

# Hardman Johnston Global Advisors LLC

## Part 2A of Form ADV

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This brochure provides information about the qualifications and business practices of Hardman Johnston Global Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (203) 324-4722. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Hardman Johnston Global Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Hardman Johnston Global Advisors LLC is registered with the SEC as an investment adviser. Registration does not imply a certain level of skill or training.

## **Item 2: Material Changes**

There have been no material changes since the last Amendment dated October 1, 2017.

## **Item 3: Table of Contents**

Item 2:	Material Changes	2
Item 3:	Table of Contents	3
Item 4:	Advisory Business	4
Item 5:	Fees and Compensation	6
Item 6:	Performance Based Fees and Side-by-Side Management	10
Item 7:	Types of Clients	10
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss	11
Item 9:	Disciplinary Information	14
Item 10:	Other Financial Industry Activities and Affiliations	15
Item 11:	Code of Ethics, Participation or Interest in Client Transactions And Personal Trading	15
Item 12:	Brokerage Practices	16
Item 13:	Review of Accounts	20
Item 14:	Client Referrals and Other Compensation	20
Item 15:	Custody	20
Item 16:	Investment Discretion	21
Item 17:	Voting Client Securities	22
Item 18:	Financial Information	23
Item 19:	Requirements for State Registered Advisers	23

## Item 4: Advisory Business

### **Overview**

Hardman Johnston Global Advisors LLC (“Hardman Johnston” or the “Firm”) is an independent, global equity boutique investing in high quality growth companies at value prices. For over 30 years, the Firm has followed a focused and disciplined investment approach that results in concentrated, high conviction portfolios with low turnover and high active share. As of December 31, 2017, the Firm managed \$6.043 billion on a discretionary basis for both tax exempt and taxable clients. Clients include pension plans, endowments, foundations, state governmental agencies, Taft-Hartley plans, families and individuals.

Hardman Johnston is a Connecticut Limited Liability Company that is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”).

### **Types of Advisory Services**

Hardman Johnston provides investment advisory services on a discretionary basis in accordance with the methods described in the *Methods of Analysis, Investment Strategies and Risk of Loss* section of this brochure.

Hardman Johnston provides discretionary investment advisory services to separately managed accounts and private funds as described in the *Types of Clients* section of this brochure.

In addition, the Firm is general partner of three private funds (Hardman Johnston International Equity Fund I, L.P., Hardman Johnston International Equity Fund II, L.P., and Hardman Johnston Capital Partners Fund I, L.P.), and investment manager to two group trusts (Hardman Johnston International Equity Group Trust, and the Hardman Johnston Global Equity Group Trust) (collectively, the “Private Funds”). The Firm also is general partner to two internal private funds that are not currently offered to external clients (the “Proprietary Funds”).

### **Investment Philosophy & Strategies**

The Firm follows the same investment philosophy and process for all strategies. Hardman Johnston believes that shares of high quality, market leading companies that can grow their earnings faster than the average company should outperform the broader market over time. Furthermore, when those shares can be purchased at an attractive price, they offer the greatest potential for capital appreciation and downside protection.

Hardman Johnston offers discretionary investment advisory services to external clients across four different investment strategies: (1) International Equity; (2) Global Equity; (3) Growth Equity; and (4) Large Cap Equity.

### ***International Equity***

The Hardman Johnston International Equity strategy applies a systematic and disciplined approach designed to identify high quality companies with forward-looking secular EPS growth of at least 10% per annum over the next three to five years when they are trading at an attractive valuation. The portfolio will invest in 20 to 30 companies located outside the United States, diversified by industry and country.

The International Equity strategy is available in separately managed accounts and private funds for accredited investors (Hardman Johnston International Equity Fund I, L.P.), qualified purchasers (Hardman Johnston International Equity Fund II, L.P.), and for qualified participants (Hardman Johnston International Equity Group Trust).

For clients who require it, we offer this product in separately managed accounts that invest only in ADRs or equities of non-United States companies traded on United States exchanges.

### ***Global Equity***

The Hardman Johnston Global Equity strategy applies the same systematic and disciplined approach to identify high-quality companies with forward-looking secular EPS growth of at least 10% per annum over the next three to five years when they are trading at an attractive valuation. The Global Equity strategy will invest in 25 to 35 companies, diversified by industry and country.

The Global Equity strategy is offered in separately managed accounts and a private fund for qualified participants (Hardman Johnston Global Equity Group Trust).

### ***Growth Equity***

The Hardman Johnston Growth Equity strategy applies a systematic and disciplined approach to identifying high-quality companies with forward-looking secular EPS growth of at least 10% per annum over the next three to five years when they are trading at an attractive valuation. The portfolio typically will invest in 30 to 35 companies located primarily in the United States with selective use of ADRs for companies located outside the United States.

The Growth Equity strategy is available in separately managed accounts and in a private fund for accredited investors (Hardman Johnston Capital Partners Fund I, L.P.).

### ***Large Cap Equity***

The Hardman Johnston Large Cap Equity strategy typically will invest in mid- to large- capitalization growth companies located primarily in the United States, but also allocates a portion of the portfolio to ADRs for companies located outside the United States.

This strategy is available in separately managed accounts.

At this time, we are no longer accepting new wrap business. We participate in one legacy wrap fee program. Clients in that program are managed similarly to other clients, but trades for those clients are executed with the broker-dealer related to the Sponsor of that wrap program. The Firm has a sub-advisory agreement with the Sponsor to provide discretionary investment advisory services to the Sponsor's clients. The Firm is paid by the Sponsor and receives a portion of the wrap fee collected by the Sponsor.

## **Item 5: Fees and Compensation**

### ***Separately Managed Account Fees***

For most of our separately managed accounts, Hardman Johnston charges fees quarterly in arrears based on the account value at the end of the prior quarter. For some separately managed accounts, Hardman Johnston charges fees quarterly in arrears based on a three month average account value. Some clients authorize Hardman Johnston to deduct fees automatically from their custodial accounts, but clients may request that Hardman Johnston send quarterly invoices to be paid by check or bank wire. Hardman Johnston reserves the right to waive or negotiate fees for separately managed accounts or reduce its minimum account size requirement at its discretion.

If the client terminates the investment management agreement with Hardman Johnston in the middle of a billing period, we will invoice the client pro-rata based on termination date. If a client contributes or withdraws more than 10% of the account value during a quarter, Hardman Johnston will prorate the fees on the contribution or withdrawal. Contributions of less than 10% of client assets are not prorated and will be reflected in Hardman Johnston's fee calculation for the entire quarter. If a withdrawal is less than 10%, the value of the account is based on the ending value after the withdrawal.

Hardman Johnston's standard fee schedules for separately managed accounts are as follows:

***International Equity***

Market value of assets	Annual rate
First \$10 Million	0.85%
Next \$15 Million	0.75%
Next \$25 Million	0.65%
Above \$50 million	0.60%

***Global Equity***

Market value of assets	Annual rate
First \$10 Million	0.85%
Next \$15 Million	0.75%
Next \$25 Million	0.65%
Above \$50 million	0.60%

***Large Cap Equity, Institutional Accounts***

Market value of assets	Annual rate
First \$10 Million	0.75%
Next \$15 Million	0.65%
Above \$25 Million	0.50%

***Large Cap Equity, High Net Worth Accounts***

- 1% per annum

***Growth Equity, Institutional Accounts***

Market value of assets	Annual rate
First \$10 Million	0.80%
Next \$15 Million	0.75%
Above \$25 Million	0.55%

### ***Growth Equity, High Net Worth Accounts***

- 1% per annum

### ***Private Fund and Group Trust Fees***

Hardman Johnston International Equity Fund I, L.P., Hardman Johnston International Equity Fund II, L.P., Hardman Johnston International Equity Group Trust, and the Hardman Johnston Global Equity Group Trust bill in arrears based on the average of the starting and ending market values on a quarterly basis. Hardman Johnston Capital Partners Fund I, L.P. bills in arrears based on the ending quarterly market value. Hardman Johnston has waived fees for its employees and their immediate family members invested in our private funds. The Proprietary Funds are not offered to external clients and bear no fees.

Hardman Johnston's standard fee schedules for the Private Funds are as follows:

#### ***International Equity, Hardman Johnston International Equity Fund I, L.P.***

- 1% per annum

#### ***International Equity, Hardman Johnston International Equity Fund II, L.P.***

- 1% per annum

#### ***International Equity, Hardman Johnston International Equity Group Trust***

Market value of assets	Annual rate
First \$10 Million	0.90%
Next \$15 Million	0.80%
Next \$25 Million	0.70%
Above \$50 million	0.65%

#### ***Global Equity, Hardman Johnston Global Equity Group Trust***

Market value of assets	Annual rate
First \$10 Million	0.90%
Next \$15 Million	0.80%
Next \$25 Million	0.70%
Above \$50 million	0.65%



***Growth Equity, Hardman Johnston Capital Partners I, L.P.***

- 1.25 % per annum for accounts with a market value of assets less than \$1 million
- 1% per annum for accounts with a market value of assets of \$1 million or more

***Brokerage and Other Costs***

All portfolios incur brokerage and other transaction costs. Please refer to the *Brokerage Practices* section of this brochure for more information. For separately managed accounts, clients engage and pay for the services of the custodian directly. For its Private Funds and Proprietary Funds, Hardman Johnston absorbs the custodial costs and trust fees.

Neither Hardman Johnston nor any of its supervised persons accepts compensation for the sale of securities.

***Hardman Johnston International Equity Fund I, L.P.***

As the general partner of the fund, Hardman Johnston bears ongoing expenses of the fund's offering and operation, such as administration, accounting, auditing, legal, blue sky and regulatory filing fees. The fund bears its own portfolio trading expenses, such as brokerage commissions, and taxes imposed on the fund or its income.

***Hardman Johnston International Equity Fund II, L.P.***

As the general partner of the fund, Hardman Johnston bears ongoing expenses of the fund's offering and operation, such as administration, accounting, auditing, legal, blue sky and regulatory filing fees. The fund bears its own portfolio trading expenses, such as brokerage commissions, and taxes imposed on the fund or its income.

***Hardman Johnston International Equity Group Trust***

Fund documents provide for the fund to bear all reasonable expenses incurred by Hardman Johnston and the fund's trustee in connection with the performance of their duties under the fund's trust agreement (including fees for legal and auditing services rendered to the fund), the expense of brokerage fees and commission paid in connection with the purchase and sale of the fund's assets, extraordinary expenses (including litigation expenses), and all taxes levied or assessed in respect of the fund or its income. As the investment manager, Hardman Johnston has covered the fees for auditing services to date.

### ***Hardman Johnston Global Equity Group Trust***

Fund documents provide for the fund to bear all reasonable expenses incurred by Hardman Johnston and the fund's trustee in connection with the performance of their duties under the fund's trust agreement (including fees for legal and auditing services rendered to the fund), the expense of brokerage fees and commission paid in connection with the purchase and sale of the fund's assets, extraordinary expenses (including litigation expenses), and all taxes levied or assessed in respect of the fund or its income. As the investment manager, Hardman Johnston has covered the fees for auditing services to date.

### ***Hardman Johnston Capital Partners Fund I, L.P.***

As the general partner of the fund, Hardman Johnston bears all expenses related to the administration of the fund (the "Administrative Expenses" including the legal, blue sky, and regulatory filing) except for compensation to professionals for performing auditing services for the fund. The fund bears its own taxes and such other expenses that Hardman Johnston as the general partner reasonably determines should not properly be considered Administrative Expenses of the fund.

## **Item 6: Performance Based Fees and Side by Side Management**

Hardman Johnston does not charge any performance-based fees (i.e., fees based on a share of capital gains on, or capital appreciation of, the assets of a client).

## **Item 7: Types of Clients**

As described in *Types of Advisory Services* section of this Brochure, Hardman Johnston provides discretionary advisory services to a variety of clients, including institutions, such as pension and profit sharing plans, foundations and public accounts, and high net worth individuals and their associated trusts, estates, and other legal entities.

### ***Account Minimums***

Separately managed account clients have a stated minimum account size which varies by strategy, ranging from \$2,000,000 to \$10,000,000. Each of our private funds that are limited partnerships have a minimum subscription amount: Hardman Johnston International Equity Fund I, L.P. (\$250,000); Hardman Johnston International Equity Fund II, L.P. (\$1,000,000); and Hardman Johnston Capital Partners Fund I, L.P. (\$200,000). The

minimum initial investment amount for each group trust is \$5,000,000. Hardman Johnston has the discretion to waive or reduce its minimum account requirements for both its separately managed accounts and its Private Funds.

## **Item 8: Methods of Analysis, Investment Strategy and Risk of Loss**

### ***Investment Philosophy and Investment Process***

Our investment process emphasizes a disciplined, bottom-up fundamental focused approach where we operate as growth investors when researching companies but value investors when investing in a company. Every step of our approach is research driven.

### ***Idea Generation***

Our process begins with a proprietary ranking tool used to distill the equity universe into a pool of potential new investment ideas that have sufficient liquidity (at least \$1 billion of market capitalization). The screen typically is run monthly and eliminates companies with less than 10% earnings growth over the next three to five years and rank orders the remaining companies based on a metric that incorporates valuation relative to long-term earnings power, among other factors. Typically, 8-15 new constituents enter the first quartile of our rankings each month. These new constituents are then divided among analysts by sector specialty to initiate the fundamental research process.

### ***Fundamental Research***

Hardman Johnston conducts traditional, in-depth fundamental research, where we focus on stocks which pass the screen criteria and rank in the top quartile of our proprietary stock ranking. This research effort combines both internal and external sources.

Information and research comes from a variety of sources, including but not limited to our own proprietary screens, company management, sell-side research, financial press, publicly available company announcements/accounts and broad investment experience. Other research sources include independent research, industry trade journals and industry contacts. We prioritize management meetings when we have unanswered questions about products, the competitive environment, a company's business plan and financials, and/or management's philosophy.

Our fundamental research process eliminates candidates that entered the first quartile as a result of a "cheap-for-a-reason" valuation. "Cheap-for-a-reason" valuations typically occur when a company is priced attractively but exhibits any combination of fatal investment flaws, including, but not limited to poor management, extreme leverage, or an overly

complex business plan. After this initial phase, we have narrowed down the 8-15 new constituents produced by our ranking tool and are left with a select number of high quality investment candidates that demonstrate sustainable long-term growth potential, market leadership, and an attractive valuation.

Our investment team then conducts in-depth fundamental research on those select few companies. Fundamental research builds a developed investment rationale, primarily focused on the company's growth drivers, competitive advantages, and potential controversies or risks. Due to the collegial and intimate nature of the firm structure, candidates are discussed and challenged by the investment team throughout the research process. Once an investment team member has developed a high conviction investment thesis, it is reviewed formally by the investment team. If the investment team supports the thesis, the lead portfolio manager makes the final decision on the potential investment in terms of timing and size.

### ***Portfolio Construction***

Upon selection, a company enters a concentrated portfolio, with the expectation of low turnover and a typical holding period of 3-5 years. Portfolio construction applies diversification constraints to manage concentration risk within industries, countries, and single securities. Positions are typically equal-weighted with maximum position sizes. There is flexibility for partial positions in portfolios.

### ***Portfolio Management***

The final step of the investment process is portfolio management. Holdings are regularly monitored to ensure continued conviction in the investment thesis and growth prospects. If company fundamentals deteriorate or the prospects for sustainable growth decline, the position will be sold. In addition, our International and Global strategies employ two additional strict sell disciplines:

- (1) If the growth prospects for a company fall below 10% over the next three to five years, the position is liquidated.
- (2) If the valuation of a company becomes too rich relative to its growth prospects and ranks in the fourth quartile of our ranking tool, the position is liquidated.

The Growth and Large Cap strategies operate with a sell discipline that allows for greater discretion.

Additionally, companies may be trimmed and topped up throughout their holding period. While we let position size appreciate based on stock performance, holdings are regularly

trimmed back to a full position following periods of market appreciation to lock in gains and mitigate individual security risk. Similarly, if a stock weight falls because of price declines or portfolio activity and the investment conviction has not changed, positions typically are topped up to full positions.

### ***Risk of Loss***

All securities investments risk the loss of capital. The material risks that relate to Hardman Johnston's investment strategies include risks associated with diversification, foreign securities, currency, forward foreign currency exchange contracts, the absence of regulatory oversight, and limited liquidity. The following paragraphs describe some material risks associated with Hardman Johnston's strategies, but this discussion is by no means comprehensive, and does not address all of the potential risks.

***Diversification:*** Since Hardman Johnston's portfolios are likely to be relatively concentrated, their value may fluctuate more significantly than would be the case if the portfolios maintained a wide diversification among companies, industries and types of securities.

***Foreign Securities:*** Foreign securities investment presents special considerations not typically associated with investments in domestic securities. Foreign taxes may reduce income. Currency exchange rates and regulations may cause fluctuations in the value of foreign securities. Income from foreign issuers may be subject to non-US withholding taxes. Portfolios may also be subject to taxes on trading profits or on transfer of securities in some countries. The costs of buying and selling foreign securities, including brokerage, tax and custody costs are generally higher than those for domestic transactions. Foreign securities are subject to different regulatory environments than in the United States, and compared to the United States, there may be a lack of uniform accounting, auditing and financial reporting standards, less volume and liquidity and more volatility, less public information and less regulation of foreign issuers. Countries have been known to expropriate or nationalize assets and foreign investments may be subject to political, financial or social instability or adverse diplomatic developments. There may be difficulties in obtaining service of process on foreign issuers and difficulties in enforcing judgments with respect to claims under the United States securities laws against such issuers. Favorable or unfavorable differences between United States and foreign economies could affect foreign securities values. These risks may be greater when the investments are made in emerging market securities. The United States government has, in the past, discouraged certain foreign investments by United States investors through taxation or other restrictions and it is possible that such restrictions could be imposed again.

**Currency:** Portfolios may invest in securities or other instruments denominated in non-US currencies. Such investments involve various currency risks, including unfavorable currency exchange rate developments and political or governmental intervention in currency trading or valuation. These risks are higher in emerging markets. Portfolios may, but are not required to, hedge currency risk in the portfolio and there can be no assurance that if the portfolio does hedge, that such hedging will be effective.

**Emerging Markets Investing:** Portfolios may invest in the securities of, or instruments providing exposure to, less developed countries or countries with new or developing capital markets ("Emerging Markets"). Emerging Market securities involve unique risks, such as exposure to economies less diverse and mature than that of U.S. or more established foreign markets. The economies of most emerging market countries are in the infancy stage of capital market development. As a result, their economic systems are still evolving and their political systems are typically less stable than those in developed economies. Economic or political instability may cause larger price changes in Emerging Market securities than in securities of issuers based in more developed foreign countries.

**Forward Foreign Currency Exchange Contracts:** Forward foreign currency exchange contracts are considered derivative investments, because their value and performance depend, at least in part, on the value and performance of an underlying asset. To the extent that a fund enters into these contracts, its success will depend on the manager's ability to predict market movements, and their use may have the opposite effect of that intended. Forward contracts are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. Risks include potential loss due to the imposition of controls by a government on the exchange of foreign currencies, delivery failure or default by the other party.

Additional risks and considerations are set forth in the offering documents for the Private Funds.

## **Item 9: Disciplinary Information**

Neither Hardman Johnston nor any of its employees has been involved in any legal or disciplinary event that is material to a client's or prospective client's evaluation of Hardman Johnston's advisory business or the integrity of its management.

## **Item 10: Other Financial Industry Activities and Affiliations**

### ***Other Financial Industry Activities***

Neither Hardman Johnston, nor any of Hardman Johnston's management persons are registered, or have applied to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### ***Affiliations***

As described in the *Types of Advisory Services* section of this brochure, Hardman Johnston serves as general partner of three private funds (Hardman Johnston International Equity Fund I, L.P., Hardman Johnston International Equity Fund II, L.P., and Hardman Johnston Capital Partners Fund I, L.P.), and investment manager to two group trusts (Hardman Johnston International Equity Group Trust I, and Hardman Johnston Global Equity Fund). In addition, Hardman Johnston serves as general partner to two Proprietary Funds not offered to external clients.

None of Hardman Johnston's management persons have a relationship or arrangement with any person or entity that creates a material conflict of interest with its clients.

Hardman Johnston does not recommend or select other investment advisers for its clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

### ***Code of Ethics and Personal Account Trading***

Hardman Johnston has adopted a written *Code of Ethics* (the "Code") pursuant to Rule 204A-1 of the Advisers Act. Among other things, the Code requires Hardman Johnston and its employees to act in its clients' best interests, abide by all applicable regulations, avoid even the appearance of impropriety and pre-clear and report on personal securities transactions. The Code also imposes blackout periods and minimum holding periods. Hardman Johnston's restrictions on personal securities trading apply to trading in accounts owned by employees, as well as employees' family members living in the same household and whose trading activity is controlled by the employee ("Covered Accounts").

Hardman Johnston and its personnel may effect limited transactions in Covered Accounts in the same or different securities than those purchased or sold for the accounts of

Hardman Johnston's clients. This presents a potential conflict of interest between Hardman Johnston and its clients. Hardman Johnston employees could take advantage of investment opportunities that are appropriate for the Firm's clients prior to taking the opportunity for its clients. Hardman Johnston has implemented policies and procedures under its Code to avoid these conflicts in the management of its clients' accounts.

No transaction in a security can be made in a Covered Account without prior approval. Approval will not be granted where it would appear that an employee's trading could disadvantage Hardman Johnston's clients. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

The Code also requires Hardman Johnston employees to comply with ethical restraints relating to clients and their accounts, including restrictions on giving gifts or political contributions to, and receiving gifts from, clients in violation of the Firm's general standards of conduct, as well as pre-clearance requirements relating to private investments, outside interests and outside business activities.

A copy of Hardman Johnston's Code is available to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

### ***Broker-Dealer Selection***

Hardman Johnston chooses a broker to execute each trade order from a list of approved brokers. Taking into consideration the brokerage capabilities relevant to the transaction, the Firm attempts to select the broker that is most likely to provide best execution. Relevant capabilities can include:

- The commission rates charged by the broker in comparison to the charges of other brokers for similar transactions;
- Direct access to the broker's trading desk and the familiarity of the contact person with the adviser's business and interests;
- The extensiveness of the broker's distribution network and its ability to fulfill more difficult orders (e.g. thinly traded or limited availability securities);
- The ability of the broker to maintain confidentiality while executing trades to prevent the disclosure of an adviser's investment strategy or the details of an order in a way that will adversely affect the market price;
- The broker's technology, including access to dark pools and algorithms;
- The broker's execution abilities, including the level of accuracy in executing orders, speed of execution, and ability to obtain best net price;



- The broker's communications and administrative abilities, including efficiency of reporting, settlement efficiency, and proper correction of trade errors;
- The broker's research capabilities and ability to provide market information;
- The extent to which the broker provides the adviser with access to companies through trade shows, conferences or other contacts; and
- The financial stability of the broker.

The importance of any particular criterion will depend on the nature of the transaction, the market in which it will occur, and the number of brokers that are capable of executing the transaction.

### ***Research and Other Soft Dollar Benefits***

Hardman Johnston uses commissions to obtain investment research only under the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934. Pursuant to Section 28(e), Hardman Johnston has entered into soft dollar arrangements with third parties and broker-dealers for eligible "brokerage" and "research" products and services (as defined under Section 28(e)) used by Hardman Johnston in connection with its investment process.

Examples of research services that can be acquired by Hardman Johnston with the commissions paid by its clients include, but may not be limited to: financial newsletters; trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution and certain proxy services.

Examples of brokerage services that can be acquired by the adviser with the commissions paid by the adviser's clients include, but may not be limited to: connectivity services between Hardman Johnston and a broker-dealer or other relevant parties such as custodians; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post-trade matching trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirmations or trade affirmations.

When Hardman Johnston uses client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the research, products or services. Hardman Johnston has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable

execution. Hardman Johnston may cause its clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. As a fiduciary, Hardman Johnston has an obligation to seek “best execution” of clients’ transactions under the circumstances of the particular transaction. Notwithstanding the safe harbor provided under Section 28(e), no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

The research obtained through soft dollar benefits is used to service all clients.

### ***Brokerage for Client Referrals***

Hardman Johnston does not compensate any custodian or broker-dealer for referring client accounts.

### ***Directed Brokerage***

Certain clients have directed us to use a specific broker-dealer through which we must execute securities transactions for their account(s), and have negotiated their own commission rates. Where a client has directed the use of a particular broker-dealer, the client should consider the following information: (i) we may have limited or no ability to negotiate commissions for the client; (ii) we are unable to negotiate volume discounts; (iii) disparity in commission charges may exist among clients; (iv) conflicts of interest may arise from such non-brokerage referrals; (v) such brokerage referral trades are usually executed after non-brokerage referral trades and (vi) such client may not be able to obtain any of the benefits of block trades that we may enter into for clients who have not directed us to use a particular broker-dealer.

Certain orders may be traded separately from a block order. For example, transactions that are executed through a particular broker-dealer pursuant to a client’s direction because that client’s custodian provides bundled brokerage services and may charge “trade away” fees, may not be combined or batched for execution with orders for the same securities for other managed accounts, except to the extent that such broker-dealer is the executing broker-dealer for the block order. Where the above exception is not applicable and an order is traded separately from a block order, trades that are to be effected through a particular broker-dealer pursuant to a client direction usually are placed after block trading activity for a particular security. Accordingly, such trades may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the block order. The direction by a client of a particular broker-dealer to execute trades may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we were empowered to negotiate commission rates or spreads freely or to select brokers or dealers based on best execution.

### ***Trade Aggregation and Allocation***

Hardman Johnston typically aggregates contemporaneous buy or sell orders for the same security in all non-directed client accounts in an effort to obtain favorable order execution and to facilitate equitable allocation. Clients participating in a block order receive the same average price and incur the same trading costs. If an order is partially filled, clients will have their orders allocated by a pro rata percent of the total shares. Hardman Johnston will seek to complete any unfilled client orders as soon as practicable based on market conditions.

Certain Hardman Johnston client accounts are custodied at broker-dealers that provide bundled brokerage services and may charge “trade away” fees or are unable to trade away from their broker-dealer custodian. For those clients, we may trade after a block order. Clients that are removed from a block trade participate in a fair and equitable trade rotation. The Firm tracks the trade rotation to ensure that each client is treated appropriately over time. No single account is repeatedly executed first or last.

### ***Trade Errors***

Hardman Johnston has policies and procedures to help it assess and determine, consistent with applicable standards of care and client documentation, when Hardman Johnston is required to reimburse a client because Hardman Johnston has committed an error. Pursuant to Hardman Johnston’s policies, an error is generally compensable by Hardman Johnston to a client when it is a mistake (whether an action or inaction) in which Hardman Johnston has, in its reasonable view, deviated from the applicable standard of care in managing the client’s assets.

As a fiduciary, Hardman Johnston has the responsibility to effect orders correctly, promptly and in the best interests of its clients. In the event any error occurs in the handling of any client transactions, due to Hardman Johnston’s actions, or inaction, Hardman Johnston’s policy is to: (1) notify the client of such error, (2) ensure that the client is treated fairly when correcting such errors, and (3) correct the error as soon as practicable and in such a manner that the client will be in the same position they would have been if the error had not occurred.

It is Hardman Johnston’s policy to reimburse your account for the cost of our acts that failed to meet the applicable standard of care and result in a direct financial loss to a client, unless that would violate the client’s investment guidelines or legal restrictions. We will not be responsible for costs or for reimbursing your account for any loss resulting from any act of a third party, unless the third party is explicitly acting as our agent in providing services to you. Third parties who are not acting as our agent include, but are not limited to, your custodian, brokers, banks and intermediaries that execute securities trades or transact foreign exchange for your account, and, for wrap fee accounts, the wrap program sponsor.

We will not be responsible for tax consequences or consequential damages resulting from a trade error.

## **Item 13: Review of Accounts**

Accounts under Hardman Johnston's management are monitored regularly by the investment team. Reviews of client accounts may also be triggered if a client changes his or her investment objectives, or if the market, political or economic environment changes materially.

Hardman Johnston sends monthly or quarterly reports based on the client's direction. These reports provide holdings information including costs, market value and income. Many clients also receive reports providing gain and loss, transactions, income and expense and performance information.

## **Item 14: Client Referrals and Other Compensation**

Hardman Johnston has an agreement with a third party marketing firm that provides referrals of (i) prospective investors and clients, each of whom is an accredited investor, and (ii) certain investment consultants to the Firm and its private funds. The Firm shares a portion of its management fees from referred investors and advisory fees from referred clients with the third party marketing firm. This arrangement complies with Rule 206(4)-3 under the Advisers Act, pursuant to which persons introducing new client accounts to the Firm may receive a portion of the advisory fee generated by the account and/or a flat fee for a period time that varies on a case-by-case basis. The cost of any such fees will be borne by the Firm and not by any such client.

## **Item 15: Custody**

Hardman Johnston's client accounts are held in custody by unaffiliated qualified custodians. However, Hardman Johnston has the authority to deduct advisory fees from certain of its client's accounts. Clients should carefully review statements they receive from their custodian and are urged to compare these statements to account information provided to them by Hardman Johnston.

One or more of Hardman Johnston's employees may serve as trustee on a client's account in an individual capacity. These trusts are either familial trusts or those settled by close, personal friends. The employee is not asked to serve due to his/her position at Hardman Johnston and would continue to serve should the investment management responsibilities for the trust be moved from Hardman Johnston. The Chief Compliance Officer reviews each instance in which an employee of Hardman Johnston is asked to serve as trustee and

confirms that it is a close personal or familial relationship. Hardman Johnston does not deem these trusteeships to trigger Rule 206(4)-2 under the Advisers Act.

Hardman Johnston is deemed to have custody of the assets of the three private funds and the two Proprietary Funds for which Hardman Johnston acts as the general partner and investment adviser. These funds are subject to an annual audit by an independent accounting firm registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board. Audited financial statements are prepared in accordance with generally accepted accounting principles. The audited financial statements are distributed to the limited partners of the private funds within 120 days after the end of each fund's fiscal year.

## **Item 16: Investment Discretion**

Hardman Johnston has investment discretion over all client accounts. When starting an investment management relationship with Hardman Johnston, clients are required to execute Hardman Johnston's advisory agreement, which includes a provision granting Hardman Johnston full investment discretion for clients' assets.

Clients can place reasonable restrictions on Hardman Johnston's management of their accounts. For example, some clients have asked Hardman Johnston not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

Limitations on discretion imposed by a client, such as socially conscious restrictions, are documented in the advisory agreement or an amendment thereto.

In order to ensure that Hardman Johnston is able to effectively exercise discretion over its clients' accounts and fulfill its fiduciary duty to those clients, Hardman Johnston will not accept transfers-in-kind of securities for accounts referred to it through a retail, or retail like, consultant. The cost incurred by Hardman Johnston to bring securities into its security master, solely for the purpose of selling those securities and replacing them with Hardman Johnston's holdings, can be considerable. Generally, this prohibition is not applied to institutional clients or direct relationship high net worth clients.

Institutional clients and those referred by consultants with an institutional client base generally employ a transition manager to efficiently sell a client's holdings prior to the account being transferred to Hardman Johnston. The transition manager will request a list of anticipated holdings and not sell those should the client currently hold them. Those securities that are identical to those held in Hardman Johnston's composite will be accepted as transfers-in-kind.

High net worth clients that have a direct relationship with a member of Hardman Johnston are generally long-standing relationships and have very specific tax and investment needs. Hardman Johnston may accept transfers-in-kind from those high net worth clients who have long-term holdings and those with low tax bases in order to ensure a tax effective and efficient sell-down of the assets over time.

## **Item 17: Voting Client Securities**

### ***Proxy Voting***

Hardman Johnston has and will accept authority to vote proxies on behalf of its clients. In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Hardman Johnston has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Hardman Johnston votes will be treated in accordance with these policies and procedures.

Hardman Johnston considers the reputation, experience and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Hardman Johnston votes in favor of routine corporate matters such as the re-approval of an auditor or a change of a legal entity's name. Hardman Johnston also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

Hardman Johnston has engaged Glass, Lewis & Co. ("Glass Lewis") to assist the Firm with proxy voting. We have familiarized ourselves with Glass Lewis' procedures and research and feel that they offer the best combination of research, record keeping, procedural efficiency and customer service to help us best serve our clients. Hardman Johnston reviews the recommendations provided by Glass Lewis, and seeks to make the final voting decisions in a manner which is in the best interests of its clients. After making a decision, Hardman Johnston provides its voting instructions to Glass Lewis who will coordinate the vote of all shares through Hardman Johnston's clients' custodians.

Clients may obtain a copy of Hardman Johnston's proxy voting policies and procedures, as well as specific information about how Hardman Johnston has voted proxies on their behalf in the past upon written request.

### ***Conflicts of Interest***

If a potential or actual conflict exists, Hardman Johnston will determine whether voting in accordance with the voting guidelines and factors described above is in the best interests

of the clients, including clients that are subject to ERISA. If Hardman Johnston determines that a material conflict exists and that voting in accordance with the voting guidelines and factors described above is not in the best interests of the clients, Hardman Johnston will make the appropriate disclosures to clients and either request that the clients vote the proxy(s) themselves, or abstain from voting.

## **Item 18: Financial Information**

Hardman Johnston has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

## **Item 19: Requirements for State Registered Advisers**

Hardman Johnston is registered with the SEC and is not registered as an investment adviser with any state regulatory authority.