Hardman Johnston International Equity

2021 SECOND QUARTER REPORT

Hardman Johnston Global Advisors

COMPOSITE PERFORMANCE (%) (period ending June 30, 2021)	2nd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
International Equity (gross of fees)	8.02	4.27	43.58	17.71	19.00	10.98	11.93
International Equity (net of fees)	7.87	4.00	42.85	17.07	18.34	10.31	11.33
MSCI EAFE Net Index	5.17	8.83	32.35	8.26	10.27	5.88	5.55
MSCI AC World ex US Net Index	5.48	9.16	35.72	9.37	11.07	5.44	N/A

Performance is preliminary through June 30, 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

- International markets make gains on vaccine rollout, economic recovery and government stimulus
- Inflation spikes in second quarter, central banks remain accommodative as cost pressures are expected to ease
- Cyclical trade slowing as value stocks reach high valuations while growth stocks present higher projected earnings
- International Equity Composite returned 7.87%, net, outperforming the MSCI EAFE return of 5.17%

MARKET REVIEW

In a quarter of few major shocks or surprises, the consistent themes of economic recovery from COVID-19, vaccination programs, and the ongoing effects of stimulus were again the main market drivers. The MSCI ACWI returned 7.39% in the second quarter, while the MSCI EAFE delivered 5.17%.

Economic growth picked up in many regions as countries reopened and sought to return to normal. China continued to lead the way out of the downturn, reporting 18.3% year-on-year GDP growth for the first quarter, which translated to a more modest 0.6% increase over the previous quarter. US GDP accelerated with first quarter annualized growth hitting 6.4% (up 1.6% over the previous three months), bringing the economy within proximity of its pre-pandemic level earlier than expected.

But while many economies recouped losses inflicted by COVID-19, others lagged. The Eurozone slipped into recession again in the first quarter due to a spike in infections and renewed lockdowns on businesses and individuals. However, projections for the rebound improved with the European Commission forecasting GDP growth of 4.2% for the broader EU economy in 2021, strengthening further in 2022. Japan's economy also went into reverse, albeit at a slower rate than initially reported, as it continued preparations for the rescheduled Tokyo Olympic Games.

US stimulus continued to flow into businesses and households, bolstering markets broadly while also contributing to more isolated spikes in areas such as cryptocurrencies and meme stocks. Bipartisan agreement in a slimmed down $1 trillion infrastructure bill gave the market another bump, helping companies in infrastructure and construction among others. After a long period of gestation, the EU agreed and launched its €750 billion recovery fund, which will focus on themes including the drive to net zero and digitalization. S&P Global estimated the European initiative could add more than 4% to the region's GDP over the next five years.

One of the impacts of continued stimulus and loose monetary policy was a spike in inflation. As with economic growth, however, the effects were patchy. In the US, tightness in the labor market, rising commodity prices and materials shortages pushed consumer prices up by 5% in May. Spiking commodities were also a driving factor behind the 9% rise in Chinese factory gate prices the same month. Europe's inflation reading reflected the continent's slower growth trajectory. The broad measure crossed 2.0% in May, buoyed by an increase in the number of people getting back into work and their subsequent demand, before cooling slightly in June.

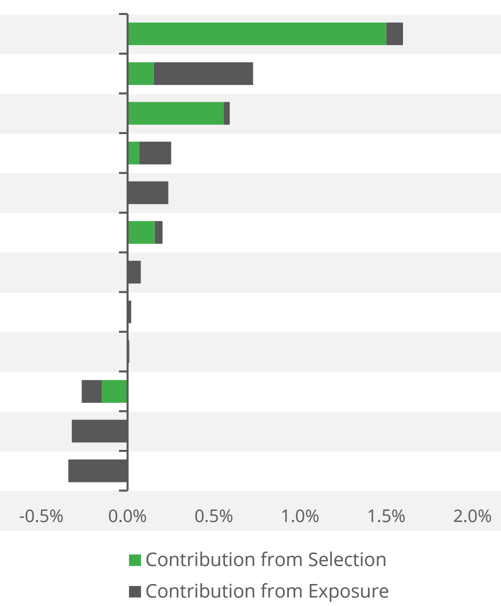
Markets reacted with initial concern to rising inflation. Stocks stumbled on guidance that the Federal Reserve could start raising interest rates in 2023. However, they stabilized again after chair Jerome Powell told a Congress subcommittee that inflation should ease and that the central bank would take a patient approach to tightening. ECB president Christine Lagarde also expected inflation to drop back below the central bank's target range and continued bond-buying support, signalling the continuation of loose monetary policy in the region. In contrast, China, which had already begun tightening, enacted new policies, including an increase in the foreign currency reserve ratio for financial institutions, in an effort to control the yuan and keep a lid on export prices.

As governments and central bankers sought to manage the economic recovery, the concurrent focus on public health yielded similarly mixed results. The US vaccine program continued strongly, helping underpin the easing of restrictions, including the reopening of restaurants, theaters and sporting events. After a slow start in much of Europe, vaccinations picked up, enabling the continent to prepare for the resumption of travel for the summer season. European shares outperformed over the period as the market enjoyed the bounce seen elsewhere in late 2020 and more cyclical stocks tied to economic recovery made gains.

India became the epicenter of the COVID outbreak again as infections and fatalities surged due to the more transmissible Delta variant, prompting some localized restrictions. By mid-May, case numbers were falling, while the country took more concerted action at a national level to vaccinate citizens. The spread of the Delta variant reached across Asia, leading to the introduction of lockdown measures in Indonesia, including the tourist-centered island Bali, as well as tighter controls in Taiwan. By the end of the quarter, it was also the preeminent variant in the UK and moving quickly across Europe, prompting some delays to reopening measures, and hastening vaccination drives.

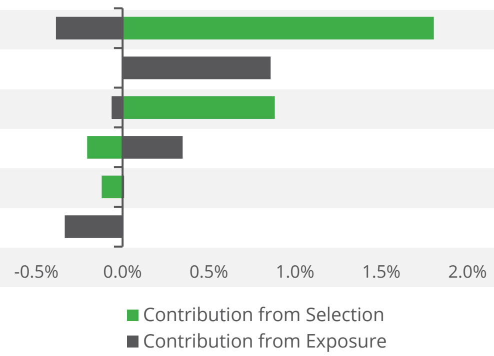
PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Contribution to
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	Relative Return
By Sector					
Health Care	13.1	12.0	21.2	9.3	
Info. Technology	31.6	8.8	9.0	8.2	
Cons. Discretionary	17.7	12.9	8.6	5.5	
Financials	9.2	17.3	4.4	3.2	
Utilities	0.0	3.6	0.0	-1.3	
Comm. Services	4.5	5.1	3.7	0.3	
Energy	0.0	3.2	0.0	2.9	
Materials	0.0	8.1	0.0	5.1	
Real Estate	0.0	3.1	0.0	5.3	
Industrials	23.1	15.6	3.2	3.7	
Consumer Staples	0.0	10.4	0.0	8.4	
Cash	0.8	0.0	0.0	0.0	



Preliminary data for the quarter ending June 30, 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
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	Relative Return
By Region					
Europe	34.3	50.1	13.1	7.8	
Emerging Markets	19.2	0.0	9.6	0.0	
United Kingdom	8.3	14.5	16.4	6.0	
Japan	17.5	23.7	-1.1	-0.3	
Pacific ex Japan	19.9	11.8	5.6	4.8	
Cash	0.8	0.0	0.0	0.0	



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PORTFOLIO COMMENTARY

- International Equity outperformed the MSCI EAFE Index by 270 bps on a net basis during the second quarter
- Security selection and overweight exposure in Health Care and Information Technology were the largest contributors during the quarter while lack of exposure to Consumer Staples and security selection and overweight exposure in Industrials were the largest detractors
- Security selection in Europe was the top contributor from a regional perspective with underweight exposure slightly offsetting gains, while security selection in Pacific ex Japan detracted from results

LARGEST CONTRIBUTORS

WuXi Biologics Inc. (+1.7% total effect) – The stock performed well in the second quarter spurred by multiple positive news events. The company closed on a series of manufacturing plant acquisitions (Pfizer, Bayer and CMAB Biopharma) for drug substance and drug product facilities. WuXi's partner, Vir Biotechnology, announced FDA emergency use authorization for their COVID antibody therapeutic which WuXi will produce. The company announced a collaboration with sister company WuXi AppTec for complex biologics (cellular therapy, CART cells, and antibody drug conjugates), including a US plant for these class of biologics agents. WuXi also announced a global mRNA vaccine manufacturing collaboration with further details by year-end 2021. Finally, management raised 2021 guidance from 50% revenue growth to 75% growth based on continued core strength and new pipeline competitive wins. The company also indicated their expectations of >50% revenue growth over the next few years.

Atlassian Corp. (+0.8% total effect) – Fluctuations in the 10-year yield again impacted the share price of Atlassian, but contrary to the first quarter, the reversal in the risk-free rate supported software companies in the second quarter. On an idiosyncratic basis, Atlassian posted a stellar fiscal third quarter result as a pull-in ahead of the end-of-life for new on-premise server licensing and a price hike drove a major beat on revenue. The pull-in was a short-term benefit to Atlassian’s top line, but the company also had a very significant acceleration in new customer growth, which bodes well for future growth. Management also discussed enhancements to current products and the release of new products, like JIRA Work Management. Importantly, the company continues to focus on how the enhancements and new products work more efficiently and can be deployed more effectively on their cloud platform. We acknowledge that Atlassian is early in the cloud transition, but we remain confident that this transition along with Atlassian's unique developer-led, go-to-market approach leaves them well positioned for the long term.

Puma SE (+0.7% total effect) – A very strong investor day gave indications of strong business trends in all regions globally. Product assortment and inventories are in very good shape. Furthermore, Puma is gaining market share from both smaller and larger players alike. Lastly, Puma continues to move more sales to direct-to-consumer through e-commerce which is helping expand margins. All of this has resulted in a rebound in the stock price and brand momentum.

LARGEST DETRACTORS

Melco Resorts & Entertainment Ltd. (-1.2% total effect) – Despite a better-than-expected Golden Week holiday in May, shares in Melco were lower during the quarter as cross-border regulations were not significantly eased further, despite the absence of any locally originated COVID cases in Macau. Furthermore, a small cluster of COVID cases in the Guangdong province in early June stoked fears of another wave of infections, although the flare up quickly dissipated. If anything, the key Golden Week period demonstrated that there remains significant pent-up demand for gambling in Macau, and that casinos can provide a safe gaming environment as there were no infections from Golden Week. Recently, the Macanese government has engaged in discussions with Hong Kong and Shenzhen on border easing and we expect this initiative to gain gradual traction over the coming months. Longer-term, we remain confident on the structural growth opportunity for Macau as Asia's premier gaming and entertainment hub.

Alibaba Health Information Technology Ltd. (-0.6% total effect) – The stock fell in the second quarter with the announcement of disappointing earnings. The company still grew by 62% but missed targets due to post-pandemic adjustments to online healthcare use patterns. Their Dr. DEER app grew in only 6 months to 1MM active monthly users. This is a positive development for their ecosystem capability to efficiently deliver health products, prescriptions, and consultations via the internet. We remain positive on Alibaba Health given their strong platform capabilities coupled with the large and growing need for healthcare efficiencies in China.

Daifuku Co., Ltd. (-0.6% total effect) – Daifuku shares continued to be weak after the company introduced conservative March 2022 guidance after releasing a similarly conservative mid-term plan earlier in the year. We believe the cautious stance is partially from being the first plan under the current CEO, who had to assume his position during the pandemic. As the global leader in material handling systems, Daifuku remains a prime beneficiary of ongoing automation, particularly in e-commerce, as companies seek to bolster supply chain and fulfillment efficiencies. Our due diligence suggests that the company's targets can be viewed as a minimum achievement level, especially in light of recent commentary by automotive and semiconductor customers regarding their capex intentions, and that the longer-term structural growth story remains intact.

PORTFOLIO ACTIVITY

INITIATIONS

- During the second quarter, we initiated positions in Sea Ltd. and Nordic Semiconductor ASA and liquidated our positions in adidas AG and Infineon Technologies AG

Sea Ltd. – We initiated a position in **Sea Ltd.**, a Singapore-based Internet company focused on Southeast Asia. Sea operates three platforms across digital entertainment, e-commerce and digital payments, known as Garena, Shopee, and ShopeePay. Garena is the leading video game publishing platform in Southeast Asia and is backed by industry leader Tencent. Shopee is a top-2 e-commerce player across each of its six Southeast Asian markets and is particularly well positioned to capitalize on the most attractive e-comm growth market in Indonesia. Indonesian online retail is in its hypergrowth phase and destroying traditional retail; Shopee is #2 and the fastest growing player. ShopeePay has been critical to facilitating transactions in Sea's core gaming and e-commerce franchises in markets where payments infrastructure is often a key friction point.

Nordic Semiconductor ASA – Nordic Semi is the leading manufacturer of low power connectivity modules, with most of its revenue coming from Bluetooth Low Energy (BLE). The company's BLE chips are used in a variety of applications like smart sensors and connected home devices, and most recently, the new Apple AirTags. The company has experienced a step-function change in its order backlog due to tier 1 customer wins, bringing its market share for BLE design wins from 30% to nearly 45% over the past couple quarters. We believe the positive backdrop for Edge Computing and the Internet of Things (IoT) leaves Nordic Semi well positioned to grow earnings over the next several years. In addition to its market and technology leading position in BLE, Nordic Semi has recently entered the Cellular IoT and Wi-Fi markets which present upside opportunities where the company can produce standalone offerings or integrated SoCs (system-on-chips) in new and fast-growing markets. Nordic Semi's recent design wins gave us more confidence in their earnings profile leading to an attractive valuation framework based on our assumptions of the company's growth potential.

LIQUIDATIONS

adidas AG – adidas designs, distributes, and markets athletic and sporting lifestyle products. We liquidated the stock shortly after their investor day as the stock rallied. The company is in the midst of rolling out new products and is now going through an IT infrastructure overhaul which we believe could cause volatility.

Infineon Technologies AG – Infineon is a market leader in power semiconductors, whose primary end markets include autos, industrials, sensors, and renewable energy. Infineon was particularly well positioned to benefit from the semiconductor shortage because Infineon is less reliant on external manufacturing for the majority of its production. During its fiscal second quarter earnings results, Infineon posted very strong results with the total company book-to-bill ratio crossing 2x. We believe these fundamentals and current supply tightness create a potential, short-term peak in the market environment for Infineon, and with shares trading at a valuation premium relative to power semiconductor peers, it was an appropriate point to liquidate the position. Moreover, as Silicon Carbide continues to gain traction, it threatens Infineon's stronghold on the IGBT market and challenges the company's dominant share position in power semiconductors over the medium term.

MARKET OUTLOOK

As vaccination programs have accelerated, they have also more clearly emerged as the way out of the pandemic both physically and economically. Countries with high vaccination levels, such as the US, are recovering more quickly as infections fall and more normal activity is able to return. Progress is likely to be mixed however, reflecting differences from country to country.

Europe will continue to lag due to slower vaccine distribution and some degree of hesitancy among members of the public. There is potential for renewed restrictions that would impact summer vacations and economies more heavily reliant on tourism. However, any further downturn in economic performance should be met with renewed stimulus, while the region will ultimately follow others on the path to a fuller recovery. The UK, a positive regional outlier for its quick vaccine rollout and high uptake, is likely to see the potential economic advantages eroded by higher costs and trade disruption caused by Brexit.

For Japan, the Olympic Games starting in July could turn out to be a burden rather than a benefit. The exclusion of international spectators will deprive the country of an influx of tourist dollars, while events raise the risk of COVID outbreaks and tougher measures in a country where vaccination levels are low and hesitancy high. International economic performance, particularly that of China and the US, will be the most important factor for Japanese business as demonstrated by the near 50% increase in exports in May from 2020's pandemic-depressed level.

Stimulus will gradually be withdrawn in developed economies as income support measures are reined back in the US and Europe, although markets are primed to expect a rapid response in the case of future lockdowns and worsening economic conditions. Having endured sharp declines in GDP in 2020, developed markets could outperform the broad sweep of emerging markets in 2021, particularly as they return to normal more quickly. That said, China's economy is positioned to grow strongly in 2021, despite having set a relatively low bar for economic growth of 6%. India is also likely to experience a sharp snap-back, although the World Bank cut its GDP forecast to 8.3% for the fiscal year from over 10%, due the second quarter COVID surge.

Inflation will be a persistent factor so long as growth continues to pick up. However, there is little to indicate that it is a long-term trend rather than a transient effect, in part reflecting the low base comparison of last year. Labor supply constraints will ease as working habits go back to normal, while shortages for goods as diverse as lumber and semiconductors should also work their way through the system. As a result, we would expect central banks to retain their accommodative monetary stance with low and, in some cases, negative policy rates for some time.

While markets tend to get nervous when inflation moves up, it is also worth noting that low inflation has been more of the norm in developed markets since the financial crisis. Indeed, deflationary pressures, such as declining working populations, can be more of a risk in regions like Europe and Japan. And in the context of rising national balance sheets (US public debt to GDP was 127% as of the end of the first quarter) a little inflation can be a useful tool for reducing the burden more rapidly.

The inflationary effect in commodities will also persist. However, the rally is unlikely to develop into a new super-cycle, particularly as China, the world's largest commodities buyer, moves away from sustained infrastructure investment to more moderate growth fed by internal consumption.

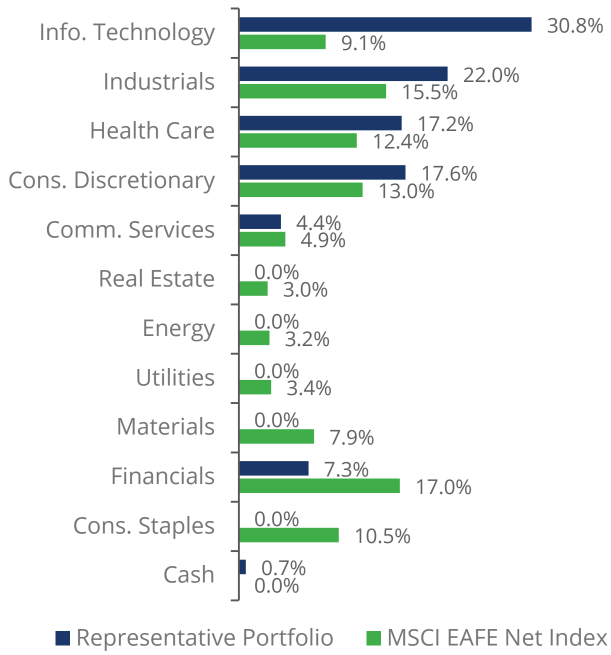
The rotation into value that started in the first quarter began to ease in the second quarter. Though cyclicals continue to have tailwinds in the recovery, we believe that many value stocks are fully priced. For instance, while the prospect of rising interest rates may produce a boost for financial services in developed markets, there is little differentiation within the sector, limiting pricing power or first mover advantage in the longer run. As a result, we expect future returns from value stocks to be more modest.

In contrast, growth stocks are looking more attractive. Long-term shareholder value comes from earnings growth and those earnings are looking better. A record number of S&P 500 companies issued positive guidance for second quarter EPS, according to FactSet data, led by the IT sector which is projecting earnings growth in excess of 30% for the period.

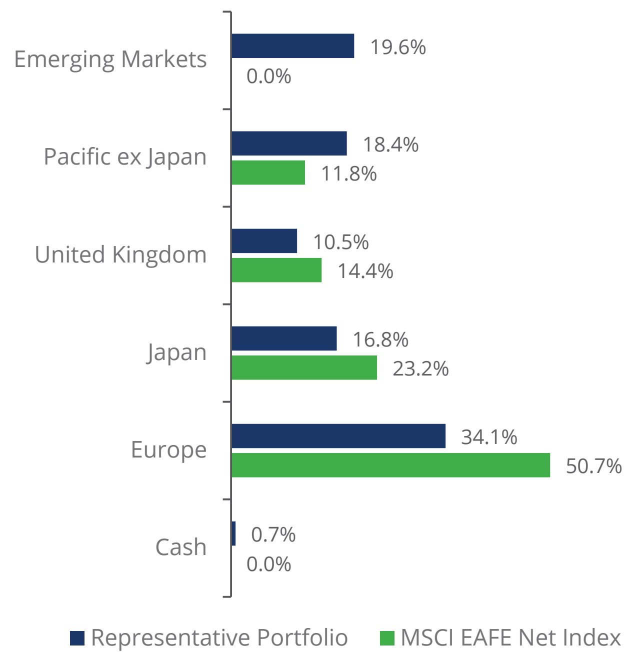
There are other trends that will benefit companies and investors with long-term vision. ESG is moving from a topic of discussion to a point of action. Companies globally are taking concerted action on measurement and disclosure of social and environmental impacts, while technology will also play an important role in the greening of the economy, adding to the sector's secular growth story. Good governance, an increased focus on sustainability and being a good corporate neighbor will increasingly mark out successful companies and investments in the long run.

PORTFOLIO EXPOSURE (period ending June 30, 2021)

Exposure by Sector



Exposure by Region



PORTFOLIO CHARACTERISTICS (period ending June 30, 2021)

	Representative Portfolio		MSCI EAFE Net Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	123.2	88.7	81.4	64.3
Median Market Cap ($B)	66.1	43.8	14.3	10.9
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	26.4	16.5	13.8	8.7
EPS Growth: 5 year trailing (%)[1]	12.5	10.3	4.4	2.4
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	35.0	28.8	21.4	18.9
P/E Ratio: 12 Months - trailing[1]	38.9	32.0	19.9	17.1
PEG Ratio: forward[1]	1.3	1.8	1.6	2.2
Dividend Yield (%)[2]	0.5	1.2	2.3	3.1
Price/Book[3]	6.0	3.9	1.9	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	15.5	14.2	13.0	11.3
Return on Invested Capital: 5 Year (%)[1]	11.0	10.6	9.3	8.1
Other				
Number of Positions	24	24	845	913
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).

PORTFOLIO HOLDINGS (period ending June 30, 2021)

	Country	Weight (%)	Industry
Communication Services			
Sea Ltd.	Singapore	1.8	Entertainment
Tencent Holdings Ltd.	China	2.6	Interactive Media & Services
Consumer Discretionary			
Aptiv plc	United Kingdom	5.4	Auto Components
Kering S.A.	France	3.0	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	4.1	Hotels, Restaurants & Leisure
Puma SE	Germany	5.1	Textiles, Apparel & Luxury Goods
Financials			
AIA Group Ltd.	Hong Kong	2.5	Insurance
ICICI Bank Ltd.	India	4.9	Banks
Health Care			
Alibaba Health Information Technology Ltd.	China	1.6	Health Care Technology
AstraZeneca plc	United Kingdom	5.1	Pharmaceuticals
Genmab AS	Denmark	4.7	Biotechnology
WuXi Biologics Inc.	China	5.8	Life Sciences Tools & Services
Industrials			
Airbus SE	France	5.1	Aerospace & Defense
Daifuku Co., Ltd.	Japan	3.6	Machinery
Nidec Corp.	Japan	4.2	Electrical Equipment
Prysmian S.p.A.	Italy	4.1	Electrical Equipment
Safran S.A.	France	5.0	Aerospace & Defense
Information Technology			
Afterpay Ltd.	Australia	4.6	IT Services
ASML Holding N.V.	Netherlands	5.3	Semiconductors & Semiconductor Equipment
Atlassian Corp.	Australia	5.4	Software
Keyence Corp.	Japan	4.9	Electronic Equipment, Instruments & Components
Murata Manufacturing Co., Ltd.	Japan	4.1	Electronic Equipment, Instruments & Components
Nordic Semiconductor ASA	Norway	1.9	Semiconductors & Semiconductor Equipment
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	4.7	Semiconductors & Semiconductor Equipment
Cash & Equivalents			
Cash		0.7	

Data is preliminary. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The data shown is of a representative portfolio for the Hardman Johnston International 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. The representative portfolio was chosen as most representative of the International Equity strategy. Future investments may or may not be profitable. In the event the portfolio holds multiple share classes of a company, the total number of positions reflects the multiple share classes as a single position.