
Hardman Johnston

Large Cap 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 |
|----------------------------------|---------|--------|---------|---------|----------|-----------|
| Large Cap Equity (gross of fees) | 15.20 | 9.19 | 13.52 | 10.54 | 15.14 | 11.23 |
| Large Cap Equity (net of fees) | 15.05 | 8.57 | 12.88 | 9.91 | 14.48 | 10.81 |
| S&P 500 Total Return Index | 13.65 | 9.50 | 13.51 | 10.86 | 15.85 | 9.65 |

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. Composite inception date: December 31, 1989.

KEY TAKEAWAYS

- Equity markets rallied in the first quarter, recovering nearly all losses from fourth quarter sell-off
- Improving global sentiment points to brighter outlook for US equities
- Data out of US labor markets signal continued strength in the domestic business environment
- Risks to equity markets remain a focus as slowing growth in Europe and uncertainty in the UK cannot be overlooked

MARKET REVIEW AND OUTLOOK

Somewhat dramatically, the portfolio reversed the declines from the fourth quarter of 2018, and equity markets rallied almost all the way back to September's levels. Something has changed in six months. Remember that equity markets always look forward. Since stock prices are predictions of a company's future earnings and capital deployment, obviously, the future must be brighter than we thought at the turn of the year. What is driving the optimism? Certainly the outlook for global growth has improved since the fourth quarter. We have gone from fears of the Fed quelling the US and other dependent economies by raising interest rates too quickly to a "pause" in tightening. On the other side of the globe, over the last year the Chinese government has taken dozens of policy steps to stimulate both business and consumer growth. As the world's second largest economy and the primary driver of growth in the western Pacific, China's recovery will have ripple effects around the world.

At home in the US, the business environment remains strong. Employment growth continues to surprise economists and market participants. Many employers are cautious about a tightening supply of labor and a shortage of the skills they seek, but workers keep coming off the sideline to drive the labor participation rate to levels we have not seen since the 1960s. Wages are starting to grow again, causing companies to search for more productivity. Therefore, we were not surprised to read that information technology led other sectors in market performance in the first quarter, as new software and computing are often the low hanging fruit for making employees more efficient. More traditional capital expenditures for US businesses are on their way as well, as business machinery investment grew at a high single digit rate last year, and will continue to fuel productivity growth.

While global economic conditions are generally improving, and markets have responded, risks remain. Across the Atlantic we see European growth that never seems to get far from stall speed, seemingly perpetual muddiness around Brexit, and a Russian government intent on re-establishing regional hegemony. A miscalculation in monetary policy at any central bank could trip up markets, as we saw last quarter. In the US, consumers appear to be taking a breather after the government shutdown delayed tax returns, and the environment in Washington, D.C. remains tumultuous.

After proofreading the prior three paragraphs, it occurred to us that they sound familiar to prior commentaries, and a glance back through our writings from 2018 makes us realize that the themes are recurring. Yet we have experienced six months of anything but straight lines. We think that is good news as near term swings create opportunities to get into franchises that we admire but traded at prices deemed too high. In aggregate, we feel that valuations are reasonable, and we hope that we have conveyed that prospects for growth remain bright.

PERFORMANCE ATTRIBUTION



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 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 COMMENTARY

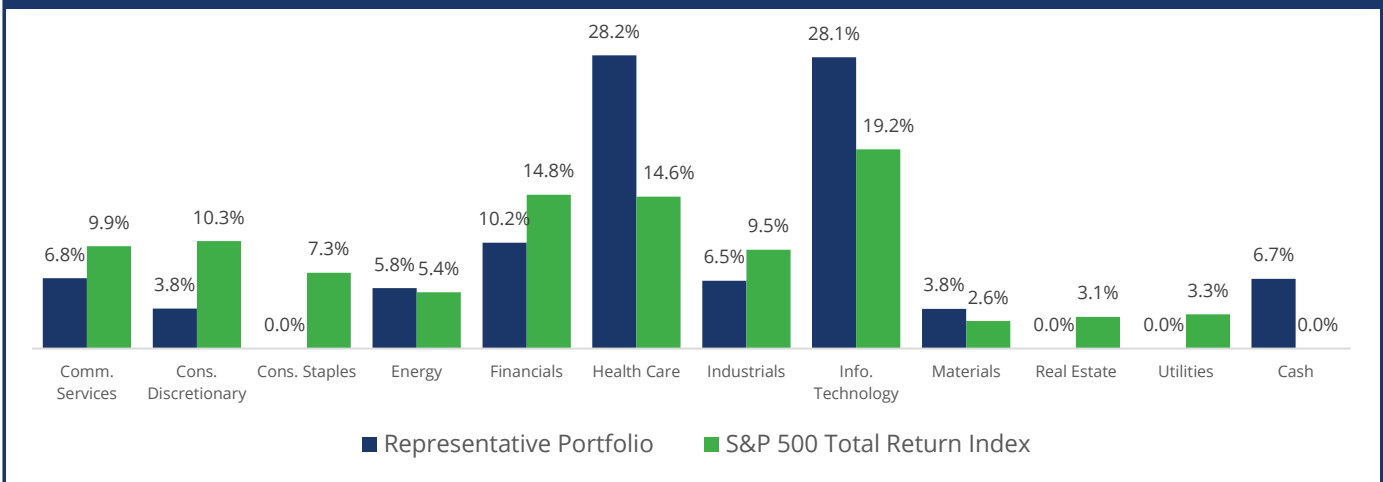
The Large Cap Equity composite delivered a 15.1% return in the first quarter (net of fees), compared to 13.7% for the S&P 500 Total Return index. Healthcare was the standout sector in the quarter, with the outperformance driven by innovation at the individual company level rather than by a wholesale policy change or any change in the sector's environment.

Individual names that had strong quarters included Mastercard Inc., with continued strong momentum in electronic payments, Edwards Lifesciences Corp., who showed strength leading up to the March release of favorable data on its transcatheter heart valves, and Automatic Data Processing, Inc., who continues to ride the wave of strong employment gains.

Detractors in the quarter were led by Prysmian S.p.A., a leading supplier of electric grid cables and telecommunications network infrastructure, as they work out some kinks with a major new project. New holding Murata Manufacturing Co., Ltd., an electronics component supplier, was volatile around reduced forecasts in the smartphone and auto markets. Finally, Bayer AG traded off on losses at trial related to its herbicide Round-Up.

In addition to Murata, we initiated positions in Airbus SE, a commercial aircraft OEM, and NVIDIA Corp., a semiconductor company whose leading edge parallel processing chips are used for graphics and artificial intelligence applications. Finally, Livent Corp., a supplier of lithium, used increasingly to make the batteries in electric vehicles was spun out from FMC Corp.

PORTFOLIO EXPOSURE (period ending March 31, 2019)



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| FIRST QUARTER | | | LAST TWELVE MONTHS | | |
|---------------------------------|--------------------|----------------------------|---------------------------------|--------------------|----------------------------|
| | Average Weight (%) | Contribution to Return (%) | | Average Weight (%) | Contribution to Return (%) |
| Largest Contributors | | | Largest Contributors | | |
| Mastercard Inc. | 3.64 | 0.86 | Automatic Data Processing, Inc. | 3.55 | 1.28 |
| Edwards Lifesciences Corp. | 3.50 | 0.82 | Microsoft Corp. | 4.46 | 1.20 |
| Automatic Data Processing, Inc. | 3.73 | 0.79 | IQVIA Holdings Inc. | 2.90 | 1.15 |
| Largest Detractors | | | Largest Detractors | | |
| Prysmian S.p.A. | 0.70 | -0.03 | Schlumberger Ltd. | 2.14 | -0.76 |
| Murata Manufacturing Co., Ltd. | 0.22 | -0.02 | General Electric Co. | 0.79 | -0.64 |
| Bayer AG | 0.32 | -0.02 | Prysmian S.p.A. | 0.70 | -0.33 |

Past performance does not guarantee future results. A full list of securities held as of March 31, 2019, 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 - FIRST QUARTER | | LIQUIDATIONS - FIRST QUARTER |
|---------------------------|--------------------------------|------------------------------|
| Airbus SE | Murata Manufacturing Co., Ltd. | None |
| NVIDIA 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 March 31, 2019. 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 March 31, 2019) | | | | |
|--|--------------------------|----------------|----------------------|----------------|
| | Representative Portfolio | | S&P 500 Total Return | |
| | Current | 5-Year Average | Current | 5-Year Average |
| Capitalization | | | | |
| Weighted Average Market Cap (\$B) | 177.5 | 121.9 | 230.6 | 164.6 |
| Median Market Cap (\$B) | 49.6 | 43.9 | 21.6 | 19.4 |
| Growth Fundamentals | | | | |
| EPS Growth: 3 to 5 year forecast (%) ¹ | 13.0 | 12.6 | 10.4 | 10.5 |
| EPS Growth: 5 year trailing (%) ¹ | 7.2 | 6.7 | 8.2 | 7.1 |
| Value Fundamentals | | | | |
| P/E Ratio: 12 Months - forward ¹ | 23.0 | 20.0 | 19.3 | 17.8 |
| P/E Ratio: 12 Months - trailing ¹ | 27.5 | 23.7 | 22.5 | 19.5 |
| PEG Ratio: forward ¹ | 1.8 | 1.6 | 1.9 | 1.7 |
| Dividend Yield (%) ² | 1.2 | 1.4 | 1.9 | 2.0 |
| Price/Book ³ | 4.5 | 3.7 | 3.2 | 2.9 |
| Quality Fundamentals | | | | |
| Return on Equity: 5 Year (%) ¹ | 15.4 | 16.5 | 18.0 | 17.7 |
| Return on Invested Capital: 5 Year (%) ¹ | 13.4 | 11.9 | 12.5 | 11.8 |
| Other | | | | |
| Number of Positions | 51 | 54 | 506 | 505 |
| Beta: 3 year portfolio ⁴ | 0.96 | 0.95 | 1.00 | 1.00 |

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

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| PORTFOLIO HOLDINGS (period ending March 31, 2019) | | | |
|---|----------------|------------|--|
| Sector / Company | Country | Weight (%) | Industry |
| Communication Services | | | |
| Alphabet Inc. | United States | 2.9 | Interactive Media & Services |
| Comcast Corp. | United States | 2.9 | Media |
| Tencent Holdings Ltd. | China | 1.0 | Interactive Media & Services |
| Consumer Discretionary | | | |
| adidas AG | Germany | 0.9 | Textiles, Apparel & Luxury Goods |
| Alibaba Group Holding Ltd. | China | 0.9 | Internet & Direct Marketing Retail |
| LVMH | France | 1.0 | Textiles, Apparel & Luxury Goods |
| Melco Resorts & Entertainment Ltd. | Hong Kong | 1.0 | Hotels, Restaurants & Leisure |
| Energy | | | |
| EOG Resources, Inc. | United States | 2.0 | Oil, Gas & Consumable Fuels |
| Occidental Petroleum Corp | United States | 2.3 | Oil, Gas & Consumable Fuels |
| Schlumberger Ltd. | United States | 1.6 | Energy Equipment & Services |
| Financials | | | |
| AIA Group Ltd. | Hong Kong | 1.3 | Insurance |
| HDFC Bank Ltd. | India | 0.5 | Banks |
| ICICI Bank Ltd. | India | 1.0 | Banks |
| March & McLennan Cos. Inc. | United States | 3.6 | Insurance |
| Mastercard Inc. | United States | 3.8 | Consumer Finance |
| Health Care | | | |
| AstraZeneca | United Kingdom | 0.9 | Pharmaceuticals |
| Bayer AG | Germany | 0.3 | Pharmaceuticals |
| Becton, Dickinson & Co. | United States | 3.5 | Health Care Equipment & Supplies |
| Cerner Corp. | United States | 2.4 | Health Care Technology |
| Edwards Lifesciences Corp. | United States | 3.7 | Health Care Equipment & Supplies |
| IQVIA Holdings Inc. | United States | 3.4 | Life Sciences Tools & Services |
| Johnson & Johnson | United States | 2.4 | Pharmaceuticals |
| Koninklijke Philips N.V. | Netherlands | 0.6 | Health Care Equipment & Supplies |
| Medtronic plc | Ireland | 2.3 | Health Care Equipment & Supplies |
| Qiagen N.V. | Netherlands | 1.0 | Life Sciences Tools & Services |
| Quest Diagnostics Inc. | United States | 1.5 | Health Care Providers & Services |
| Terumo Corp. | Japan | 0.4 | Health Care Equipment & Supplies |
| Varian Medical Systems, Inc. | United States | 2.7 | Health Care Equipment & Supplies |
| Vertex Pharmaceuticals Inc. | United States | 2.7 | Biotechnology |
| WuXi Biologics | China | 0.6 | Life Sciences Tools & Services |
| Industrials | | | |
| Airbus SE | France | 0.9 | Aerospace & Defense |
| Fanuc Corp | Japan | 0.7 | Machinery |
| Nidec Corp. | Japan | 0.9 | Electrical Equipment |
| Prysmian S.p.A. | Italy | 0.7 | Electrical Equipment |
| Safran S.A. | France | 0.9 | Aerospace & Defense |
| Stanley Black & Decker Inc. | United States | 2.5 | Machinery |
| Information Technology | | | |
| Adobe Inc. | United States | 3.9 | Software |
| Apple Inc. | United States | 2.6 | Technology Hardware, Storage & Peripherals |
| ASML Holding N.V. | Netherlands | 0.9 | Semiconductors & Semiconductor Equipment |
| Automatic Data Processing, Inc. | United States | 3.9 | IT Services |
| Cisco Systems, Inc. | United States | 3.1 | Communications Equipment |
| Cognizant Technology Solutions | United States | 2.5 | IT Services |
| Flir Systems Inc. | United States | 2.2 | Electronic Equipment, Instruments & Components |
| Hexagon AB | Sweden | 0.9 | Electronic Equipment, Instruments & Components |
| Infineon Technologies AG | Germany | 0.8 | Semiconductors & Semiconductor Equipment |
| Microsoft Corp. | United States | 4.7 | Software |
| Murata Manufacturing Co., Ltd. | Japan | 0.4 | Electronic Equipment, Instruments & Components |
| NVIDIA Corp. | United States | 2.2 | Semiconductors & Semiconductor Equipment |
| Materials | | | |
| Albemarle Corp. | United States | 1.5 | Chemicals |
| FMC Corp. | United States | 2.0 | Chemicals |
| Livent Corp. | United States | 0.3 | Chemicals |
| Cash & Equivalents | | | |
| Cash | | 6.7 | |

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