
Hardman Johnston Select 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
Select Equity (gross of fees)	3.72	57.78	18.91	17.05	13.97	13.55
Select Equity (net of fees)	3.58	56.85	18.18	16.33	13.24	12.86
S&P 500 Total Return Index	6.17	56.35	16.76	16.28	13.88	10.79
Russell 1000 Growth Index	0.94	62.74	22.77	21.04	16.62	11.14

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. Composite inception date: December 31, 1990.

KEY TAKEAWAYS

- Vaccinations and pent up demand are accelerating the economic recovery
- Last year's laggards are driving the near term recovery in US stock markets
- Discipline in stock selection remains at the core of our process, especially given the potential risks of inflation, continued supply chain disruption, and fiscal policies

MARKET REVIEW AND OUTLOOK

A strange thing happened recently. An older gentleman I am friendly with but have not seen much of in the last year came up to me and shook my hand (we were both wearing masks). While it felt momentarily odd, I think it is a portent of a return to normal and the displacement of fear in favor of relief and optimism. That handshake would not have been possible without the remarkable efforts of the bio-pharmaceutical companies to develop vaccines for COVID-19 and the State of Connecticut's remarkably efficient and apolitical rollout plans aided by both the US Army and an army of volunteers and healthcare workers. We relate this tale because it has clear economic implications as this experience is being duplicated across the United States and will allow, in short order, a very strong recovery in economic activity.

The most visible standard bearers of the recovery are travel and leisure industries as air travel picks up, hotels get re-booked, and the leisure lockdown unwinds. Data on traffic in these industries is easy to track and publicize, and they are getting most of the attention. But other sectors, that are home to better businesses, are picking up as well. The near-term outlook is improving for medical devices, for example, as important but deferrable procedures are being re-booked. Stocks in sectors that benefitted from the switch to the virtual workplace have paused early in the year, but have generally held their gains, especially in information technology. In every case we have found that our holdings maintain their competitive advantages and their growth prospects, but some stocks just needed to "catch their breath" after strong runs last year.

While portfolio returns were respectable in the first quarter, they did not keep pace with broad stock indices that were driven by interest rate sensitive financials, price sensitive travel and leisure companies, commodity price sensitive energy and commodity companies. This reflects a rather natural rebalancing among market participants back to so called value stocks, analogous to what we saw during the 2009 recovery. We have been asked about switching into some "recovery plays" for the near term. That kind of tactical portfolio positioning is antithetical to our approach. We insist on buying good businesses with your assets. Good businesses enjoy and invest in maintaining, through intellectual property or other approaches, strong competitive advantages. Good businesses have pricing power, because their customers value their product and services and are willing to pay a little more for them. And finally, our kind of good business grows; their customers want to buy more of their product or service next year than they did last year. We will look for opportunities to buy companies that meet our strict criteria for quality and growth at the right price, but our investment horizon remains long.

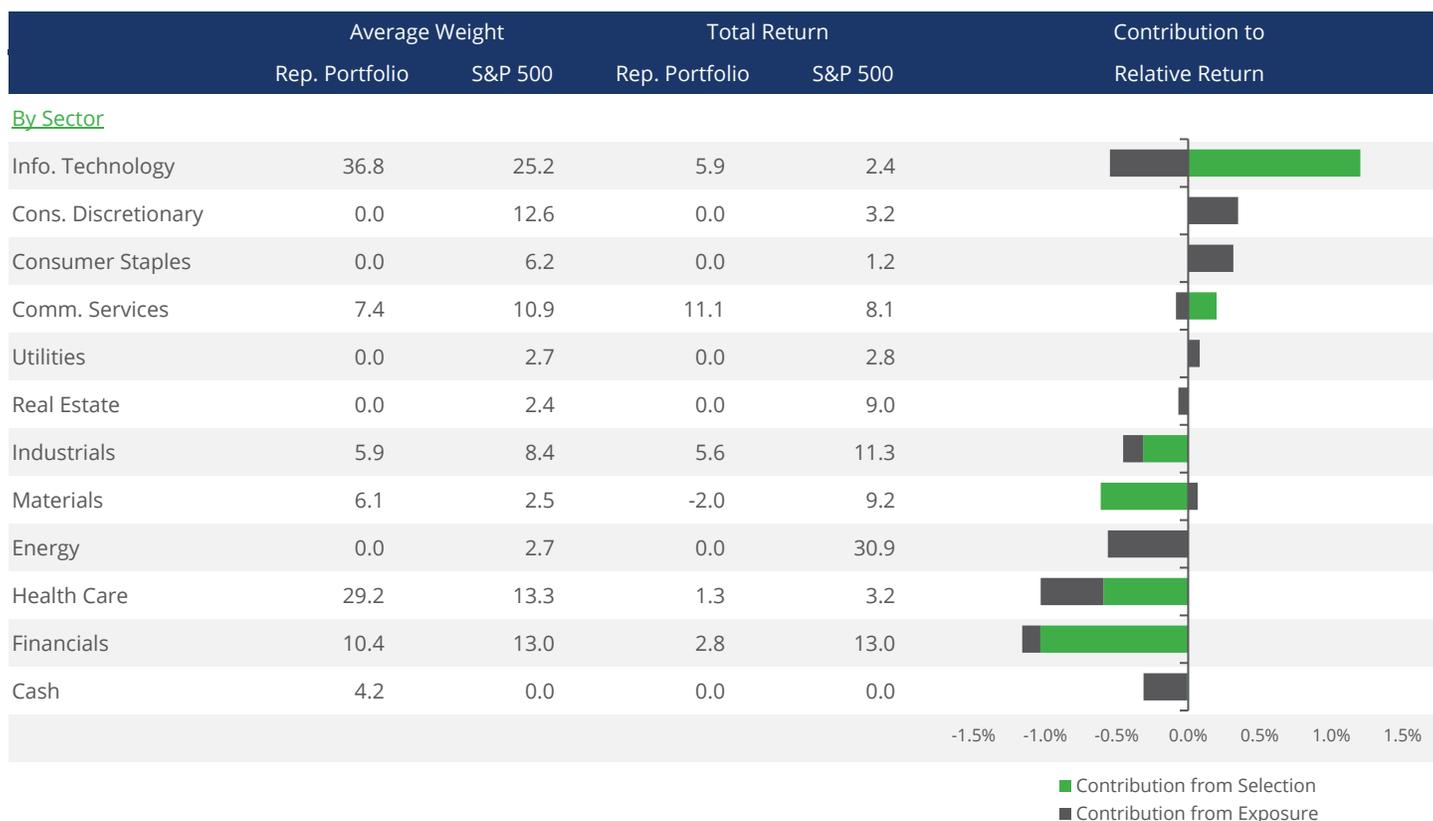
Given the global nature of the economy and the global reach of most of our investments, we keep an eye on how other regions are progressing. Europe is struggling to shed the shackles of the pandemic but will eventually get themselves

straightened out. China has the virus under control but is keeping its economy reined in and is starting to reverse much of the stimulus it put in place. Much of the rest of east Asia lives or dies by the strength of the Chinese economy. Large emerging markets have varying supplies of vaccines for their populations, and we expect their recoveries to have some bumps.

There are a few longer-term impediments to growth that we continue to monitor: inflation, supply chains, and tax policy. Most Fed and Treasury officials are sanguine about inflation, but many companies are reporting increases in input prices, benchmark interest rates are trending higher, and if we see labor markets tighten we expect that the Fed will have to bring forward its timetable for raising rates. We generally think our investments have pricing power, but none operates in a vacuum. Secondly, the lockdowns early in the pandemic and more recently the Ever Given in the Suez Canal reminds us all of how fragile global supply chains remain. We have been checking in regularly with our investments on this issue. Most are trying to build inventory after drawing it down in 2020 and are taking actions to ensure that their supply chains become more robust. Finally, we saw a marked increase in human and physical capital after the 2017 tax cuts in the US. Current proposals to ramp the corporate tax rates back up may dampen investment and economic growth, depending on their magnitude and how they are implemented.

We remain gratified by your continued confidence in us and welcome your comments and feedback.

PERFORMANCE ATTRIBUTION



Preliminary data as of 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 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.

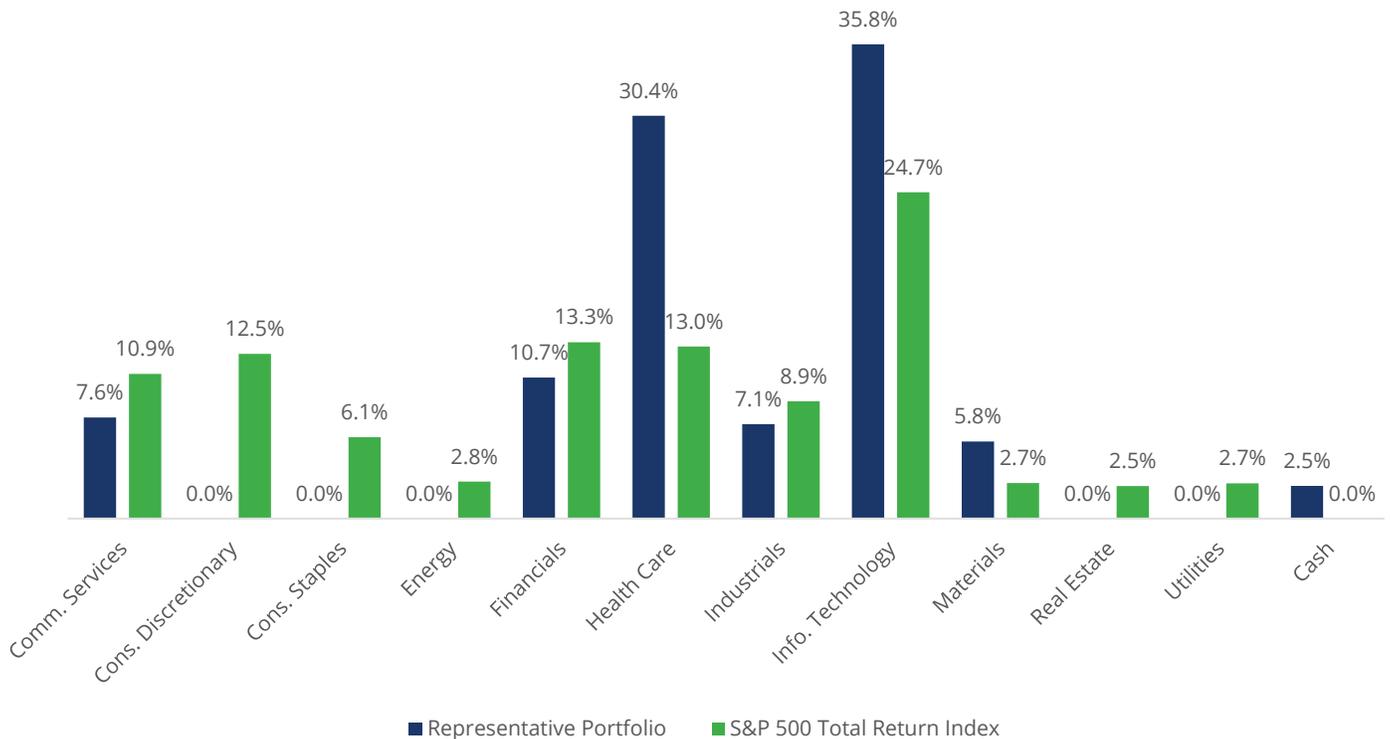


PORTFOLIO COMMENTARY

The Select Equity composite returned 3.58% (net) in the quarter, compared to 6.17% for the S&P 500. As discussed above, the lag relative to the S&P was caused primarily by the low relative exposure to companies bouncing back in financial services and travel and leisure, particularly those with exposure to commercial aviation. Among the individual stocks, Dentsply Sirona continues to benefit from a bounce back in dental procedures. FLIR Systems has approved an offer to be bought by Teledyne, and was a standout performer. We have exited the position near the deal price. Finally, ASML continues to enable semiconductor manufacturing and its products are increasingly in demand from all the leading chip producers. Drags on performance included healthcare holdings Edwards Lifesciences and Vertex Pharmaceuticals, as well as Adobe. Edwards continues to have a strong position in replacement heart valves, but the stock pulled back after a surge late last year. Vertex still leads in Cystic Fibrosis drugs, but continues to see some shareholder turnover after disappointing pipeline news late last year. Adobe had a relatively small pullback in the quarter as the stock consolidated gains.

We added United Health Group to the portfolio. This company is at the center of the US's efforts to deliver healthcare more efficiently by helping providers and patients deliver and receive the most effective treatments and preventative care for our aging population. We sold our positions in FLIR Systems after the takeout offer by Teledyne.

PORTFOLIO EXPOSURE (period ending March 31, 2021)



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CONTRIBUTORS & DETRACTORS (period ending March 31, 2021)

First Quarter	Average Weight (%)	Total Effect* (%)	Last Twelve Months	Average Weight (%)	Total Effect* (%)
Largest Contributors			Largest Contributors		
ASML Holding N.V.	3.49	0.62	NVIDIA Corp.	4.78	1.80
Dentsply Sirona Inc.	2.87	0.42	Albemarle Corp.	2.82	1.68
FLIR Systems Inc.	1.57	0.40	ASML Holding N.V.	2.92	1.44
Largest Detractors			Largest Detractors		
Adobe Inc.	4.94	-0.50	Vertex Pharmaceuticals Inc.	3.27	-1.78
Edwards Lifesciences Corp.	3.27	-0.48	AstraZeneca plc	3.37	-1.15
Vertex Pharmaceuticals Inc.	2.51	-0.37	Becton, Dickinson & Co.	2.76	-1.03

Past performance does not guarantee future results. Securities reflect the period's three largest contributors and detractors of portfolio holdings to total effect. Total effect reflects a position's total contribution to excess performance relative to the stated benchmark. *Total effect includes only securities that were held in the Hardman Johnston representative account and excludes benchmark-only securities that may have contributed or detracted from relative results. A full list of securities held as of March 31, 2021, 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 - FIRST QUARTER

UnitedHealth Group Inc.

The holdings identified represent all new positions and liquidations in the Hardman Johnston Select Equity strategy for the quarter-to-date period ending March 31, 2021. 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.

LIQUIDATIONS - FIRST QUARTER

FLIR Systems Inc.

PORTFOLIO CHARACTERISTICS (period ending March 31, 2021)

	Representative Portfolio		S&P 500 Total Return Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap (\$B)	356.6	196.5	471.5	256.4
Median Market Cap (\$B)	66.2	59.4	29.1	22.5
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%) ¹	15.7	12.7	13.8	10.5
EPS Growth: 5 year trailing (%) ¹	15.4	11.8	13.5	11.4
Value Fundamentals				
P/E Ratio: 12 Months - forward ¹	28.3	25.3	26.4	24.1
P/E Ratio: 12 Months - trailing ¹	37.8	33.5	31.2	26.4
PEG Ratio: forward ¹	1.8	2.0	1.9	2.3
Dividend Yield (%) ²	0.8	1.2	1.4	1.9
Price/Book ³	6.5	4.7	4.2	3.2
Quality Fundamentals				
Return on Equity: 5 Year (%) ¹	20.4	18.2	21.0	19.9
Return on Invested Capital: 5 Year (%) ¹	15.9	13.0	13.7	12.5
Other				
Number of Positions	30	32	506	506
Beta: 3 year portfolio ⁴	1.0	1.0	1.0	1.0

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

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PORTFOLIO HOLDINGS (period ending March 31, 2021)

	Country	Weight (%)	Industry
Communication Services			
Alphabet Inc.	United States	4.3	Interactive Media & Services
Comcast Corp.	United States	3.4	Media
Financials			
HDFC Bank Ltd.	India	2.2	Banks
Marsh & McLennan Cos. Inc.	United States	3.4	Insurance
Mastercard Inc.	United States	5.2	Consumer Finance
Health Care			
AstraZeneca plc	United Kingdom	2.8	Pharmaceuticals
Becton, Dickinson & Co.	United States	3.0	Health Care Equipment & Supplies
Cerner Corp.	United States	1.6	Health Care Technology
Dentsply Sirona Inc.	United States	3.2	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	3.2	Health Care Equipment & Supplies
IQVIA Holdings Inc.	United States	3.6	Life Sciences Tools & Services
Johnson & Johnson	United States	2.7	Pharmaceuticals
Medtronic plc	Ireland	2.8	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	1.5	Health Care Providers & Services
Varian Medical Systems, Inc.	United States	3.5	Health Care Equipment & Supplies
Vertex Pharmaceuticals Inc.	United States	2.5	Biotechnology
Industrials			
Leidos Holdings Inc.	United States	1.1	Professional Services
Stanley Black & Decker Inc.	United States	3.1	Machinery
Vertiv Holdings Co.	United States	3.0	Electrical Equipment
Information Technology			
Adobe Inc.	United States	5.0	Software
Advanced Energy Industries	United States	3.9	Semiconductors & Semiconductor Equipment
Apple Inc.	United States	4.3	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	3.9	Semiconductors & Semiconductor Equipment
Automatic Data Processing, Inc.	United States	3.4	IT Services
Cree, Inc.	United States	2.1	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	5.3	Software
NVIDIA Corp.	United States	4.3	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	3.5	Semiconductors & Semiconductor Equipment
Materials			
Albemarle Corp.	United States	3.0	Chemicals
FMC Corp.	United States	2.8	Chemicals
Cash & Equivalents			
Cash		2.5	

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