Hardman Johnston International Equity

2021 THIRD QUARTER REPORT

COMPOSITE PERFORMANCE (%) (period ending September 30, 2021)	3rd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
International Equity (gross of fees)	1.14	5.47	28.88	19.30	17.03	12.96	11.87
International Equity (net of fees)	1.00	5.04	28.20	18.65	16.39	12.28	11.27
MSCI EAFE Net Index	-0.45	8.35	25.73	7.62	8.81	8.09	5.48
MSCI AC World ex US Net Index	-2.99	5.90	23.92	8.02	8.94	7.48	N/A

Performance is preliminary through September 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 halt advances due to global supply chain disruption and rising inflation
- US Federal Reserve signals the start of tapering, major central banks remain accommodative to support recovery
- Chinese regulatory crackdown and Evergrande solvency concerns weigh on domestic and international markets
- International Equity Composite returned 1.00%, net, outperforming the MSCI EAFE return of -0.45% and the MSCI AC World ex US return of -2.99%

MARKET REVIEW

International equities halted their upward march in the third quarter as supply chain disruption stoked inflation and fears of slowing global growth, while China's regulatory crackdown and solvency issues at property developer Evergrande weighed on markets both at home and abroad. The MSCI ACWI returned -1.05% in the third quarter, while the MSCI EAFE delivered -0.45%.

Global supply chain disruption and staffing shortages intensified as reopening and resurgent demand put pressure on business. A global shortfall in shipping containers pushed container rates to over $11,000 from below $1,500 before the pandemic, with disruption exacerbated by port closures due to COVID-19 outbreaks. The ongoing shortage in semiconductors hit production and sales for automakers across developed markets. German group Daimler warned that the impact, although receding, could last until 2023.

At the same time, worker pay spiked as companies raced to fill gaps in low-skilled posts. Preliminary data from Goldman Sachs showed that US low-wage-worker pay was on track to increase 6% in the third quarter, the highest rate in three decades, after a 5.3% increase in the second quarter. Wage increases were even higher in the UK as Brexit heaped further pressure on staffing. The UK's Office for National Statistics data showed an 8.8% rise in wages in the second quarter. A lack of qualified truck drivers had other repercussions, leading to fuel shortages and long lines at UK gas stations.

The predictable result of constrained supply and rising pay was an increase in inflation. The US consumer price index stayed above 5% during the third quarter, reaching a high of 5.4% in July, while across the euro area, inflation hit 3.0% in August. Emerging markets increases were sharper as Brazil witnessed a near 10% increase in prices. Turkey registered one of the highest rates of inflation as its consumer price index approached 20% in September, nearly four times the target level.

Despite the pressures, businesses by and large continued to perform. European company earnings rebounded strongly, with Stoxx 600 companies recording a 248% rise in second quarter EPS, ahead of expectations, while S&P 500 companies saw EPS increase by 93%. Although mentions of inflation increased in US company results calls, particularly among consumer businesses, management teams were positive about full-year earnings growth and margins.

In the face of rising prices, central bank policy diverged. Most developed markets remained accommodative with the

European Central Bank President, Christine Lagarde, among the most dovish, pledging not to overreact to supply pressures. The US Federal Reserve Chair, Jerome Powell, also took a cautious approach in his statements over the period, distinguishing between tapering of stimulus and rate hikes, before guiding to the removal of monetary support from November. Elsewhere, Brazil's central bank sharply increased interest rates to 6.25% by quarter-end in an attempt to contain spiraling prices. Norway became the first G10 currency nation to lift interest rates, moving them up to 0.25% in September and guiding to another possible hike before the end of 2021.

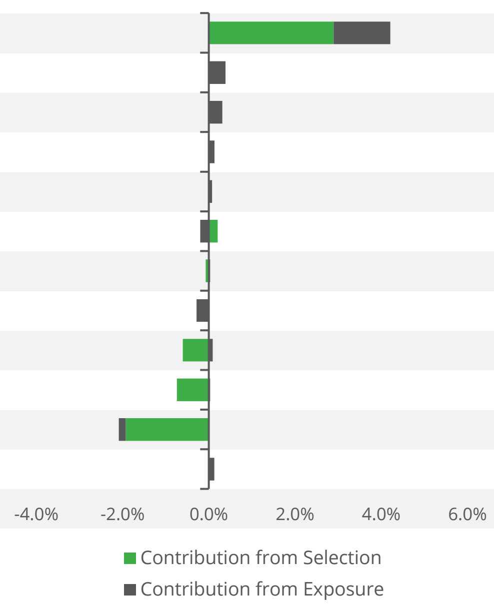
Politics and policy also loomed large during the third quarter. China's regulatory crackdown intensified as President Xi Jinping's government pushed its "common prosperity" campaign. Some measures targeted individual companies, such as the plan to restructure Ant Financial's Alipay business, while others focused on broader sectors, including the move to shake up the private education system by insisting that providers become non-profit companies. The threat of default at Evergrande, one of China's largest real estate groups, added to volatility in September, with contagion fears hitting rival property developers and the financial sector.

In the US, Democrats and Republicans faced off over raising the US debt ceiling, increasing concerns about a potential default. The passage of the $1 trillion bipartisan infrastructure bill also hit hurdles as some Democrats focused on attempting to push through the larger $3.5 trillion tax and spending bill. The legislation proposes increases in corporate and personal taxes, as well as changes to capital gains, to fund increases in the social safety net and green investment.

There was political turnover elsewhere as Japan's Prime Minister, Yoshihide Suga, resigned over the government's handling of COVID-19. While the Olympic Games brought sporting success, the event also led to a rise in cases and prolonged the country's state of emergency. A leadership race amongst Liberal Democratic party contenders resulted in the selection of continuity candidate Fumio Kishida as the next leader, beating popular reformer and internationalist Taro Kono. In Germany, elections resulted in a narrow victory for the center-left Social Democratic party, teeing up a new potential ruling coalition, and a replacement for Angela Merkel after 16 years in office as Chancellor.

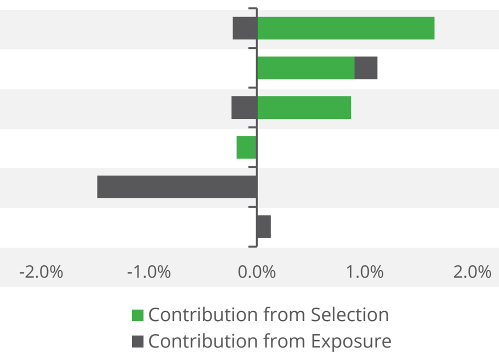
PERFORMANCE ATTRIBUTION

	Average Weight		Total Return		Contribution to
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	Relative Return
By Sector					
Info. Technology	30.7	9.6	15.5	5.0	
Materials	0.0	7.8	0.0	-5.7	
Consumer Staples	0.0	10.4	0.0	-3.4	
Utilities	0.0	3.4	0.0	-4.6	
Real Estate	0.0	3.0	0.0	-3.1	
Financials	7.5	16.8	4.6	1.7	
Comm. Services	4.4	4.8	-5.3	-4.1	
Energy	0.0	3.1	0.0	8.7	
Industrials	21.6	15.8	-1.4	1.3	
Health Care	16.9	12.6	-4.5	0.5	
Cons. Discretionary	15.9	12.8	-15.5	-3.6	
Cash	2.9	0.0	0.0	0.0	



Preliminary data for the quarter ending September 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					
Pacific ex Japan	16.1	11.4	6.3	-4.4	
Europe	35.0	50.9	0.5	-1.9	
Japan	17.4	23.3	9.9	4.6	
United Kingdom	10.1	14.3	-2.1	-0.3	
Emerging Markets	18.5	0.0	-8.1	0.0	
Cash	2.9	0.0	0.0	0.0	



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PORTFOLIO COMMENTARY

- International Equity outperformed the MSCI EAFE Index by 145 bps on a net basis during the third quarter
- Security selection and overweight exposure to Information Technology and lack of exposure to Materials were the largest contributors during the quarter while security selection and overweight exposure in Consumer Discretionary and security selection in Health Care were the largest detractors
- Security selection in Pacific ex Japan was the top contributor to relative performance from a regional perspective, while overweight exposure slightly offset gains; security selection and underweight exposure in Europe also contributed. Overweight exposure to Emerging Markets and security selection in the United Kingdom were the top detractors

LARGEST CONTRIBUTORS

Atlassian Corp. (+2.2% total effect) followed a record-setting new customer result in its March quarter with an equally impressive June quarter result, where we saw its total customer base reach 236.1k as it exited its fiscal year. Atlassian's successful penetration in large enterprise was evidenced by its 70% year over year growth of $1 million-plus customers as its unique, developer-led focus continues to scale its product offering throughout an organization's technology stack. The company's cloud migration strategy has exceeded expectations with 2x the number of customers migrating in FY21 over FY20. Atlassian should continue to benefit from continued conversions of its existing customer base to the cloud and new customer growth through its R&D-focused/product development go-to-market approach. This gives us confidence in the company's mid-to-low 40% subscription growth guidance in FY22 and bolsters our conviction in the stock over the long-term.

Shares in **Keyence Corp. (+0.9% total effect)** were higher during the quarter after the company posted another earnings beat, again demonstrating its ability to emerge from downturns stronger than peers. Despite broader worries over intensifying supply chain difficulties, Keyence navigated the current environment well. Keyence's unique fabless business model demonstrated a tight control over a diverse and dedicated supply chain, ensuring that any component shortages would quickly be resolved. Furthermore, empowered by its highly trained engineering salesforce that maintains close relationships with its customers, Keyence is able to have relatively better insight into client demand, and can anticipate where issues may arise. Building upon this recent operating outperformance, Keyence is well-positioned to benefit from the ongoing need for automation, which has only been accelerated in the recent environment.

Shares of **Murata Manufacturing Co., Ltd. (+0.7% total effect)** were particularly resilient during the quarter despite supply chain tightness and component shortages limiting end market shipments. Murata is typically conservative and true to form, the company de-risked its fiscal year 2022 forecast during its FY1Q earnings release by guiding to a weaker second half relative to the normally sub-seasonal first half. We believe this framework has kept investor expectations muted and defended the share price during late-September volatility. Additionally, the share price received a boost in early September on the announcement that the company would be added to the constituents of the Nikkei Stock Average on October 1. We continue to believe Murata's market leading position in multi-layer ceramic capacitors and penetration in key end markets like smartphones and electric vehicles should drive earnings growth over the next few years.

LARGEST DETRACTORS

Shares of **Melco Resorts & Entertainment Ltd. (-1.5% total effect)** retracted as a result of travel restrictions and a new governmental framework on gaming license renewals. Travel restrictions were implemented following an outbreak of COVID-19 cases in China. We expect these restrictions to be recurring until China is fully vaccinated, or its policy regarding COVID-19 evolves vs. the current zero tolerance policy. Additionally, the Macau Government announced a proposed framework for renewing gaming licenses (expiring June 2022). The new framework envisions a larger role for the Government, more rules regarding capital deployment and repatriation, and more restrictions on the VIP Business. The Macau Government's final version of the framework will become clearer towards December 2021–January 2022. Travel will resume more freely likely around Q2-Q3 2022. However, the underlying role of Macau as a gaming destination has not and will not change.

WuXi Biologics Inc. (-0.6% total effect) traded off from all-time highs due to Chinese government societal plans on "common prosperity" that impacted all sectors. WuXi has also benefited as a manufacturing partner for COVID-19 vaccines. They have announced two additional partnered mRNA vaccines. The company reiterated their expectations of >50% growth over the next few years. We remain positive on WuXi Biologics as a leader in both China and global biologics manufacturing outsourcing.

Alibaba Health Information Technology Ltd. (-0.6% total effect) fell sharply in the quarter related to Chinese government societal plans on "common prosperity." There have been no direct new regulations on healthcare, and we remain confident that internet healthcare will remain an agent for the government to improve healthcare access and quality. There is an upcoming regulatory rule finalization on internet prescriptions, but expectations are for modest changes in line with pre-published rule changes. We remain positive on Alibaba Health given their strong platform capabilities coupled with the large and growing need for healthcare efficiencies in China.

- During the third quarter, we initiated a position in Alkermes plc; there were no liquidations over the quarter

PORTFOLIO ACTIVITY

INITIATIONS

Alkermes plc is a specialty pharmaceutical developer focused on drug design, that most recently demonstrated novel expertise in fusion protein engineering. Alkermes is moving from a stable royalty core (central nervous system products primarily partnered with J&J for royalties) to wholly owned assets, greatly increasing revenue and margin contribution. They have an emerging expertise in fusion protein engineering, with a phase II product (ALKS-4230) in immuno-oncology showing very strong data. Recent activist involvement is centered on pushing the company on rational cost efficiencies, rationalizing products and likely forcing partnership of ALKS-4230 to a larger, more capable company with a diversified immuno-oncology pipeline (e.g. Merck, Roche, AstraZeneca, Bristol-Myers Squibb) that can more likely exploit the combination of ALKS-4230 with their other assets.

MARKET OUTLOOK

Global growth momentum appears to have peaked following the economic boost supplied by reopening. The recovery will stretch into 2022 as countries continue to deal with COVID-19 and the weaning of economies off fiscal and monetary support. Illustrating the point, S&P Global revised its US GDP forecast down one percentage point to 5.7% for 2021 and moderately increased its outlook for 2022. Despite that, the US will remain one of the fastest growing major economies this year.

Supply chain bottlenecks, rising wages, and inflation could be a drag on growth in the near term. However, as the Federal Reserve and European Central Bank have indicated, the effects are likely to be only transitory. How long it will take to return to equilibrium is uncertain. And that equilibrium could be at a higher rate, with prices higher and labor more expensive than before the crisis. However, we don't see the seeds of spiraling inflation. If anything, the overarching drivers of disinflation, namely aging populations and increased penetration of technology that will automate industry and reduce costs, remain strong in developed economies.

Developed market central banks are likely to tread a cautious line in the face of inflation. The Fed has flagged the start of tapering and is expected to clamp down quickly should inflation accelerate; however, maintaining growth is likely to be its main focus. While a degree of tightening appears priced in, US tax increases do not. A proposed hike in corporate tax rates could result in tepid earnings increases for many businesses next year. For this reason, we are focused on high-growth companies that can compound earnings at a higher rate. Opportunities will continue to arise across the tech and healthcare sectors, non-bank financials in certain markets, as well as industrials that may benefit from reshoring, automation and the application of technology to drive efficiency.

After stimulus wears off, we expect Europe will settle back to anemic growth. Nonetheless, there are high-quality businesses based in Europe that have international footprints and sales. The outcome of national elections in Germany may also result in a more progressive approach from a traditionally fiscally austere nation, with the prospect of higher spending in areas like infrastructure.

The spread of the more transmissible Delta variant presents concerns about further spikes in infections. However, COVID-19 is increasingly behind us in developed markets as vaccinations and treatments reduce the risk of serious illness and death. Emerging markets present a more mixed picture as low vaccination rates trouble countries, particularly in Latin America and Asia Pacific. In September, the Asian Development Bank downgraded its full-year growth projections for countries including Indonesia, Thailand, and the Philippines, which had vaccination rates of around 20%.

Nonetheless, many of the features that make emerging markets attractive will persist well past the impact of COVID-19. Young populations and growing levels of wealth are long-term tailwinds that can help drive consumption and growth, particularly in Asia Pacific, and to a lesser extent Latin America.

It is a similar story in China. Regulatory intervention does complicate the environment but cannot detract from China's ever-increasing scale and global influence. The government is capitalizing on its lead in the global recovery to take steps to rebalance the economy, rein in excess, and address inequality. Where China differs from most is in its ability to take a sledgehammer to issues by acting immediately and unilaterally, rather than building political consensus over time.

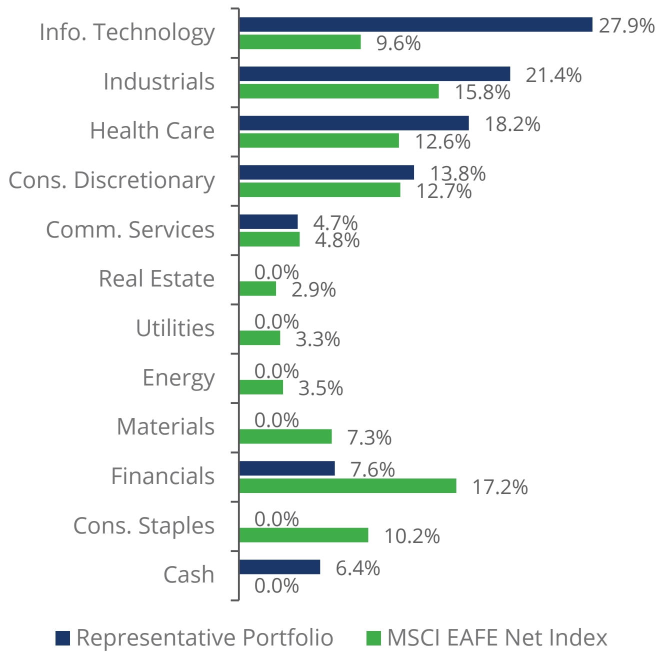
Across China, we continue to see a broad sweep of companies that have performed well and that have further runway for strong growth. For example, there are opportunities in the healthcare sector, which is on the right side of demographic and wealth trends, as well as the government's priority to break down historic monopolies and drive more efficient, lower-cost services. Other areas still face competitive headwinds, such as China's semiconductor manufacturing space. Although China is encouraging more domestic production for home-grown autos and technology, Chinese chip sophistication still lags best-in-class international competitors by a significant distance. We believe that there are opportunities and ample room to maneuver for international investors who do their homework and adopt a bottom-up approach.

Following the sharp spike in natural gas prices in the third quarter, energy will remain a wild card. Low inventories and limited flows from Russia could have severe impacts on its neighbors in the event of a cold winter, pushing up prices and potentially leading to shortages. This is another effect of the global shift to renewable energy, which will continue to lead to periods of volatility as countries transition away from fossil fuels.

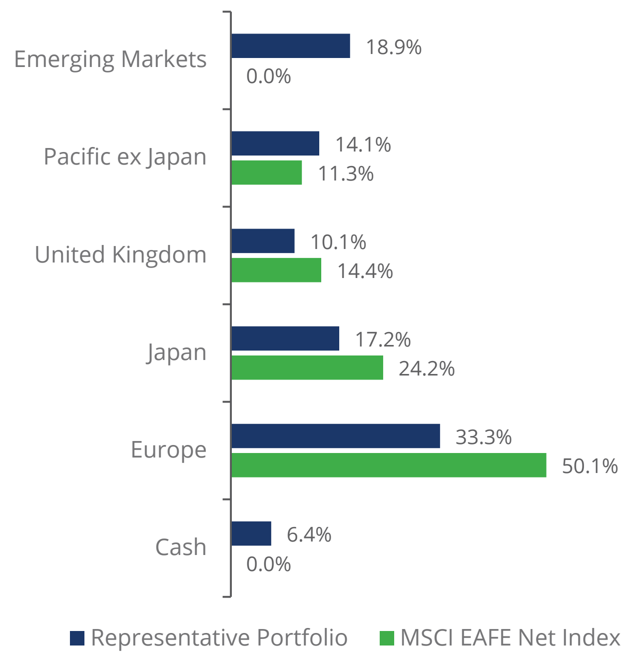
With real yields on treasuries below zero, and corporate bond spreads tight, capital continues to flow into equities as investors search for returns. Stocks have performed well through the events of the past 2 years and are highly valued by historical standards. In addition, earnings have surprised to the upside for five quarters in a row. Moreover, earnings outperformance has been evident across sectors and indicates that earnings growth, rather than multiple expansion, will be the future driver of share price performance. Our focus is on high-quality growth at attractive valuations. Such companies tend to outperform well in difficult market environments and rebound strongly when markets recover.

PORTFOLIO EXPOSURE (period ending September 30, 2021)

Exposure by Sector



Exposure by Region



PORTFOLIO CHARACTERISTICS (period ending September 30, 2021)

	Representative Portfolio		MSCI EAFE Net Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	119.4	91.3	79.7	65.3
Median Market Cap ($B)	65.4	45.1	14.3	11.2
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	25.2	17.1	15.1	9.1
EPS Growth: 5 year trailing (%)[1]	12.0	10.7	4.2	2.5
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	32.0	27.0	20.3	18.0
P/E Ratio: 12 Months - trailing[1]	35.9	30.7	20.1	17.9
PEG Ratio: forward[1]	1.3	1.6	1.3	2.1
Dividend Yield (%)[2]	0.6	1.2	2.4	3.1
Price/Book[3]	5.6	4.0	1.9	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%)[1]	15.6	14.5	13.4	11.7
Return on Invested Capital: 5 Year (%)[1]	11.2	10.7	9.3	8.3
Other				
Number of Positions	25	24	845	909
Beta: 3 year portfolio[4]	1.0	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 September 30, 2021)

	Country	Weight (%)	Industry
Communication Services			
Sea Ltd.	Singapore	2.2	Entertainment
Tencent Holdings Ltd.	China	2.4	Interactive Media & Services
Consumer Discretionary			
Aptiv plc	United Kingdom	5.1	Auto Components
Kering S.A.	France	1.6	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	2.5	Hotels, Restaurants & Leisure
Puma SE	Germany	4.7	Textiles, Apparel & Luxury Goods
Financials			
AIA Group Ltd.	Hong Kong	2.3	Insurance
ICICI Bank Ltd.	India	5.3	Banks
Health Care			
Alibaba Health Information Technology Ltd.	China	1.7	Health Care Technology
Alkermes plc	Ireland	1.3	Biotechnology
AstraZeneca plc	United Kingdom	5.1	Pharmaceuticals
Genmab AS	Denmark	5.0	Biotechnology
WuXi Biologics Inc.	China	5.1	Life Sciences Tools & Services
Industrials			
Airbus SE	France	5.2	Aerospace & Defense
Daifuku Co., Ltd.	Japan	3.7	Machinery
Nidec Corp.	Japan	4.0	Electrical Equipment
Prysmian S.p.A.	Italy	4.0	Electrical Equipment
Safran S.A.	France	4.5	Aerospace & Defense
Information Technology			
Afterpay Ltd.	Australia	2.1	IT Services
ASML Holding N.V.	Netherlands	4.6	Semiconductors & Semiconductor Equipment
Atlassian Corp.	Australia	4.9	Software
Keyence Corp.	Japan	4.8	Electronic Equipment, Instruments & Components
Murata Manufacturing Co., Ltd.	Japan	4.7	Electronic Equipment, Instruments & Components
Nordic Semiconductor ASA	Norway	2.4	Semiconductors & Semiconductor Equipment
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	4.4	Semiconductors & Semiconductor Equipment
Cash & Equivalents			
Cash		6.4	

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