Hardman Johnston International Equity

2021 FIRST QUARTER REPORT

Hardman Johnston Global Advisors

COMPOSITE PERFORMANCE (%) (period ending March 31, 2021)	1st QTR	1 Year	3 Years	5 Years	10 Years	Inception
International Equity (gross of fees)	-3.46	66.59	14.64	17.47	10.32	11.73
International Equity (net of fees)	-3.58	65.73	14.02	16.82	9.66	11.14
MSCI EAFE Net Index	3.48	44.57	6.02	8.84	5.52	5.41
MSCI AC World ex US Net Index	3.49	49.41	6.50	9.75	4.92	N/A

Performance is preliminary through March 31, 2021. 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 ex US Net Index is shown as supplemental information. The MSCI AC World ex US Index inception date is 1/1/2001. Composite inception date: September 30, 1993.

KEY TAKEAWAYS

- Markets make gains on stimulus, economic improvement and hopes of a return to normal
- Vaccination programs gather pace in the US, UK and China, while the EU lags and reimposes new restrictions
- Improving outlook and rising interest rates feed growth-to-value rotation in the first quarter
- International Equity Composite returned –3.58%, net, lagging the MSCI EAFE return of 3.48% and the MSCI AC World ex US return of 3.49%

MARKET REVIEW

Markets advanced in the first quarter as stimulus measures, accelerating vaccination programs and strengthening economic performance combined to drive equities higher. The MSCI ACWI returned 4.57% while the MSCI EAFE gained 3.48%.

Those drivers of improving sentiment and market returns contributed to a rotation from growth to value. Cyclical sectors reliant on economic recovery and more normalized conditions, including energy and financials, outperformed, while sectors that have made strong gains by being relatively impervious to the pandemic tread water.

The shift out of long duration assets started in late February as the $1.9 trillion stimulus package from newly inaugurated President Joe Biden took shape and led to an increase in inflation expectations and market interest rates. In contrast to the wrangling that accompanied stimulus measures in the second half of 2020, the new program of checks and support for workers and businesses passed with relative ease, largely due to Senate run-offs in January that secured Democrat control across both houses.

By the end of the quarter, the Biden administration was also preparing a new $2.3 trillion infrastructure package, to be funded by an increase in the corporation tax rate to 28% and the proposed implementation of a minimum tax on global corporate earnings. As the recovery strengthened, the Federal Reserve upped its US GDP growth projection for 2021 but sought to soothe concerns about the increase in long-term market borrowing rates and maintained its accommodative stance on interest rate setting.

The impact of the US infusion of capital was felt globally. Market interest rates moved up sharply in Europe and were met by a step-up in bond purchases from the European Central Bank to limit the rise in borrowing costs. The Bank of England signaled that it too would tolerate short-term inflation spikes. After reaching new highs in February, stocks in China pulled back as investors reacted to rising US bond yields and braced for the potential removal of domestic stimulus.

While stimulus was a major factor in the first quarter, it was not the only one. Vaccination programs gathered pace in the US, the UK and China, where the authorities expect to have inoculated 40% of the population by mid-June, representing some 10 million doses per day. However, the European Union trailed due to issues with supply and hesitancy from the general public. Countries including France and Germany placed temporary restrictions on the use of AstraZeneca's vaccine, although the World Health Organization and the European Medicines Agency subsequently declared that the vaccine's benefits outweighed the potential negatives.

Success or lack thereof in tackling COVID-19 played into countries' recovery stories. China pulled away economically as one of the few economies to record GDP growth in 2020, with expansion of 2.3%. Progress continued as exports rebounded by 61% in the first two months of 2021, beating expectations, while domestic activity improved as retail sales rose.

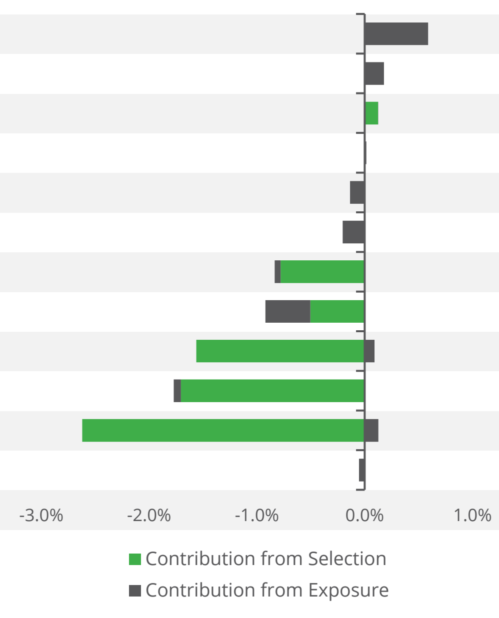
The US also benefited from improving indicators with companies projecting higher earnings. A record number of S&P 500 companies issued positive earnings guidance for the first quarter, the highest proportion of which were in the IT sector, according to FactSet. Rising vaccination levels also prompted an easing of restrictions and increased optimism as states reopened. Across the Atlantic, however, a spike in new cases in Europe and the slow vaccination roll-out brought a tightening of measures and expectations of a slower return to normal. While the International Monetary Fund put most developed economies on track to recover their pre-pandemic levels by the end of 2021, the EU is not expected to recover lost ground before next year.

The quarter had its fair share of geopolitical drama, not to mention extraneous events. China and the new administration in Washington clashed with tetchy exchanges between diplomats at a summit in Alaska, while the UK challenged China over non-compliance with its historic agreement regarding the governance of Hong Kong. Tensions also flared between the recently divorced EU and UK over Northern Ireland border controls following Brexit, as well as vaccine distribution.

In March, the grounding of a cargo ship in the Suez Canal shone a light on the potential fragility of supply chains and threatened to disrupt global trade to the tune of $10 billion a day. Around the same time, the implosion of family office Archegos led to large block trades that weighed on specific stocks while highlighting the risks of leveraged derivatives bets that led to heavy losses for banks including Credit Suisse and Nomura. But while generating headlines and prompting reaction from companies and scrutiny from regulators, neither event made a meaningful dent in overall market progress.

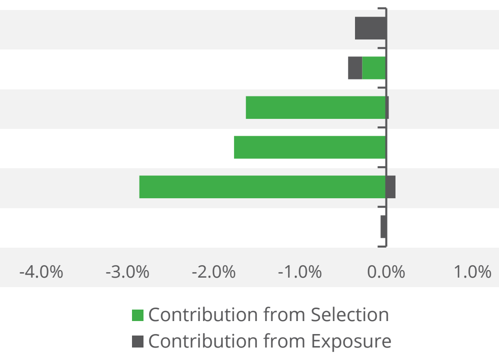
PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Contribution to
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	Relative Return
By Sector					
Consumer Staples	0.0	10.4	0.0	-2.6	
Utilities	0.0	3.7	0.0	-2.6	
Comm. Services	4.9	5.3	7.9	3.9	
Real Estate	0.0	3.0	0.0	2.5	
Materials	0.0	8.0	0.0	5.2	
Energy	0.0	3.3	0.0	10.6	
Health Care	12.6	12.4	-10.4	-3.9	
Financials	9.6	16.9	3.7	9.7	
Cons. Discretionary	20.3	12.5	-1.7	5.8	
Info. Technology	29.9	9.0	-3.9	2.4	
Industrials	21.4	15.3	-7.0	5.4	
Cash	1.3	0.0	-0.3	0.0	



Preliminary data for the quarter ending March 31, 2021. 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 International 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.

	Average Weight		Total Return		Contribution to Relative Return
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
By Region					
Emerging Markets	19.0	0.0	0.2	0.0	
United Kingdom	7.9	14.2	3.1	6.2	
Pacific ex Japan	19.3	11.8	-3.8	4.6	
Europe	33.2	48.5	-2.1	3.4	
Japan	19.2	25.4	-13.6	1.6	
Cash	1.3	0.0	-0.3	0.0	



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PORTFOLIO COMMENTARY

- International Equity underperformed the MSCI EAFE Index by 706 bps on a net basis during the first quarter
- Lack of exposure to Consumer Staples and Utilities were the largest contributors during the quarter while security selection in Industrials and Information Technology were the largest detractors
- Security selection in Japan and Europe were the top detractors to relative performance from a regional perspective; no region contributed during the first quarter

LARGEST CONTRIBUTORS

ASML Holding NV (+1.2% total effect) is a key beneficiary from the increased demand for semiconductor content across key end markets like smartphones, consumer electronics, data centers and autos. ASML is the monopoly-supplier of extreme ultraviolet (EUV) lithography equipment, which is the critical tool in the manufacturing of semiconductors on nodes at 7nm and smaller. Several major semiconductor manufacturers have increased capex plans for leading-edge equipment given the extremely tight supply situation in semiconductors, alongside robust demand driven by secular growth themes like 5G and the electrification of the vehicle. Shares of ASML benefitted from announcements from key customers like TSMC, who increased capex plans to roughly $28bn for 2021, Intel, who announced increased capex plans of $20bn as well as the reentry into the foundry business, and Samsung and SK hynix who are leading the charge in the use of EUV for memory chips. ASML remains a high conviction, long-term holding as demand remains very strong for their leading-edge equipment.

Shares of **ICICI Bank Limited (+0.2% total effect)** responded to significantly better results than expected in early February with improved margins, better fee growth and strong deposit momentum. In addition, non-performing loans were much lower than expected which was a worry as a result of the pandemic. In March, the bank gave an upbeat view at their investor day of their opportunities as the Indian economy continues to open which include: continuing improvement in ROE, better expense control, increased benefits from technology investments, increased market share and better margins from higher fee products all as non-performing loans continue to normalize.

Infineon Technologies AG (+0.2% total effect) performed well in the first quarter as more than 40% of its revenue is tied to the automotive sector. Semiconductors are supply constrained across several use cases, but none more so than microcontrollers and sensors used in autos. Inventory levels for these chips are lean from natural supply and demand imbalances but have been further exacerbated by factory shutdowns in Texas due to the severe weather that impacted the state, as well as a fire at a Japanese competitor, Renesas, which impacted current output. It will likely be several months before capacity can be restored. As a result, profitability is up as underutilization continues to decline with capacity coming back online, book-to-bill levels remain high across each segment, and supply constraints appear to be quarters away from a resolution. Moving past the benefit from a cyclical recovery and supply shortages, Infineon is poised to benefit from the secular theme of electric vehicle penetration, with magnitudes of increased semiconductor content per vehicle.

LARGEST DETRACTORS

During the quarter, **Daifuku Co., Ltd. (-1.0% total effect)** shares declined after a positive quarterly earnings report was overshadowed by the introduction of a conservative mid-term plan. The FY2023 targets were the first under the current CEO, who has had to deal with the trade war and COVID after assuming his post in mid-2018. Such conservatism is similar to the previous three-year plan, which was also underwhelming, and had to be revised upwards at a later date. Nevertheless, as the global leader in material handling systems, Daifuku remains a prime beneficiary of the post-COVID environment by enabling automation in key sectors such as e-commerce. Ongoing due diligence suggests that the company's targets are indeed more of a minimum level rather than an aspirational target. We remain confident that the company is well-poised to benefit from not only general automation trends, but also company-specific factors. These include an improving North American margin profile from recent upstream investments and end market opportunities from buoyant auto/semi capex trends.

Shares of **Keyence Corp. (-1.0% total effect)** were lower during Q1 as the market generally shunned growth and quality companies in favor of more cyclical stocks. This share price performance was in contrast to the underlying fundamental data which highlight an ongoing recovery as demonstrated by Keyence's solid Q3 (ends December) result. The company's earnings announcement beat expectations, with management emphasizing that customer sentiment has clearly inflected positively across most regions and end markets. Keyence is poised to leverage its extensive know-how to provide unique and value-added solutions to its widening customer base with recent investments in growing its high-powered salesforce outside of Japan. With both cyclical and structural tailwinds, Keyence's drivers remain intact, including the ongoing trend of automation to enhance manufacturing efficiency, quality and reliability, which is particularly important in a post-COVID environment.

Genmab A/S (-0.8% total effect) had no fundamental negative developments over the quarter. Genmab's ongoing arbitration of Darzalex royalties on the subcutaneous formulation Darzalex Faspro with partner J&J remains a modest overhang. The company announced the regulatory filing (biologics license application, BLA) of their antibody drug conjugate (ADC) Tisotumab Vedotin. This BLA is an accelerated approval with an expected US FDA action date before year-end 2021, further diversifying Genmab's revenue stream with an owned asset. Clinical data is expected on 10 assets in 2021, highlighting its broad opportunity set.

PORTFOLIO ACTIVITY

- During the first quarter, we initiated positions in Taiwan Semiconductor Manufacturing Co., Ltd. and Alibaba Health Information Technology Ltd. and liquidated our positions in Alibaba Group Holding Ltd. and Orpea SA

INITIATIONS

We initiated a position in **Taiwan Semiconductor Manufacturing Co., Ltd.** (TSMC) during the first quarter due to its immense market leadership in foundry services for semiconductor manufacturing. TSMC has developed the highest standard of leading-edge manufacturing, particularly with the implementation of extreme ultraviolet (EUV) lithography, a tool primarily used to shrink patterns that manufacturers print onto semiconductors. TSMC is a critical supplier for many of the largest fabless chip designers and device manufacturers globally, including Apple, Qualcomm, AMD and NVIDIA. The company's R&D efforts and expansion plans (emphasized in its first quarter earnings report with capex plans guided up to $28bn) solidify its leadership position in foundry, at a time where more and more end markets require semiconductor content. Finally, TSMC continues to take share in the face of missteps at Intel on its manufacturing roadmap. As Intel falls behind in manufacturing, it has allowed key customers of TSMC to take market share in server and notebook processing units, which are produced in TSMC factories. We take a long-term view on TSMC as one of the most critical suppliers in the technology supply chain.

Alibaba Health Information Technology Ltd. is China's healthcare internet leader. They have a strong ecosystem to meet current demands and the ability to change with this expanding market. China has high unmet needs for improved healthcare delivery, creating a durable, high growth opportunity. Imbalances in age, facility utilization, online-to-offline and other system inefficiencies present a need and a long duration market that the firm is well-positioned to capitalize on.

LIQUIDATIONS

Alibaba Group Holding Ltd. shares have been under pressure since late last year as they were the focus of Chinese antitrust regulators after the cancellation of the blockbuster, Ant Group, IPO in December. Authorities are broadly examining markets across China Internet, especially e-commerce. While we do not expect near-term business trends for Alibaba to be significantly affected, we see a risk for Alibaba to be less dominant in the future. Additionally, we foresee an increasing need to invest in growing new markets, especially in lower tier cities. Lastly, we also see more compelling opportunities elsewhere during this period of growth uncertainty and margin pressure. We first trimmed Alibaba earlier in the year and then took advantage of a rebound in February to exit the remainder of the position.

Orpea SA posted positive results for the quarter. Improved revenue growth and an increased occupancy rate pushed shares higher. Longer term pandemic risks remain for the company. We foresee modest growth for the company and have questions on the scale of their opportunity beyond Europe as they enter Latin America and China seeking growth.

MARKET OUTLOOK

The global economy should rebound strongly as 2021 progresses, countries reopen more widely and activity gradually returns to normal. The US is likely to be the first developed economy to recover pre-pandemic output levels, thanks in large part to good progress on vaccinating its citizens and sizable stimulus and spending programs. The trend to onshoring is expected to continue. Almost two-thirds of industrial companies questioned for the Thomas Industrial Survey last year stated they would likely increase manufacturing in the US, in part driven by the uncertainty caused by COVID-19. That shift is likely to coincide with a further boost for employment, while also underpinning capex spending on areas like automation.

After its outperformance in 2020, China will continue to rebound, likely beating its modest growth target of 6% for 2021. As one of the first economies to emerge from the pandemic, it is also one of the first to begin withdrawing stimulus. Nonetheless, investment will continue to flow. Following the National People's Congress in March, China plans to increase spending on R&D by 7% a year through 2025 as it looks to drive innovation, boost productivity and reduce reliance on markets like the US for technology.

The international picture will be more mixed, reflecting the very different pace of recovery across markets, as well as the availability of tools to counter the economic impact of the pandemic. Major emerging economies, such as Brazil and India, will struggle with rising COVID-19 cases and the slow roll-out of vaccines for their large populations. Many emerging markets also have less scope for fiscal measures to drive recovery, such as increased spending and lower taxes.

Following the US on the path to recovery, Japan should continue to rebound this year thanks to the improvement in global growth. But while the Olympic and Paralympic Games are scheduled to go ahead this summer, the exclusion of international visitors will be a drag on the country's third-quarter performance.

Europe will be a notable exception to the recovery of developed markets. The slow roll-out of the EU's vaccination program and the reimplementation of restrictions in many countries is likely to lead to another economic contraction. Any downturn that drags into the important summer season will be all the more damaging, although will be met with more government support measures. The UK will grind higher as its successful vaccine roll-out allows for gradual reopening of the economy. However, any benefits are likely to be curtailed by disruption to trade caused by Brexit.

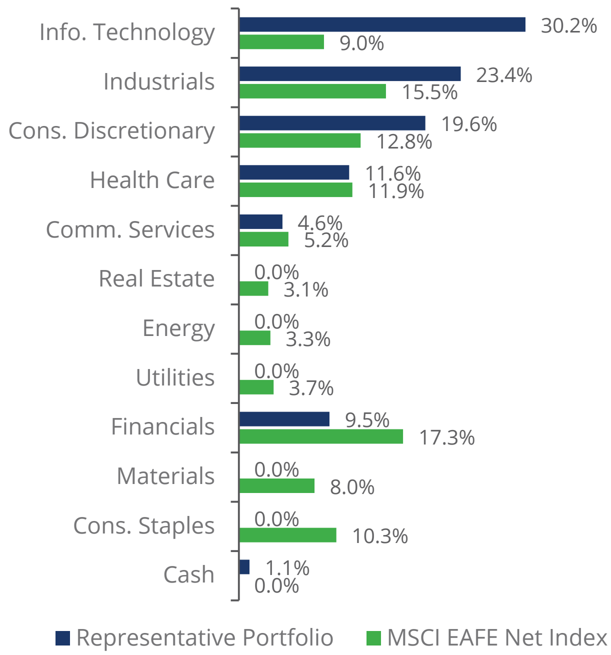
In the face of ongoing economic pressure, central banks have broadly indicated that they will overlook short-term inflationary pressures and remain focused on longer-term recovery. Low, and even negative, policy rates are likely to persist and will be accompanied by even more balance sheet expansion. For instance, US national debt exceeded GDP in the first quarter and could ultimately pass levels recorded at the end of the Second World War.

Fiscal and monetary stimulus acts as rocket fuel. It gives economic recovery a much-needed jolt but can also cause markets to overshoot. In our opinion, that is what happened in the first quarter. The rotation from growth to value is a classic reaction to the improving outlook and hopes of a return to normal. However, it does not alter our long-term view. On the other side of the pandemic, the world should return to its low-to-moderate growth trend. We think that high-quality companies that are largely uncorrelated to GDP will be the ones to own.

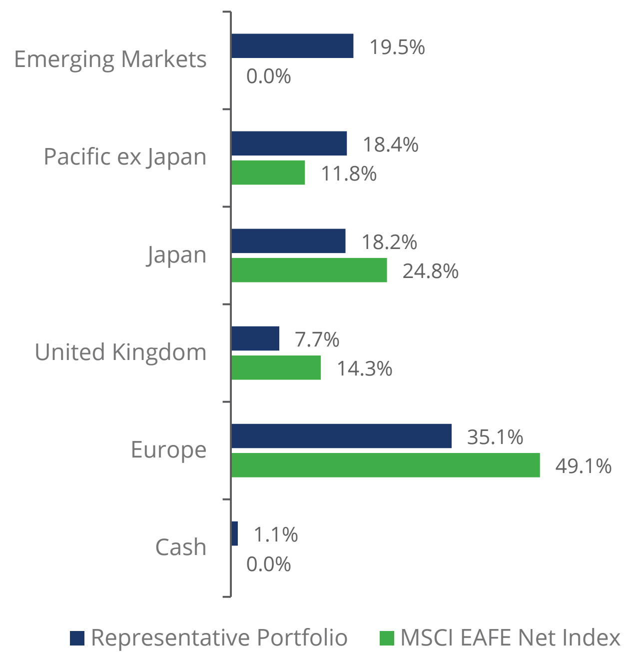
There is little doubt that equity market valuations are high in aggregate. However, it is still possible to acquire growth at reasonable valuations. The pullback in certain sectors is leading to opportunities to invest at attractive entry points. Companies that are innovators, have strong intellectual property, and possess brands and services with pricing power, have the scope to grow and drive margins in the long run. We continue to target companies that benefit from long-term secular trends and demonstrate good growth progression and visible earnings.

PORTFOLIO EXPOSURE (period ending March 31, 2021)

Exposure by Sector



Exposure by Region



PORTFOLIO CHARACTERISTICS (period ending March 31, 2021)

	Representative Portfolio		MSCI EAFE Net Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	129.1	85.7	73.2	62.9
Median Market Cap ($B)	56.7	42.2	13.0	10.5
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	22.1	15.9	11.0	8.4
EPS Growth: 5 year trailing (%)[1]	10.2	9.9	4.7	3.1
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	33.9	29.0	21.0	18.8
P/E Ratio: 12 Months - trailing[1]	30.9	32.7	21.0	17.7
PEG Ratio: forward[1]	1.5	1.8	1.9	2.3
Dividend Yield (%)[2]	0.5	1.3	2.3	3.2
Price/Book[3]	5.1	3.7	1.8	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	16.2	14.9	12.2	11.1
Return on Invested Capital: 5 Year (%)[1]	11.5	11.0	9.0	8.1
Other				
Number of Positions	24	25	876	918
Beta: 3 year portfolio[4]	1.1	1.0	1.0	1.0

[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, 2021)

	Country	Weight (%)	Industry
Communication Services			
Tencent Holdings Ltd.	China	4.6	Interactive Media & Services
Consumer Discretionary			
adidas AG	Germany	2.3	Textiles, Apparel & Luxury Goods
Aptiv plc	United Kingdom	5.1	Auto Components
Kering S.A.	France	2.5	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	5.3	Hotels, Restaurants & Leisure
Puma SE	Germany	4.5	Textiles, Apparel & Luxury Goods
Financials			
AIA Group Ltd.	Hong Kong	4.7	Insurance
ICICI Bank Ltd.	India	4.9	Banks
Health Care			
Alibaba Health Information Technology Ltd.	China	2.1	Health Care Technology
AstraZeneca plc	United Kingdom	2.6	Pharmaceuticals
Genmab AS	Denmark	2.6	Biotechnology
WuXi Biologics Inc.	China	4.3	Life Sciences Tools & Services
Industrials			
Airbus SE	France	5.2	Aerospace & Defense
Daifuku Co., Ltd.	Japan	4.2	Machinery
Nidec Corp.	Japan	4.8	Electrical Equipment
Prysmian S.p.A.	Italy	4.0	Electrical Equipment
Safran S.A.	France	5.3	Aerospace & Defense
Information Technology			
Afterpay Ltd.	Australia	3.7	IT Services
ASML Holding N.V.	Netherlands	5.9	Semiconductors & Semiconductor Equipment
Atlassian Corp.	Australia	4.8	Software
Infineon Technologies AG	Germany	2.9	Semiconductors & Semiconductor Equipment
Keyence Corp.	Japan	4.7	Electronic Equipment, Instruments & Components
Murata Manufacturing Co., Ltd.	Japan	4.6	Electronic Equipment, Instruments & Components
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan, Province Of China	3.6	Semiconductors & Semiconductor Equipment
Cash & Equivalents			
Cash		1.1	

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