies AG (+0.1% contribution, 1.4% total return) is a power semiconductor company that sells into the auto, industrial, communications and other end markets. Shares of Infineon underperformed due to several volatile data points related to demand in China. In early March, Renesas Electronics, a Japanese semiconductor peer to Infineon with similar end market exposures, announced that the company would halt production at 6 facilities for up to 2 months. Investors interpreted this as a sign that the end markets had continued to weaken further. Later in the month, Infineon then lowered growth expectations for their fiscal year ending September from 9% growth to approximately 5%, despite the March quarter coming in close to prior expectations. Management at Infineon believed the government stimulus in China would not have significant impact in the fiscal year, and therefore deemed it prudent to lower expectations. More recently at the end March, Renesas management has since walked back their pessimism and now expects to halt production for less than one month, which led Infineon and others to rally back above the levels where the stock was before the flurry of negative news items impacted the stock. While the short-term demand gyrations are leading to some stock volatility, the fact that Infineon continues to put up industry leading growth and is still seeing robust demand in its strong secular markets, such as electric vehicles and autonomous driving, gives reason to maintain conviction in the long-term thesis.

PORTFOLIO ACTIVITY

- During the quarter, we initiated positions in ICICI Bank Ltd., Livent Corp. and NVIDIA Corp.

INITIATIONS

ICICI Bank Ltd. is India's largest private sector bank with the most extensive branch network in the country and a diversified presence across business segments. The bank has been focused on improving its operating efficiency and asset quality while dramatically reducing its large non-performing loans (NPL's) and assets (NPA's). We initiated a position as a result of the bank cleaning up their loan book and reducing their exposure to large, risky credits. Furthermore, they have utilized their vast network presence to increase exposure to higher quality retail clients and small and medium businesses. This provides diversification, an opportunity to cross sell and a low cost of funding from deposits which should result in higher profitability going forward. Earnings troughed in early 2018 and should grow significantly over the next several years as profitability ramps up off very depressed levels.

Livent Corp. is a pure play Lithium producer that was recently spun out of FMC Corporation and began trading in October of 2018. Livent is an established producer of lithium with strong relationships with battery manufacturers and auto companies, possess a very low-cost brine resource in Argentina, and most importantly, has leading market share in Lithium Hydroxide (LiOH) with plans to increase production by 31% in 2019, and triple it by 2025. Nickel rich cathodes for electric vehicles are expected to grow substantially in the next few years, which should support Lithium Hydroxide demand for Livent. Spot lithium prices have corrected sharply between January of 2018 and March of 2019, and we expect further price declines to be moderate going forward. Moreover, the valuation multiples of lithium producers have been cut by more than half since lithium prices peaked, providing a great entry point for a leading producer with substantial volume growth to drive earnings.

NVIDIA Corp. is the leading provider of graphics processing units (GPUs) for gaming and data center applications. The gaming business is currently a two-player market, with NVIDIA carrying approximately 75% share and its competitor AMD with the remaining. In 2017 and 2018, the surge in crypto-currency prices led to purchases of GPUs by crypto mining companies. In the second half of 2018, crypto currency prices plummeted and demand for GPUs from crypto miners dried up. As these trends work their way through NVIDIA's gaming business, growth should stabilize on demand from the core gaming business. The effects of the crypto headwinds are being compounded by an architecture refresh in the core gaming product. This transition has led to elevated inventory of the previous generation GPUs, particularly in the low- and mid-range. The impact of the excess inventory is expected to normalize within the next three to six months. The underlying gaming business has grown between 20-30% over long periods, even before the temporary demand surge from crypto. After the inventory situation corrects itself, gaming should grow at a 15-20% rate annually thereafter. The data center business has grown rapidly in the last five years, but growth has slowed in the last couple of quarters. The primary drivers of growth for data center is coming from hyperscale cloud customers and high-performance supercomputers. The spending patterns of these customer sets can be lumpy, and as growth for several data center suppliers overheat, it is likely that these customers will pull in some spending to secure supply and pricing. NVIDIA addresses differentiated workloads in the data center that should continue to see significant growth. CUDA, NVIDIA's software platform, is extensively used by developers within the data center community to accelerate time-to-market and drive efficiency out of the short supply of qualified developers for these complicated workloads. The company's Pro Visualization business sells GPUs and systems into the designer and developer markets. Growth for this segment has been steadier in the teens over time, as digital growth drives the need for more developers and designers. NVIDIA's auto segment has historically sold ARM-based processors into infotainment applications in vehicles. While growth in this area has stagnated, the company has signed on several auto OEM and Tier 1 suppliers to their platform for autonomous driving features.

LIQUIDATIONS

None.

MARKET OUTLOOK

Global economic growth is likely to slow as we move through 2019, although most of the world's major economies should continue to expand. We do not believe that the brief, partial inversion of the US treasuries yield curve in March heralds imminent recession.

There is always the risk that central bank policy can choke growth. Yet, given its awareness of the global slowdown and falling inflation in the US, the Fed is likely to stick to its recent guidance and keep interest rates on hold for the rest of the year. Moreover, while unemployment appears low, there is evidently still some slack in the jobs market, which means that cost pressures should remain subdued as both productivity and labor force participation improve.

Markets clearly now believe that a trade agreement between the US and China is likely, although a deal that leads to much greater and more open trade is not widely expected. A disappointing outcome to those talks could spark an equities sell-off. The US's proposal to levy $11 billion of tariffs on EU goods in response to European subsidies for aircraft maker Airbus also illustrates that the hardball approach to global trade may not be over.

Despite a slow start to 2019, Chinese indicators are showing signs of improvement, with better manufacturing and services PMIs in March. Nevertheless, we see the economy continuing to ease back, rather than stall, as the authorities focus on tax cuts and monetary support over large spending programs.

Given China's economic scale and power, its actions will increasingly have global knock-on effects. Stockpiling of oil in China, combined with rising demand, sanctions on Iran and Venezuela, and supply restraint from OPEC, will continue to underpin the price of crude. Recovering demand in China should also benefit Japanese exporters, although a planned VAT increase in the fourth quarter of 2019 is likely to hamper Japanese consumer spending into 2020.

We expect Europe to pick up again in 2019, although Brexit remains a concern. Consumer confidence and industrial production are among the indicators that improved towards the end of the first quarter in the Eurozone. We think lower inflation should help lift purchasing power, acting as a tailwind for consumer spending and GDP growth in turn. However, ongoing Brexit uncertainty will have an impact across Europe, and has the potential to cause lasting economic damage to the UK.

Despite the rally in stocks over the first quarter, we do not believe equity valuations are stretched, but rather up to date with events. Barring any positive surprises on issues including trade talks and Brexit, we expect company earnings performance to be the driver of share price growth for the remainder of 2019.

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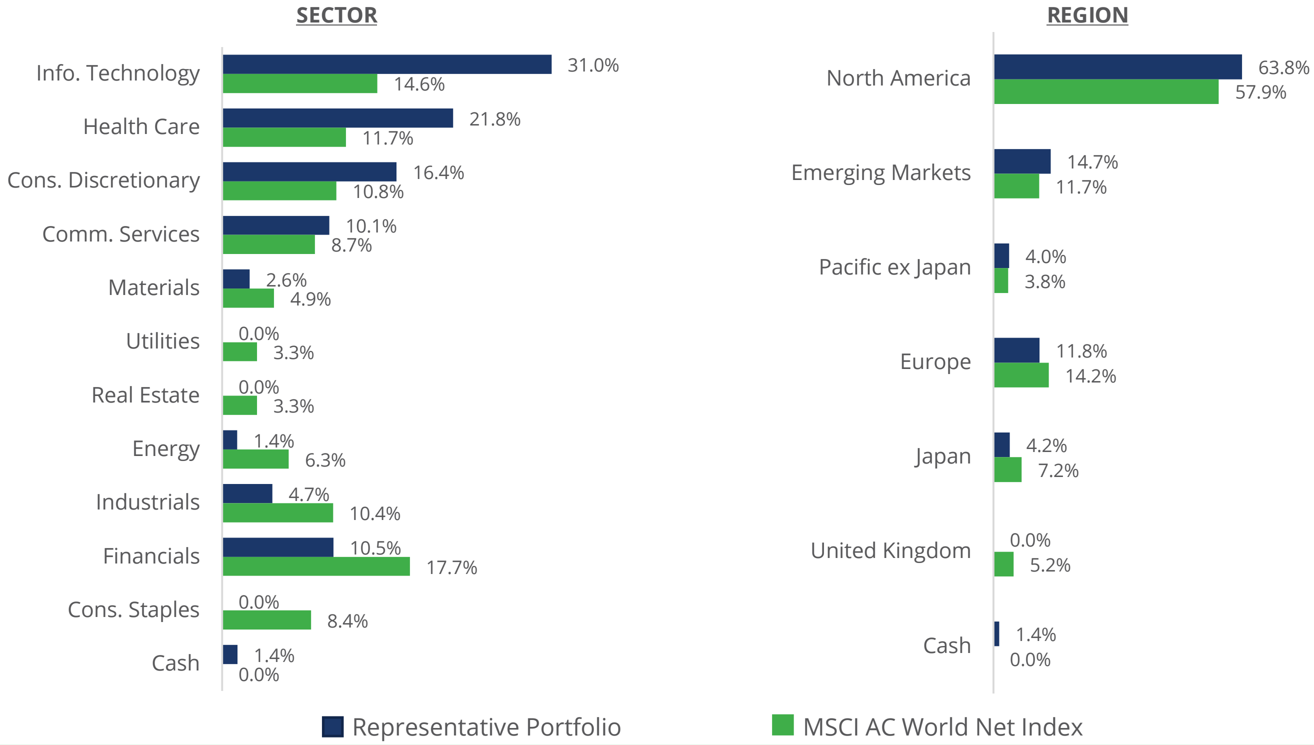
PORTFOLIO EXPOSURE (period ending March 31, 2019)



PORTFOLIO CHARACTERISTICS (period ending March 31, 2019)

	Representative Portfolio		MSCI AC World Net Index	
	Current	5-Year Average	Current	5-Year Average
Capitalization				
Weighted Average Market Cap ($B)	213.1	141.5	151.9	110.8
Median Market Cap ($B)	74.0	54.1	10.0	9.5
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	18.3	16.8	10.0	10.5
EPS Growth: 5 year trailing (%)[1]	14.4	17.9	9.7	7.7
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	26.4	21.3	17.8	16.5
P/E Ratio: 12 Months - trailing[1]	27.1	22.8	18.4	17.2
PEG Ratio: forward[1]	1.4	1.3	1.8	1.6
Dividend Yield (%)[2]	0.7	1.0	2.5	2.4
Price/Book[3]	5.1	3.7	2.2	2.1
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	14.5	17.3	15.5	14.7
Return on Invested Capital: 5 Year (%)[1]	12.2	12.8	10.8	10.2
Other				
Number of Positions	31	31	2,771	2,539
Beta: 3 year portfolio[4]	1.33	1.10	1.00	1.00

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

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PORTFOLIO HOLDINGS (period ending March 31, 2019)			
Sector / Company	**Country**	**Weight (%)**	**Industry**
Communication Services			
Alphabet Inc.	United States	4.3	Interactive Media & Services
Facebook Inc.	United States	1.9	Interactive Media & Services
Tencent Holdings Ltd.	China	3.9	Interactive Media & Services
Consumer Discretionary			
Alibaba Group Holding Ltd.	China	4.0	Internet & Direct Marketing Retail
Amazon.com, Inc.	United States	3.8	Internet & Direct Marketing Retail
Kering S.A.	France	4.2	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	4.0	Hotels, Restaurants & Leisure
Puma SE	Germany	0.4	Textiles, Apparel & Luxury Goods
Energy			
Schlumberger Ltd.	United States	1.4	Energy Equipment & Services
Financials			
HDFC Bank Ltd.	India	2.4	Banks
ICICI Bank Ltd.	India	1.9	Banks
JPMorgan Chase & Co.	United States	1.9	Banks
Mastercard Inc.	United States	4.2	Consumer Finance
Health Care			
Becton, Dickinson & Co.	United States	3.8	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	4.3	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	4.2	Life Sciences Tools & Services
UnitedHealth Group Inc.	United States	3.4	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	3.7	Biotechnology
WuXi Biologics	China	2.4	Life Sciences Tools & Services
Industrials			
Kratos Defense & Sec. Solutions	United States	2.9	Aerospace & Defense
Lockheed Martin Corp.	United States	1.8	Aerospace & Defense
Information Technology			
Adobe Inc.	United States	4.1	Software
ASML Holding N.V.	Netherlands	3.9	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	4.6	IT Services
Infineon Technologies AG	Germany	3.3	Semiconductors & Semiconductor Equipment
Keyence Corp.	Japan	4.2	Electronic Equipment, Instruments & Components
Microsoft Corp.	United States	4.0	Software
NVIDIA Corp.	United States	3.0	Semiconductors & Semiconductor Equipment
PTC Inc.	United States	3.9	Software
Materials			
First Quantum Minerals Ltd.	Canada	1.9	Metals & Mining
Livent Corp.	United States	0.8	Chemicals
Cash & Equivalents			
Cash		1.4	

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