
Hardman Johnston

Large Cap Equity

2021 THIRD QUARTER REPORT



**Hardman
Johnston**
Global Advisors

COMPOSITE PERFORMANCE (%) (period ending September 30, 2021)

	3rd QTR	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Large Cap Equity (gross of fees)	-1.30	10.60	25.98	14.99	15.18	15.48	11.80
Large Cap Equity (net of fees)	-1.43	10.16	25.30	14.37	14.55	14.83	11.28
S&P 500 Total Return Index	0.58	15.92	30.00	15.98	16.89	16.58	10.45

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. Composite inception date: December 31, 1989.

KEY TAKEAWAYS

- The effects of the Delta variant have temporarily chilled economic activity and equity markets
- Disruption in global supply chains, rising inflation, and government policy transitions are sources of uncertainty for investors
- Obstacles and disruption today have historically led to great innovation and opportunities for companies focused on solving customer problems

MARKET REVIEW AND OUTLOOK

It has been rare in the last ten years to be at a junction where so many market influences have questions about their direction. Equity markets have understandably reacted by pausing their steady upward march. We must start, as we have for the last 18 months, with the COVID-19 pandemic and its influence on the economy. Here we see improvement. Delta cases and deaths have peaked in almost every state in the US and in most major economies around the world. We will see what the onset of winter in the northern hemisphere brings, but one important lesson from Delta was that empowering local governments to enact both restrictions and easing helps avert much of the economic damage caused by one size fits all policies. In short, American society is adaptive and has learned how to minimize the impact of outbreaks.

The economic damage from Delta is clear. Third quarter consumer spending, and particularly spending on travel and leisure was dramatically lower than forecast. Supply chains disruptions continue, including congestions in shipping routes and outright shortages of key components, raw materials, and labor. The latter items and a rise in energy prices have led to strong price inflation, leaving monetary policy makers at a tricky junction about when to remove some of the stimulus provided over the last 18 months. That raises other questions. If they raise interest rates early, will that affect the housing market? Will it quell business investment? Although rates will remain low in absolute terms it is natural to think that both consumers and businesses may pause some decisions in the face of the uncertainty.

Finally, other changes in government policies are being debated and the outcomes remain unclear. While trade policy is unlikely to change in the near term, the very large spending packages making their way through congress will need to be offset with tax revenues, most likely coming from a corporate tax increase which will slow corporate profit growth and eat into shareholder returns.

In spite of all these questions and the challenges that some outcomes present, we remain constructive on the long term outlook for economic growth and corporate profit growth, particularly for your portfolio holdings. The very disruptions that are pausing the market's upward trajectory are spawning innovation and opportunities for new ways to work and improve efficiency. Supply chain disruptions are spurring investment in more distributed manufacturing and re-shoring of many capabilities. The companies we invest in are, if nothing else, innovators and should be able to find new ways to create shareholder value by helping their customers succeed.



PERFORMANCE ATTRIBUTION



Preliminary data as of 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 Large Cap Equity strategy and is for informational purposes only. Exposure refers to the contribution of the active segment weights to the total relative return. 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.

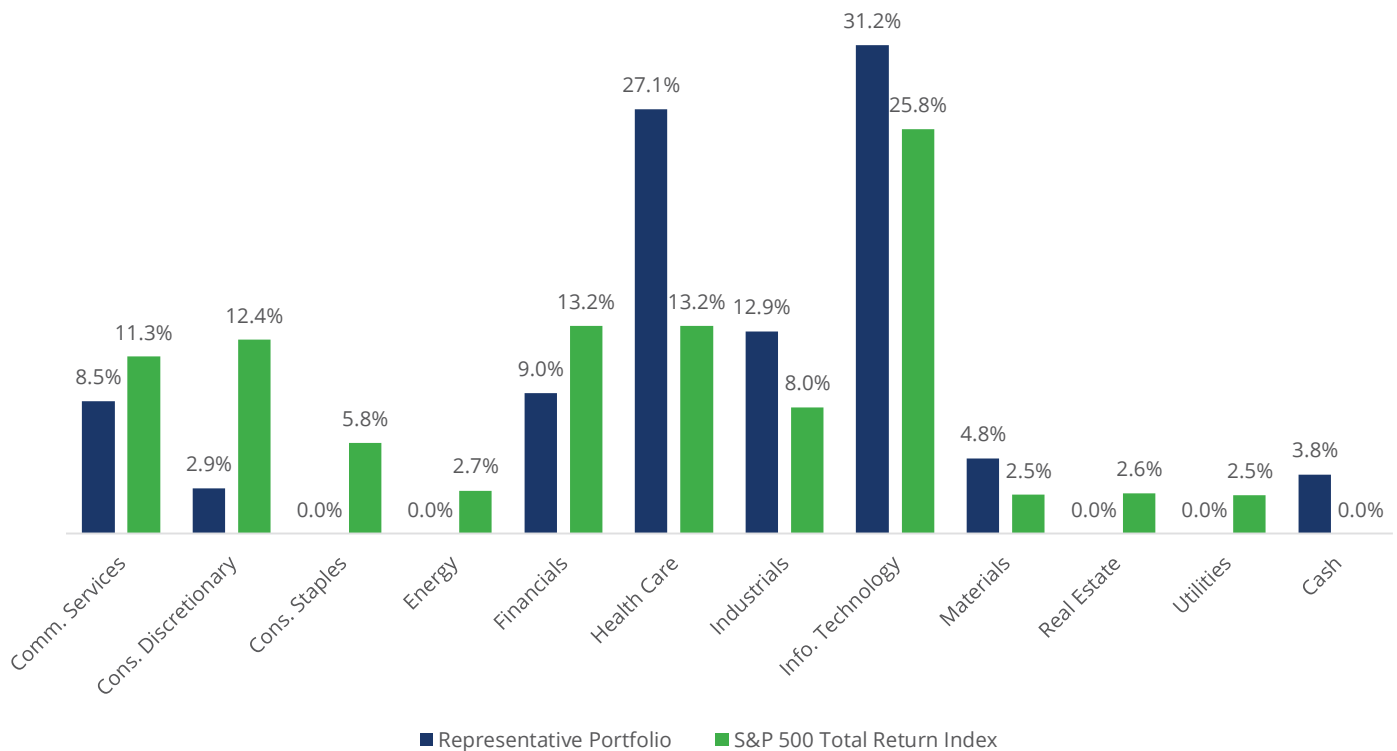


PORTFOLIO COMMENTARY

Large Cap Equity composite declined by 1.43%, net of fees, for the quarter compared to an increase of 0.58% for the S&P 500 Total Return index. The primary culprits for the contraction were Advanced Energy Industries, Universal Display Corp., and Stanley Black & Decker Inc. Advanced Energy posted disappointing quarterly results thanks to component shortages and production disruption all stemming from the pandemic. The disruption affected both sales and profitability but should be transitory. Universal Display similarly reported disappointing results, but the opportunity for its low energy organic light emitting materials in display screens of all types remains vast. Finally, Stanley Black & Decker declined as concerns about a slowdown in home improvement and construction emerge.

Somewhat offsetting the drags, we saw strong performances from Albemarle Corp., Atlassian Corp. and Edwards Lifesciences Corp. Albemarle is well positioned with its lithium resources to benefit from the transition to electric vehicles and Atlassian experienced a surge in demand for the technical collaboration software. Edwards saw an acceleration in demand for its trans-catheter heart valves as healthcare systems shift back from COVID-19 care to other urgent procedures.

PORTFOLIO EXPOSURE (period ending September 30, 2021)



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CONTRIBUTORS & DETRACTORS (period ending September 30, 2021)

Third Quarter	Average Weight (%)	Total Effect* (%)	Last Twelve Months	Average Weight (%)	Total Effect* (%)
Largest Contributors			Largest Contributors		
Albemarle Corp.	3.23	0.93	Albemarle Corp.	3.17	2.45
Atlassian Corp.	1.01	0.41	Alphabet Inc.	3.82	0.67
Edwards Lifesciences Corp.	3.32	0.24	WuXi Biologics Inc.	1.14	0.58
Largest Detractors			Largest Detractors		
Advanced Energy Industries	2.60	-0.69	Vertex Pharmaceuticals Inc.	2.34	-1.75
Universal Display Corp.	2.37	-0.59	FMC Corp.	2.29	-0.85
Stanley Black & Decker Inc.	2.57	-0.38	Mastercard Inc.	3.99	-0.78

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 September 30, 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 Large Cap 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 - THIRD QUARTER

Alkermes plc

LIQUIDATIONS - THIRD QUARTER

There were no liquidations during the quarter

The holdings identified represent all new positions and liquidations in the Hardman Johnston Large Cap Equity strategy for the quarter-to-date period ending September 30, 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.

PORTFOLIO CHARACTERISTICS (period ending September 30, 2021)

	Representative Portfolio		S&P 500 Total Return Index	
	Current	5 Year Average	Current	5 Year Average
Capitalization				
Weighted Average Market Cap (\$B)	387.1	208.6	563.7	296.9
Median Market Cap (\$B)	65.3	52.2	30.6	23.7
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%) ¹	18.5	13.4	15.5	11.1
EPS Growth: 5 year trailing (%) ¹	15.3	12.7	14.7	12.5
Value Fundamentals				
P/E Ratio: 12 Months - forward ¹	27.4	24.8	25.2	22.8
P/E Ratio: 12 Months - trailing ¹	37.3	32.7	31.2	28.0
PEG Ratio: forward ¹	1.5	1.9	1.6	2.1
Dividend Yield (%) ²	0.7	1.3	1.4	1.9
Price/Book ³	6.0	4.4	4.3	3.3
Quality Fundamentals				
Return on Equity: 5 Year (%) ¹	19.3	17.8	21.4	20.7
Return on Invested Capital: 5 Year (%) ¹	15.1	13.0	14.0	12.9
Other				
Number of Positions	52	51	506	506
Beta: 3 year portfolio ⁴	0.9	0.9	1.0	1.0

¹Interquartile weighted mean, ²Weighted mean, ³Weighted harmonic mean, ⁴MPT beta (daily). **Past performance does not guarantee future results.** Source: FactSet, Hardman Johnston Global Advisors LLC®. The data shown is of a representative portfolio for the Hardman Johnston Large Cap 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 Large Cap Equity strategy. 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. 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.

PORTFOLIO HOLDINGS (period ending September 30, 2021)

	Country	Weight (%)	Industry
Communication Services			
Alphabet Inc.	United States	4.4	Interactive Media & Services
Comcast Corp.	United States	3.2	Media
Sea Ltd.	Singapore	0.4	Entertainment
Tencent Holdings Ltd.	China	0.5	Interactive Media & Services
Consumer Discretionary			
Aptiv plc	United Kingdom	1.0	Auto Components
LVMH	France	0.8	Textiles, Apparel & Luxury Goods
Melco Resorts & Entertainment Ltd.	Hong Kong	0.5	Hotels, Restaurants & Leisure
Puma SE	Germany	0.7	Textiles, Apparel & Luxury Goods
Financials			
AIA Group Ltd.	Hong Kong	0.5	Insurance
ICICI Bank Ltd.	India	1.1	Banks
Marsh & McLennan Cos. Inc.	United States	3.8	Insurance
Mastercard Inc.	United States	3.7	Consumer Finance
Health Care			
Alibaba Health Information Technology Ltd.	China	0.3	Health Care Technology
Alkermes plc	Ireland	0.3	Biotechnology
AstraZeneca plc	United Kingdom	1.0	Pharmaceuticals
Becton, Dickinson & Co.	United States	2.5	Health Care Equipment & Supplies
Cerner Corp.	United States	2.1	Health Care Technology
Dentsply Sirona Inc.	United States	2.4	Health Care Equipment & Supplies
Edwards Lifesciences Corp.	United States	3.4	Health Care Equipment & Supplies
Genmab AS	Denmark	1.0	Biotechnology
IQVIA Holdings Inc.	United States	3.9	Life Sciences Tools & Services
Johnson & Johnson	United States	2.2	Pharmaceuticals
Medtronic plc	Ireland	2.5	Health Care Equipment & Supplies
UnitedHealth Group Inc.	United States	2.4	Health Care Providers & Services
Vertex Pharmaceuticals Inc.	United States	1.9	Biotechnology
WuXi Biologics Inc.	China	1.2	Life Sciences Tools & Services
Industrials			
Airbus SE	France	1.1	Aerospace & Defense
Daifuku Co., Ltd.	Japan	0.8	Machinery
Howmet Aerospace, Inc.	United States	2.5	Aerospace & Defense
Leidos Holdings Inc.	United States	1.0	Professional Services
Nidec Corp.	Japan	0.8	Electrical Equipment
Prysmian S.p.A.	Italy	0.8	Electrical Equipment
Safran S.A.	France	0.9	Aerospace & Defense
Stanley Black & Decker Inc.	United States	2.4	Machinery
Vertiv Holdings Co.	United States	2.8	Electrical Equipment
Information Technology			
Adobe Inc.	United States	4.0	Software
Advanced Energy Industries	United States	2.5	Electronic Equipment, Instruments & Components
Afterpay Ltd.	Australia	0.4	IT Services
Apple Inc.	United States	3.9	Technology Hardware, Storage & Peripherals
ASML Holding N.V.	Netherlands	0.9	Semiconductors & Semiconductor Equipment
Atlassian Corp.	Australia	1.0	Software
Automatic Data Processing, Inc.	United States	3.6	IT Services
Cree, Inc.	United States	1.2	Semiconductors & Semiconductor Equipment
Microsoft Corp.	United States	4.0	Software
Murata Manufacturing Co., Ltd.	Japan	0.9	Electronic Equipment, Instruments & Components
Nordic Semiconductor ASA	Norway	0.5	Semiconductors & Semiconductor Equipment
NVIDIA Corp.	United States	4.7	Semiconductors & Semiconductor Equipment
OMRON Corp.	Japan	0.7	Electronic Equipment, Instruments & Components
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan, Province Of China	0.9	Semiconductors & Semiconductor Equipment
Universal Display Corp.	United States	2.0	Semiconductors & Semiconductor Equipment
Materials			
Albemarle Corp.	United States	3.0	Chemicals
FMC Corp.	United States	1.9	Chemicals
Cash & Equivalents			
Cash		3.8	

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