
Hardman Johnston Select Equity

2019 SECOND QUARTER REPORT



**Hardman
Johnston**
Global Advisors

COMPOSITE PERFORMANCE (%) (period ending June 30, 2019)

	2nd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Select Equity (gross of fees)	3.42	19.71	12.08	14.03	11.15	14.52	12.99
Select Equity (net of fees)	3.27	19.36	11.39	13.32	10.44	13.77	12.31
S&P 500 Total Return Index	4.30	18.54	10.42	14.19	10.67	14.63	10.20
Russell 1000 Growth Index	4.64	21.49	11.56	18.07	13.38	16.27	10.11

Performance is preliminary through June 30, 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, 1990.

KEY TAKEAWAYS

- Equity markets delivered solid returns during the second quarter of 2019
- Improving wage gains and a tight labor market in the US suggest a more measured approach to interest rates by the Federal Reserve
- The global economy should benefit from China's stimulus to its domestic economy
- Negotiations continue in US- China trade dispute as markets expect a rational outcome

MARKET REVIEW AND OUTLOOK

As we get into the second decade of a remarkable period of expansion for the US economy, it is admittedly difficult to not be redundant with past commentaries. Yet here we are, and after the dramatic downs and ups of the prior two quarters US equity markets delivered good returns, once again. Our approach demands that we continually assess the growth prospects of the companies we invest in and shed the companies whose growth is flagging and replace them with other, faster paced substitutes. We have had to do some of that, but, generally speaking, when we look at the portfolio the outlooks for the vast majority of our holdings still look bright. Much of that is attributable to the often outstanding products or services that the companies provide, but there is also a solid economic backdrop that has the opportunity to strengthen further. US growth continues to chug along, albeit at a slightly lower rate. But with remarkably strong employment creating a tight labor market, companies continue to invest in assets and tools that will help boost productivity to a degree not seen since the millennium.

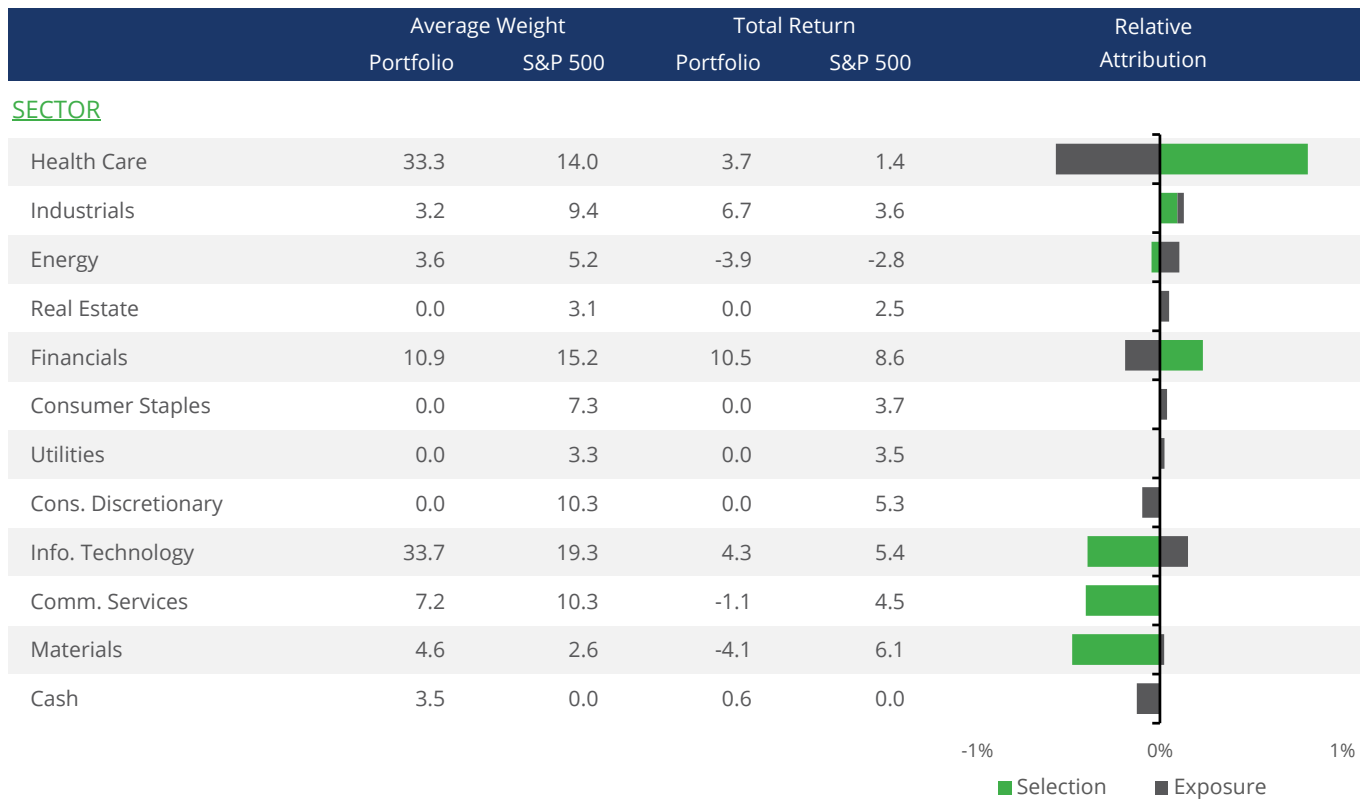
Outside the US, we look to China and the stimulative policies they are implementing. Given its stature as the world's second largest economy and the largest contributor to global growth, we should not be surprised that the rest of the world, in large part, relies on China for their growth. China is Germany and Japan's largest export market. Chinese manufacturers drive demand for copper, iron, and other key commodities. The Chinese are eager consumers of machine tools, industrial software, and innovative manufacturing techniques as their labor market has started to tighten. Given that we are finally starting to see some positive impacts from the enormous stimulative measures they have taken over the last 18 months, we expect that Europe and Asia may emerge from their doldrums and accelerate.

Of course, there are certainly risks, mostly of the economic policy variety. We expect all parties to resolve the ongoing trade disputes in a rational manner given that it is in everyone's best interest to do so, but also understand that we should expect some bumps along that path. We have also highlighted for the past decade the risks surrounding transitions in monetary policies around the globe. Given low inflation in the face of a tight labor market and improving wage gains in the US, we think the Federal Reserve should take measured rather than forceful steps with interest rate targets, but think that more



vulnerable economies have the ability to act more aggressively. Geo-political risks abound, but it is hard to handicap them or even discern what impact they will have. In the end we invest based on what we know about companies, how they are perceived by their customers, their competitors, and their ability to create value through growth.

PERFORMANCE ATTRIBUTION



Preliminary data as of the quarter ending June 30, 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 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.



PORTFOLIO COMMENTARY

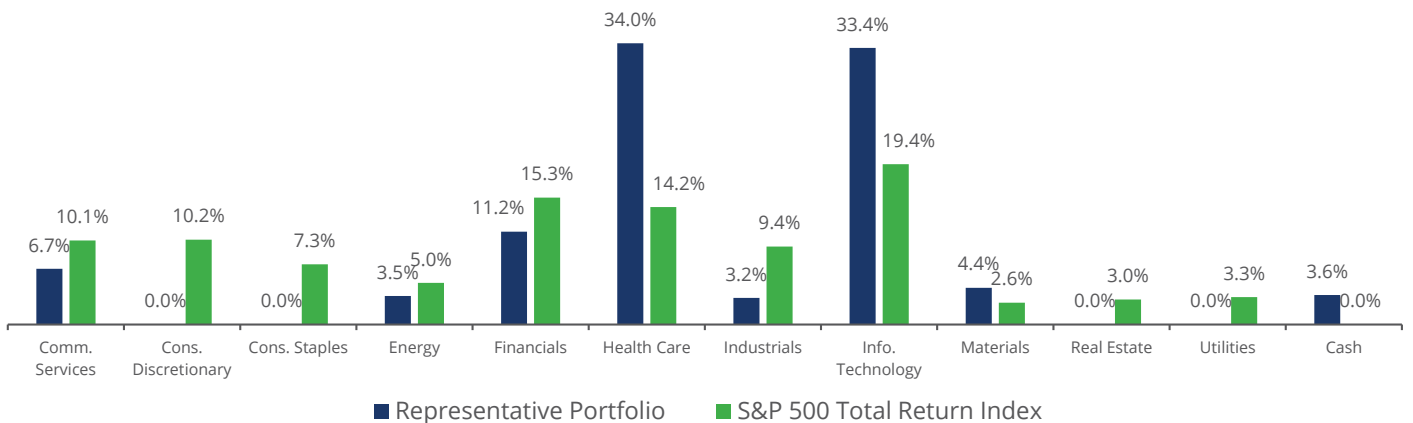
The Select Equity composite appreciated 3.3%, net of fees, in the quarter, lagging the S&P 500's return of 4.3% for the three months but remains ahead of the benchmark year to date. Weaker relative performance of our materials holdings drove the quarterly underperformance, while healthcare was a major contributor on the positive side.

Top individual contributors this quarter included Cerner Corp., a leading healthcare IT company, with shares jumping after reaching an agreement with an activist investor regarding new ways to create value for shareholders. Microsoft Corp. and Mastercard Inc. also contributed as Microsoft continues on its path of transitioning clients of all sizes to the cloud while Mastercard remains a beneficiary of the secular shift from cash to electronic payments.

Detractors were led by Cognizant Technology Solutions Corp., which continues to help its customers navigate uncertainties in their end markets, namely in financial services and healthcare, but there are signs that growth may be picking up. Google parent Alphabet Inc. continues to face regulatory risks to its business, although growth trends remain strong. NVIDIA Corp., a new holding in the first quarter, continues to build base. While it is still early days we are confident that long term growth will be quite strong for this unique company.

We exited our position in Quest Diagnostics Inc. in the quarter. While a steady performer over a long period, the company's ability to grow is increasingly constrained by reimbursement pressures and uncertainty about how healthcare will be delivered in the United States. We replaced Quest with Dentsply Sirona Inc., a provider of dental technology and supplies. We like the dental market with its high pace of innovation, patient willingness to pay for better services and outcomes, and the loyalty that dentists show to trusted suppliers. We have long admired Dentsply Sirona, but have remained disciplined with regards to valuation. A recent hiccup in operating performance has given us an opening to get in at what we suspect will be an attractive price.

PORTFOLIO EXPOSURE (period ending June 30, 2019)



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SECOND QUARTER			LAST TWELVE MONTHS		
	Average Weight (%)	Contribution to Return (%)		Average Weight (%)	Contribution to Return (%)
Largest Contributors			Largest Contributors		
Microsoft Corp.	5.42	0.72	IQVIA Holdings Inc.	3.68	1.89
Mastercard Inc.	4.86	0.59	Microsoft Corp.	5.04	1.69
Cerner Corp.	2.05	0.51	Mastercard Inc.	4.42	1.49
Largest Detractors			Largest Detractors		
Cognizant Technology Solutions	2.62	-0.35	EOG Resources, Inc.	2.79	-0.99
Alphabet Inc. Class A	3.60	-0.33	Schlumberger Ltd.	1.55	-0.89
NVIDIA Corp.	2.52	-0.26	Quest Diagnostics Inc.	2.38	-0.63

Past performance does not guarantee future results. A full list of securities held as of June 30, 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 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. 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 - SECOND QUARTER	LIQUIDATIONS - SECOND QUARTER
Dentsply Sirona Inc.	Quest Diagnostics Inc.

The holdings identified represent all new positions and liquidations in the Hardman Johnston Select Equity strategy for the quarter-to-date period ending June 30, 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 June 30, 2019)	Representative Portfolio		S&P 500	
	Current	5-Year Average	Current	5-Year Average
Capitalization				
Weighted Average Market Cap (\$B)	197.1	137.5	243.3	172.5
Median Market Cap (\$B)	61.5	51.3	22.7	20.7
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%) ¹	12.6	12.3	10.2	10.4
EPS Growth: 5 year trailing (%) ¹	9.3	7.6	8.5	7.3
Value Fundamentals				
P/E Ratio: 12 Months - forward ¹	22.8	20.3	21.0	18.3
P/E Ratio: 12 Months - trailing ¹	31.1	27.0	25.3	22.4
PEG Ratio: forward ¹	1.8	1.6	2.1	1.8
Dividend Yield (%) ²	1.2	1.3	1.9	2.0
Price/Book ³	5.1	4.1	3.2	2.9
Quality Fundamentals				
Return on Equity: 5 Year (%) ¹	14.9	16.1	18.0	17.6
Return on Invested Capital: 5 Year (%) ¹	13.5	12.0	12.5	11.8
Other				
Number of Positions	32	33	506	505
Beta: 3 year portfolio ⁴	1.06	1.00	1.00	1.00

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

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PORTFOLIO HOLDINGS (period ending June 30, 2019)

Sector / Company	Country	Weight (%)	Industry
Communication Services			
Alphabet Inc.	United States	3.3	Interactive Media & Services
Comcast Corp.	United States	3.5	Media
Energy			
EOG Resources, Inc.	United States	2.3	Oil, Gas & Consumable Fuels
Schlumberger Ltd.	United States	1.2	Energy Equipment & Services
Financials			
HDFC Bank Ltd.	India	2.3	Banks
Marsh & McLennan Cos. Inc.	United States	3.9	Insurance
Mastercard Inc.	United States	5.0	Consumer Finance
Health Care			
AstraZeneca	United Kingdom	3.1	Pharmaceuticals
Becton, Dickinson & Co.	United States	2.8	Health Care Equipment & Supplies
Cerner Corp.	United States	2.2	Health Care Technology
Dentsply Sirona Inc.	United States	1.7	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	4.1	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	4.3	Life Sciences Tools & Services
Johnson & Johnson	United States	3.0	Pharmaceuticals
Medtronic plc	Ireland	3.5	Health Care Equipment & Supplies
Qiagen N.V.	Netherlands	2.9	Life Sciences Tools & Services
Varian Medical Systems, Inc.	United States	3.5	Health Care Equipment & Supplies
Vertex Pharmaceuticals Inc.	United States	3.0	Biotechnology
Industrials			
Stanley Black & Decker Inc.	United States	3.2	Machinery
Information Technology			
Adobe Inc.	United States	4.7	Software
Apple Inc.	United States	3.1	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	2.0	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	3.9	IT Services
Broadcom Inc.	United States	3.0	Semiconductors & Semiconductor Equipment
Cisco Systems, Inc.	United States	3.5	Communications Equipment
Cognizant Technology Solutions	United States	2.4	IT Services
Flir Systems Inc.	United States	2.8	Electronic Equipment, Instruments & Components
Microsoft Corp.	United States	5.6	Software
NVIDIA Corp.	United States	2.4	Semiconductors & Semiconductor Equipment
Materials			
Albemarle Corp.	United States	1.5	Chemicals
FMC Corp.	United States	2.7	Chemicals
Livent Corp.	United States	0.2	Chemicals
Cash & Equivalents			
Cash		3.6	

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