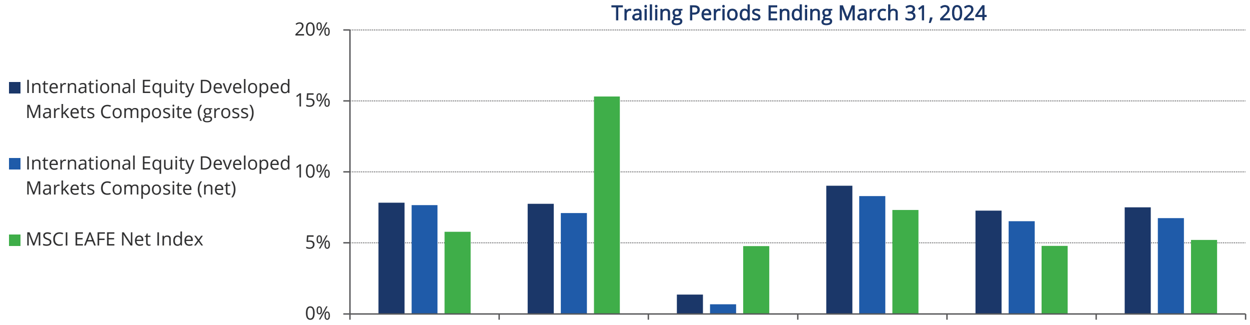
Hardman Johnston International Equity Developed Markets

2024 First Quarter Report

Hardman Johnston Global Advisors

Performance

Trailing Periods Ending March 31, 2024



	1Q 2024	1 Year	3 Years	5 Years	10 Years	Inception
International Equity Developed Markets Composite (gross)	7.83	7.75	1.36	9.03	7.28	7.51
International Equity Developed Markets Composite (net)	7.66	7.10	0.68	8.29	6.53	6.75
MSCI EAFE Net Index	5.78	15.32	4.78	7.32	4.79	5.21

Performance is through March 31, 2024. Periods greater than one year are annualized. **Past performance does not guarantee future results.** Net performance reflects the deduction of advisory fees and reinvestment of income (if applicable). Composite inception date: January 31, 2014.

Key Takeaways

- The portfolio performed well during the first quarter
- Industrials and Energy were the top sector contributors, while Consumer Discretionary and Health Care were the top detractors
- Europe was the top contributing region, while Pacific ex Japan was the top detractor
- The Hardman Johnston International Equity Developed Markets Strategy outperformed the MSCI EAFE Net Index during the quarter

Portfolio Commentary

Equity markets had a strong start to the year on the back of encouraging economic growth. Our portfolio also fared well, outperforming its benchmark index. In the first quarter, the Hardman Johnston International Equity Developed Markets Composite returned 7.66%, net of fees, compared to 5.78% for the MSCI EAFE Net Index.

The main drivers of outperformance from a sector standpoint were Industrials and Energy. Within Industrials, Rheinmetall AG and Safran S.A. were the top contributors. Rheinmetall outperformed on robust order flow and increased guidance as Europe continues to shift its spending priorities to defense given the Russia-Ukraine conflict. Management highlighted not only significant opportunities to expand capacity for existing high-margin ammunition products, but also ongoing emerging opportunities in new defense initiatives requiring advanced equipment, including Europe's Sky Shield air defense program. As one of the largest ammunition providers globally and the largest defense company in Europe, the company remains the prime beneficiary of the generational shift in NATO defense spending, including the multi-year effort to replenish ammunition stocks.

Safran outperformed as travel demand continues its secular growth trajectory, leading to over 20% growth in Safran's aftermarket business. With its dominant position, the company has been able to raise prices faster than input cost inflation. Additionally, Safran has a visible pipeline of deliveries for its LEAP aircraft engine, underpinning future growth across business lines.

Energy's outperformance was driven by both of our holdings within the sector, TechnipFMC plc and Gaztransport & Technigaz SA (GTT). Technip provides oilfield services for offshore oil exploration. The company reported a solid quarterly earnings report and released guidance above expectations. During the earnings conference call, management highlighted their ability to find new growth markets by leveraging existing technology, such as offshore carbon capture, as demonstrated by recent order wins. Our meeting with the CEO highlighted the strategic direction of the company and increased our conviction that the company continues to benefit from a long duration cycle for offshore investment.

GTT creates cryogenic membrane containment systems for the transportation of liquid natural gas (LNG). GTT has a near monopolistic position in this space, which has long-term tailwinds given the push to use LNG as an alternative fuel source. The company reported strong quarterly results and upgraded its 10 year outlook, driving positive stock performance.

The top sector detractors during the quarter were Consumer Discretionary and Health Care. Within Consumer Discretionary, Melco Resorts & Entertainment Ltd. and Aptiv plc were the top detractors. Melco underperformed as the casino operator did not fully participate in the post-COVID recovery of Macau's gaming sector. Melco lost market share in the key premium mass segment, which had traditionally been its strength. The company was too late to abandon its frugal COVID mindset, causing customers to choose other venues that offered superior promotions and experiences. An announced management shakeup in late March is evidence that the CEO and majority owner, Lawrence Ho, is determined to address this loss.

Aptiv is an innovative leader in high voltage connectivity and active safety systems for auto companies. The ongoing moderation in electric vehicle adoption serves as a headwind to Aptiv's near-term growth prospects. Furthermore, a higher interest rate regime and some evidence of strains on certain segments of the consumer clouded our outlook for the company's growth. Given that, we decided to liquidate the position and rotate capital within the portfolio to higher conviction ideas.

Health Care's underperformance was primarily due to Grifols, S.A. Grifols struggled in the first quarter after Gotham City Research released a short report citing concerns about Grifols' accounting practices and lack of transparency. Since the short report, Grifols' auditor and the Spanish regulator have determined that all accounting practices were legal, although they are requiring more transparency going forward. Aside from the short report, operational results were generally strong with healthy free cash flow guidance in 2025-2027, and the company share price is continuing to rebound.

From a regional perspective, Europe was the top contributor to outperformance in the first quarter, with Rheinmetall and Safran performing the best within the region. Pacific ex Japan was the top regional detractor due to the underperformance of AIA Group Ltd. and Melco. AIA is a premier pan-Asian life insurer based in Hong Kong. The company reported strong earnings results across its various geographical segments, including solid momentum in its three largest markets, Hong Kong, Mainland China and Thailand. Despite these results, the stock price underperformed as investors were disappointed that a new buyback plan was not announced, in addition to a general aversion to companies tied to China. However, with an extremely cheap valuation and continued strong sales trends, we are hopeful for a rebound from multi-year lows.

The top individual contributors to relative performance were Rheinmetall, Safran, and Airbus SE. Similar to Safran, Airbus is a beneficiary of secular growth in the commercial aerospace industry. The company has a record backlog amid insatiable demand for its core A320 narrowbody jet. Recent quality issues at its main competitor, Boeing, further solidifies Airbus' dominance in the narrowbody aircraft market. With a long runway of top-line growth, along with margin expansion opportunities from scale and manufacturing efficiencies, the outlook for Airbus remains robust.

The top individual detractors from relative performance were Grifols, Nordic Semiconductor ASA, and AIA. After a challenging 2023, Nordic Semiconductor guided to a substantial sequential decline for the first quarter of 2024, leading to a share price correction. The weak guidance was attributed to expectations for further inventory reduction in the channel, plus some tier 1 weakness, as its largest customers opportunistically took supply in the fourth quarter due to high inventory levels. Visibility into the timing of a demand recovery remains uncertain, but we believe that Nordic Semiconductor's ability to maintain pricing throughout this downcycle and its consistent market share wins in new Internet of Things device designs implies the weakness is not associated with market share loss. Exiting the downcycle, the company is poised to accelerate revenue growth faster than peers. Additionally, the company will release its next-generation series of Bluetooth Low Energy system-on-chip by the end of 2024. Initial traction appears compelling, with 200 customers sampling, including all Tier 1 customers.

During the quarter, we had no new initiations in the portfolio. We liquidated positions in Meituan and Aptiv plc. Meituan is the industry leader in Chinese service ecommerce. Last year, the company found itself increasingly targeted by the new market entrant Douyin, which is the Chinese counterpart to

TikTok. Meituan's in-store marketing business vigorously and successfully defended market share, but this came at the expense of margins. These margin pressures do not seem likely to abate in the near future. Additionally, Meituan Select, which engages in community group buying, has been highly dilutive to earnings with minimal visibility regarding path to profitability. The competitive margin pressures in the in-store segment and profitability issues in Meituan Select caused us to lower our forecasts and ultimately liquidate Meituan. With this liquidation, we no longer hold any stocks directly domiciled in China in the portfolio.

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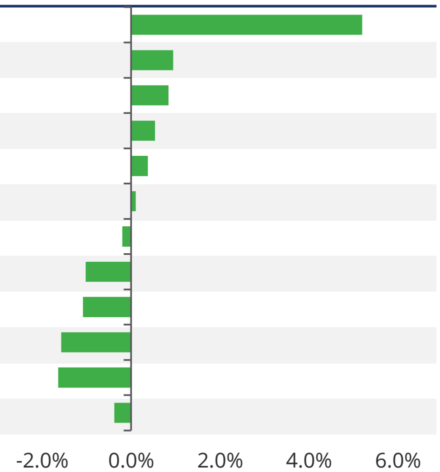
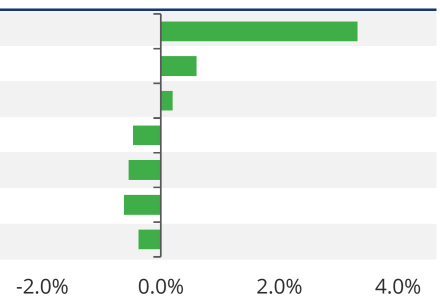
International Equity Developed Markets
2024 FIRST QUARTER REPORT

Quarterly Attribution

Sector Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
Industrials	23.5	16.6	32.1	7.9	
Energy	8.6	4.1	15.5	2.2	
Consumer Staples	0.0	9.0	0.0	-3.1	
Materials	0.0	7.3	0.0	-1.1	
Utilities	0.0	3.2	0.0	-5.0	
Real Estate	0.0	2.3	0.0	1.5	
Comm. Services	4.9	4.1	0.3	4.1	
Financials	12.6	19.0	2.2	8.5	
Info. Technology	9.4	9.1	2.3	14.3	
Health Care	20.7	13.0	-2.0	4.7	
Cons. Discretionary	15.1	12.2	1.0	11.1	
Cash	5.3	0.0	1.3	0.0	



Regional Attribution	Average Weight		Total Return		Total Effect
	Rep. Portfolio	EAFE	Rep. Portfolio	EAFE	
Europe	62.0	51.3	11.4	6.0	
United Kingdom	9.7	14.5	8.5	3.1	
Emerging Markets	4.9	0.0	10.0	0.0	
Japan	11.2	23.3	12.8	11.0	
North America	2.1	0.0	-18.0	0.0	
Pacific ex Japan	4.9	10.9	-21.9	-1.7	
Cash	5.3	0.0	1.3	0.0	



Contributors & Detractors

First Quarter	Average Weight (%)	Total Effect (%)
Largest Contributors		
Rheinmetall AG	5.31	2.83
Safran S.A.	5.74	1.10
Airbus SE	5.74	0.68
Largest Detractors		
Grifols, S.A.	2.23	-1.96
Nordic Semiconductor ASA	1.59	-0.97
AIA Group Ltd.	3.14	-0.81

Last Twelve Months	Average Weight (%)	Total Effect (%)
Largest Contributors		
Rheinmetall AG	4.65	2.89
TechnipFMC plc	4.41	2.44
Safran S.A.	5.57	1.64
Largest Detractors		
AIA Group Ltd.	3.76	-1.88
Melco Resorts & Entertainment Ltd.	2.42	-1.75
Genmab AS	4.17	-1.65

Portfolio Activity

Quarterly Initiations	Quarterly Liquidations
None	Meituan
	Aptiv plc

Market Outlook

Even after a first quarter of strong performance, it is still as easy to construct a bull market case as it is to find evidence that supports a bear market hypothesis. Conditions are not homogenous, and data is often conflicting. Therefore, it makes sense to take a bottom-up approach, concentrating on business fundamentals and earnings growth that is visible and stable.

Economic growth was surprisingly robust in 2023, driven primarily by the US, though the Eurozone surprised to the upside as well. The jobs market has remained resilient, although it appears to be cooling at a moderate rate. While there are signs of stress in rising credit card and auto loan delinquencies, consumers remain broadly confident about the outlook. Where last year there was reason to believe a recession was on the horizon, a soft landing now appears to be the consensus outcome.

Despite this, much remains up in the air. Prices ticked up in early 2024 in the US and some other markets, leading to concerns about a resurgence in inflation. Although the Federal Reserve has been guiding to interest rate cuts and hinting at timelines, policymakers are not in a hurry to make the first move. Near-term rate cuts are clearly priced in, so any delay could be disappointing for markets.

Even in Europe, where inflation continues to fall and many economies are stagnating, the European Central Bank remains cautious, but is likely to cut rates slightly before the US. The Swiss central bank became the first major western market to cut rates in March, but only after inflation remained within its target range for nine months consecutively.

At the other end of the spectrum, the Bank of Japan raised rates for the first time in 17 years, taking its policy range above zero. It has given guidance for a very gradual rate pace of interest rate increases as it continues towards normalization, recognizing that the strength of the yen, and market performance, is likely to be closely correlated to central bank actions. The takeaway is that behind the optimism that has driven many benchmarks to new records, investors are on guard. Any deviation from expectations has the potential to knock confidence and impact performance.

In this environment, there is evidence that performance is broadening beyond the biggest US blue chip stocks. For example, Vertiv, a provider of power and cooling systems for data centers, has outperformed even the largest AI-focused companies. We fully expect that its path will continue upwards as global server requirements accelerate with the rollout of AI and cloud migration. This has also been a boon for international companies such as ASML and Taiwan Semiconductor, who have seen increased demand for their advanced tools and chips, respectively.

The trend towards broadening performance will still present potential potholes. In Healthcare, the strength of companies at the forefront of the Glucagon-like peptide 1-based therapies (GLP-1s) that can combat obesity, and by extension type 2 diabetes, has come at the expense of the medical technology segment. While Novo Nordisk and Eli Lilly have been clear beneficiaries for the rise of GLP-1s, this is not a zero-sum game, and so requires a focus on sensible valuations, as well as close attention to the regulatory landscape or the emergence of competition.

Our preference is for companies with secular drivers and strong and defensible market positions that we can buy at a value entry point. Heightened geopolitical tension has increased international spending on defense. While companies in this corner of the industrials sector have already seen strong gains, there are further returns to be made. Earnings stability and visibility, combined with incremental business, will be catalysts for stock performance. Further, companies are somewhat insulated from the broader macro environment, enabling them to grow strongly even if the economy cools.

The geopolitical situation is likely to remain volatile in 2024. This year, more than half the world's population will go to the polls. Some of those races have already been decided, with Vladimir Putin reinstalled for a fifth term in Russia and new Presidents in Indonesia and Pakistan. However, there are still many to come, including elections in India, the UK, and the US.

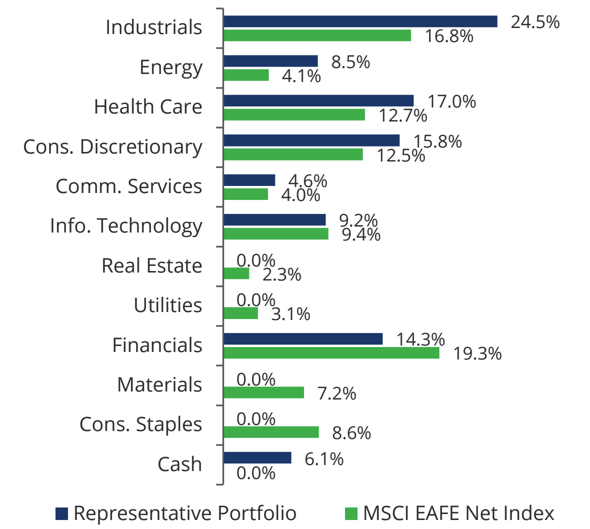
With elections comes the possibility of unforeseen outcomes and uncertain policy. Whoever wins the US election is bound to be unpopular with a large part of the population, but at least neither candidate will be a surprise. The current muscular antitrust approach on President Biden's watch could be rolled back under a Trump administration, but both are likely to be aggressive in their stance towards China and global trade more broadly.

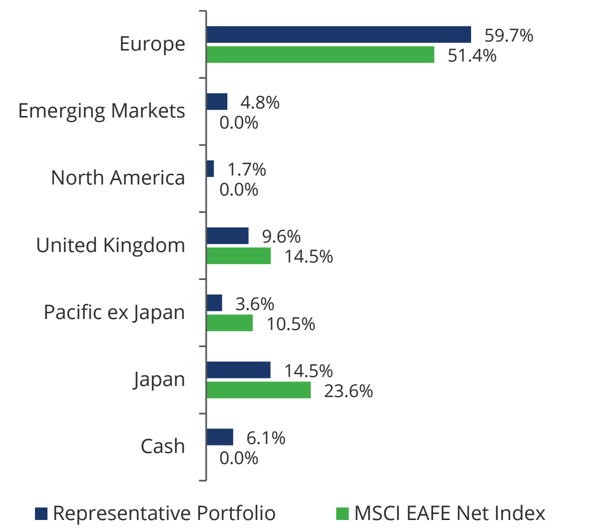
China itself will remain a challenging market due to issues of its own making. The authorities are seeking to reignite inbound investment and stabilize the stock market. However, the property crisis is still unresolved and is likely to continue to weigh on consumers and businesses for some time.

Given new highs in many markets, commentators have been pointing out similarities with past bubbles. While some asset prices are elevated, we do not think they are divorced from reality. Most still trade at recognizable multiples relative to their earnings. Indeed, those earnings may continue to move higher, driven by secular themes as well as macro conditions. On the downside, the return of rising input costs would put pressure on margins, while potentially impacting demand.

In short, while the risk of exogenous shocks remains, we are not yet out of the woods. Still, we have strong conviction in our holdings, find them attractively valued relative to their earnings growth trajectories, and believe in their ability to deliver over a three-to-five-year time horizon.

Exposures & Characteristics





	Representative Portfolio		MSCI EAFE Net Index	
	1Q 2024	5 Year Average	1Q 2024	5 Year Average
Capitalization				
Weighted Average Market Cap ($B)	135.6	90.2	101.9	76.8
Median Market Cap ($B)	28.7	45.3	14.1	12.3
Growth Fundamentals				
EPS Growth: 3 to 5 year forecast (%)[1]	17.3	18.0	9.0	9.4
Revenue Growth: 3 to 5 year forecast (%)[1]	10.7	10.3	4.0	4.4
Value Fundamentals				
P/E Ratio: 12 Months - forward[1]	20.6	24.7	19.3	18.2
P/E Ratio: 12 Months - trailing[1]	26.4	30.8	21.0	20.4
PEG Ratio: forward[2]	1.2	1.4	2.1	1.9
Dividend Yield (%)[3]	1.3	1.1	2.9	3.0
Price/Book[4]	3.0	4.1	1.9	1.6
Quality Fundamentals				
Return on Equity: 5 Year (%) - trailing[1]	13.8	13.5	14.8	13.5
Return on Invested Capital: 5 Year (%) - trailing	9.2	9.2	9.7	9.4
Long-Term Debt / Equity (%)[1]	63.9	54.5	73.5	71.0
Other				
Number of Positions	28	25	768	846
Beta: 3 year portfolio[5]	0.9	1.0	1.0	1.0
Tracking Error: 5 Year - trailing (%)	8.1	--	--	--
Turnover: 12 Months - trailing (%)	33.5	33.1	--	--

[1]Interquartile weighted mean, [2]PEG Ratio is calculated as "P/E Ratio: 12 Months - forward" divided by "EPS Growth: 3 to 5 year forecast", [3]MPT beta (daily). [4]Based on aggregate purchases and sales over prior 12 months. Data as of March 31, 2024. **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 International Equity Developed Markets 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 Developed Markets 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. Hardman Johnston Global Advisors generally uses Global Industry Classification Standard ("GICS") to determine sector classification. Hardman Johnston may reclassify a company into a more suitable sector if it believes that the GICS classification for a specific company does not accurately classify the company from our perspective.

Portfolio Holdings

	Country	Weight (%)	Industry	Initiation Date
Communication Services				
Deutsche Telekom AG	Germany	4.6	Diversified Telecommunication Services	Apr. 2022
Consumer Discretionary				
LVMH	France	4.8	Textiles, Apparel & Luxury Goods	Nov. 2016
Melco Resorts & Entertainment Ltd.	Hong Kong	1.1	Hotels, Restaurants & Leisure	Oct. 2017
MercadoLibre, Inc.	Brazil	0.9	Broadline Retail	Jan. 2023
Prosus NV	Netherlands	4.4	Broadline Retail	Oct. 2021
Suzuki Motor Corp.	Japan	4.5	Automobiles	Nov. 2023
Energy				
Gaztransport & Technigaz SA	France	5.4	Oil, Gas & Consumable Fuels	Sep. 2023
TechnipFMC plc	United Kingdom	3.0	Energy Equipment & Services	Nov. 2022
Financials				
AIA Group Ltd.	Hong Kong	2.5	Insurance	Mar. 2014
Dai-ichi Life Holdings, Inc.	Japan	4.8	Insurance	Sep. 2023
HDFC Bank Ltd.*	India	0.0	Banks	Dec. 2023
ICICI Bank Ltd.	India	2.6	Banks	Aug. 2018
Standard Chartered PLC	United Kingdom	2.1	Banks	Aug. 2023
T&D Holdings, Inc.	Japan	2.2	Insurance	Sep. 2023
Health Care				
Alkermes plc	Ireland	2.2	Biotechnology	Dec. 2020
AstraZeneca plc	United Kingdom	4.4	Pharmaceuticals	Oct. 2017
Genmab AS	Denmark	2.3	Biotechnology	May 2020
Grifols, S.A.	Spain	1.8	Biotechnology	Apr. 2022
Novo Nordisk A/S	Denmark	6.4	Pharmaceuticals	Apr. 2020
Industrials				
Airbus SE	France	6.1	Aerospace & Defense	Aug. 2018
Daifuku Co., Ltd.	Japan	3.0	Machinery	Feb. 2020
Prysmian S.p.A.	Italy	4.2	Electrical Equipment	Sep. 2016
Rheinmetall AG	Germany	6.1	Aerospace & Defense	Feb. 2023
Safran S.A.	France	5.2	Aerospace & Defense	Jun. 2017
Information Technology				
ASML Holding N.V.	Netherlands	5.0	Semiconductors & Semiconductor Equipment	Jan. 2014
Atlassian Corp.	United States	1.7	Software	Jun. 2020
Nordic Semiconductor ASA	Norway	1.2	Semiconductors & Semiconductor Equipment	Jun. 2021
Taiwan Semiconductor Mfg. Co., Ltd.	Taiwan	1.2	Semiconductors & Semiconductor Equipment	Jan. 2021
Cash & Equivalents				
Cash		6.1		

*Note: HDFC Bank has a weight of 0.03% as of March 31, 2024.

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