HARDING LOEVNER

EAFE EQUITY

2020 Year End Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED DECEMBER 31, 2020[1]

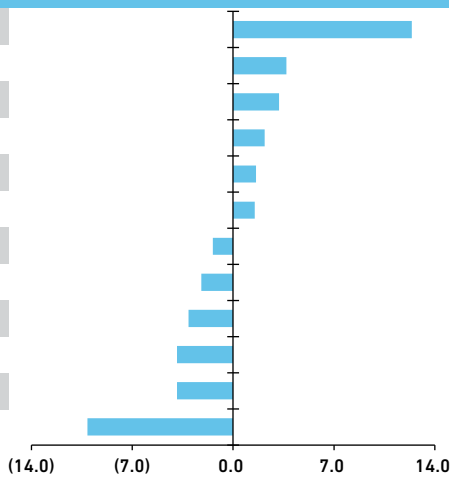
	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EAFE EQUITY (GROSS OF FEES)	14.94	23.89	11.50	13.92	9.54	10.85
HL EAFE EQUITY (NET OF FEES)	14.82	23.26	10.91	13.32	8.92	10.23
MSCI EAFE INDEX[4,5]	16.09	8.28	4.79	7.96	6.00	6.80

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: February 28, 2010; [4]The Benchmark Index; [5]Gross of withholding taxes.

Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

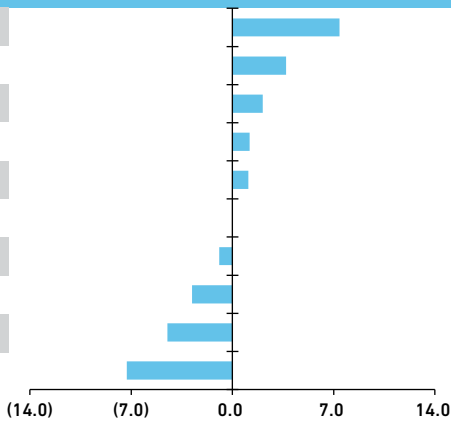
SECTOR EXPOSURE (%)

	HL EAFE	MSCI EAFE
INFO TECHNOLOGY	21.3	8.9
CASH	3.7	—
CONS STAPLES	14.2	11.0
HEALTH CARE	15.1	12.9
INDUSTRIALS	16.8	15.2
MATERIALS	9.4	7.9
ENERGY	1.7	3.1
FINANCIALS	14.1	16.3
REAL ESTATE	0.0	3.1
COMM SERVICES	1.3	5.2
UTILITIES	0.0	3.9
CONS DISCRETIONARY	2.4	12.5



GEOGRAPHIC EXPOSURE (%)

	HL EAFE	MSCI EAFE
EMERGING MARKETS	7.4	—
CASH	3.7	—
CANADA	2.1	—
MIDDLE EAST	1.8	0.6
OTHER[6]	1.1	—
FRONTIER MARKETS[7]	0.0	—
EUROPE EX-EMU	29.3	30.2
EUROPE EMU	29.4	32.2
PACIFIC EX-JAPAN	7.2	11.7
JAPAN	18.0	25.3



[6]Includes companies listed in the United States; [7]Includes countries with less-developed markets outside the Index.

Sector and geographic allocations are supplemental information only and complement the fully compliant EAFE Equity Composite GIPS Presentation.

Source: Harding Loevner EAFE Equity Model; MSCI Inc. and S&P. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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MARKET REVIEW

International stock markets rose dramatically in the fourth quarter despite an escalation in the global pandemic. The starting gun for the run-up was Pfizer's announcement of better-than-expected results for its COVID-19 vaccine trials and was followed in rapid fire by positive reports from Moderna, AstraZeneca, and Sinopharm. Accelerated approvals gave investors further hope for some return to normal commerce in 2021, even as COVID-19 hospitalizations in the US and Europe soared. The market rally was broad, with all sectors and regions finishing in positive territory, an encouraging cap on a turbulent year.

The year began with news of a sinister respiratory illness spreading throughout Hubei province in China. By the end of March, the virus was raging across the globe, prompting governments to enact sweeping business and travel restrictions to slow its spread. The economic fallout was immediate, and the concomitant stock market decline was swift and severe.

Economic policymakers, however, were quick to respond with unparalleled levels of support aimed at arresting the decline. Central banks in developed countries slashed borrowing costs and rolled out a dizzying array of measures designed to support asset prices and keep liquidity flowing to businesses. Fiscal branches, for their part, authorized almost US$12 trillion in spending to prevent a collapse in consumption, an amount equivalent to almost 12% of global GDP.

Stock markets rebounded in response almost as fast as they had fallen. Despite the ongoing headwinds, the economic recovery gathered steam over the course of year, and markets continued their upward march.

The US dollar was a barometer of investor fear, rallying during the height of the pandemic, as investors sought the safety of the world's principal reserve currency, only to reverse course over the rest of the year. Only a handful of currencies from commodity-exporting countries, like Russia and Brazil, were lower against the dollar for the year.

Companies that benefited from the abrupt shift to remote work and surge in e-commerce, many of them within Information Technology (IT) and Consumer Discretionary, far outpaced more cyclical sectors such as Energy, Financials, and Real Estate, all of which finished in negative territory. The fourth quarter saw an inversion of this pattern, with Financials and cyclicals benefiting disproportionally from a vaccine-fueled boost in growth expectations. Non-cyclical sectors such as Health Care, Consumer Staples, and Utilities lagged. IT, however, continued to outperform despite heightened scrutiny from regulators in Europe, China, and the US.

Similar final quarter flip-flops occurred along geographical lines. The eurozone, after lagging for three quarters on a year-to-date basis, outperformed in the fourth, particularly countries hit hardest by the virus such as Spain and Italy. Pacific ex-Japan also fared well, helped by Australia, which rebounded with a recovery in commodity prices.

Style effects, having favored fast-growing and high-quality companies most of the year heedless of their high valuations, also largely reversed in the quarter. Though valuation had relatively little predictive power, stocks of the slowest-growing companies, including many cyclicals such as Energy and banks, outperformed the fastest-growing by over 700 basis points. The effect of quality was even more pronounced, as shares of companies with more leverage and less consistent returns outperformed those of the highest-quality companies by over 1,300 basis points.

MARKET PERFORMANCE (USD %)

MARKET	4Q 2020	TRAILING 12 MONTHS
EUROPE EMU	17.7	8.5
EUROPE EX-EMU	13.5	3.2
JAPAN	15.3	14.9
MIDDLE EAST	19.3	15.2
PACIFIC EX-JAPAN	20.1	6.6
MSCI EAFE INDEX	16.1	8.3

SECTOR PERFORMANCE (USD %)
OF THE MSCI EAFE INDEX

SECTOR	4Q 2020	TRAILING 12 MONTHS
COMMUNICATION SERVICES	16.5	13.0
CONSUMER DISCRETIONARY	22.5	16.1
CONSUMER STAPLES	7.0	6.2
ENERGY	31.3	-26.9
FINANCIALS	25.5	-3.4
HEALTH CARE	4.0	11.9
INDUSTRIALS	15.8	11.3
INFORMATION TECHNOLOGY	16.9	28.7
MATERIALS	20.2	21.1
REAL ESTATE	15.0	-6.4
UTILITIES	13.6	14.8

Source: FactSet (as of December 31, 2020); MSCI Inc. and S&P.

PERFORMANCE AND ATTRIBUTION

The EAFE Equity Composite rose 14.9%, in the quarter, behind the 16.1% rise of the MSCI EAFE Index. For the full year, the Composite rose 23.9%, well ahead of the benchmark's 8.3% return.

During the quarter, our stocks within Materials lagged, since our holdings of industrial gas, fragrance & flavor, and enzyme producers are less geared to the business cycle than other parts of the sector. Strong stock selection in Financials contributed positively. Nearly all of our banks bettered the banks industry group, which in turn led the Financials sector. **BBVA**, the Spanish multinational with substantial Mexican and Turkish subsidiaries, outpaced the others following the announcement of the sale of its anemic US business for a healthy price.

Several of our IT holdings also added to performance once again, with good returns from Dutch payments-software developer **Adyen**, South Korea-based **Samsung Electronics** (which was boosted by improving pricing for its DRAM memory chips), and **Infineon Technologies**, a German manufacturer of semiconductors used heavily in autos, especially electric vehicles. **SAP** shares plunged, however, after the German software maker revealed poor uptake of its cloud-based data services. With no holdings in the reviving auto industry to balance the swoon of suddenly embattled **Alibaba**—where investors digested the implications of the company's withdrawal of its planned IPO for its Ant Financial affiliate under pressure from banking regulators, and the parent company later was put on notice about the potentially anti-competitive practices of its core e-commerce business—our Consumer Discretionary holdings hurt performance.

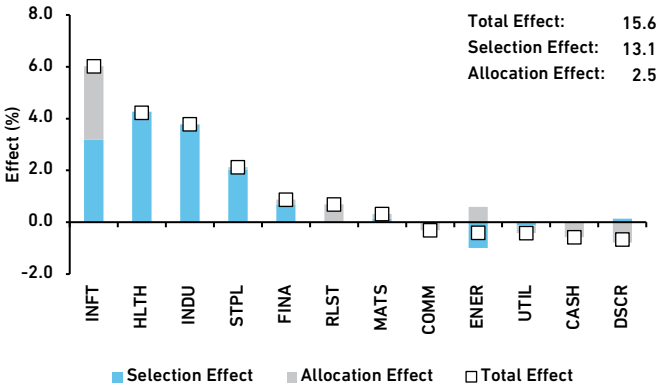
From a geographic perspective, lagging stocks in Europe, both inside and outside the eurozone, offset good stocks in EMs and Japan. Our four ultra-high-quality Swiss holdings—**Nestlé**, pharmaceutical makers **Roche** and **Lonza**, and hearing aid manufacturer **Sonova**—lagged the cyclical rally. Cyclical multinationals **Royal Dutch Shell**, Anglo-Australian mining giant **Rio Tinto**, and **Standard Chartered** bank, allowed us to outperform a volatile, Brexit-obsessed, COVID-19-beset UK market. In our off-benchmark EM holdings, a pair of strong IT stocks, Samsung and Taiwan-based semiconductor manufacturer **TSMC**, combined with resurgent banks to offset the drag from Chinese holdings Alibaba and **China Mobile**.

For the full year, relative performance was driven primarily by strong security selection in Health Care, Industrials, IT, and Consumer Staples, as well as by our overweight in IT. Indeed, IT accounted for over one third of the outperformance for the year, led by Adyen, Infineon, Japan-based optical sensor specialist **Keyence**, TSMC, and Samsung. Health Care holdings contributed significantly as several portfolio companies played roles in the battle against COVID-19: contract drug manufacturer Lonza is producing the early-approved vaccine from Moderna, while Japan-based **Sysmex** experienced surging demand for their test kits and diagnostic equipment. Consumer Discretionary was the biggest drag on our full-year performance, due to our underweights in consumer durables and apparel and the underperformance of Germany-based **Adidas**.

Companies held in the portfolio during the year appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at December 31, 2020 is available on page 9 of this report.

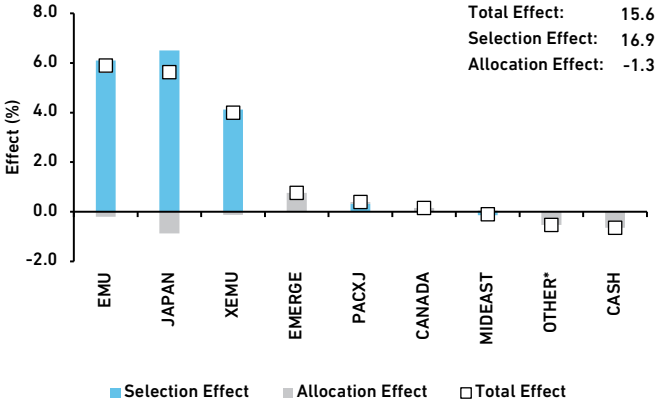
SECTOR PERFORMANCE ATTRIBUTION TRAILING 12 MONTHS

EAFE EQUITY COMPOSITE VS. MSCI EAFE INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION TRAILING 12 MONTHS

EAFE EQUITY COMPOSITE VS. MSCI EAFE INDEX



**Includes companies classified in countries outside the Index. Source: FactSet; Harding Loevner EAFE Equity Composite; MSCI Inc. and S&P. The total effect shown here may differ from the variance of the Composite performance and benchmark performance shown on the first page of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS Presentation.*

PERSPECTIVE AND OUTLOOK

When we wrote at the end of 2019 about a "world turned upside down," we had no idea just how upended the world was about to become; no inkling that a novel coronavirus was replicating exponentially and about to upend our lives. Rather, we

were focused on the mundane (by comparison) implications of negative interest rates, potential inflation, and the implied discount rates for stocks. We fretted that the prices commanded by stocks of our preferred high-quality and fast-growing companies had reached unsustainable levels. The heightened volatility of long-duration assets—long-dated Treasurys and growth stocks both—made us fret further, since rising volatility often foreshadows a reversal.

As the pandemic erupted with full force in the first quarter, companies prized for their resilient secular growth and financial strength defied our fears and expensive growth stocks became even more highly priced. Some companies, with their business models anchored in the virtual rather than the brick-and-mortar world, were instantly transformed into COVID-19 "winners." Meanwhile, any company with more immediate exposure to either the business cycle (think banks) or specific dislocations arising from the pandemic, such as travel, was shunned by investors. Last quarter, we noted that a startling number of stocks—indeed, higher than at any time in the last fifty years outside of the 1999 tech bubble—were priced to deliver negative returns even just assuming a naïve (and rather unrealistic) extrapolation of current consensus earnings growth estimates. One difference, of course, between 1999 and now is that now bonds are also priced to disappoint their owners, perversely making stocks seem less risky.

Nevertheless, with the end of the pandemic at last in sight, our prior concerns have returned to the fore. One way prospects could change for long-duration growth stocks, as well as for long-duration bonds, is for long-term interest rates to rise. Ultra-low discount rates, like ultra-low bond yields, imply that cash flows far into the future have more value today; if ultra-low were to give way to merely *low*, those far-away cash flows would not be so compelling. Moreover, what could stimulate animal spirits more than a return to before-COVID-19 commerce, travel, and social interactions with a year of deferred consumption coiled like a spring? On the fire of pent-up demand throw gasoline in the shape of competition for resources from infrastructure spending programs, and suddenly not even "low" may be the right level for inflation or interest rates, let alone for the discount rates applied to stocks.

Interest rates have mirrored falling inflation expectations over the past forty years. Disinflation has been the result of technological innovation, globalization, and, pre-global financial crisis, disciplined monetary policy at the largest central banks. However, the future is clouded by many "ifs." If policymakers, not only in China but also in Europe and the US, start reducing the freedom historically afforded to the big tech companies like Alibaba, Facebook, Google, and Amazon, it may well reduce the disinflationary effects these companies have midwifed into the world. If globalization and free trade continue to face populist protest and political backlash, the price of goods and services, no longer sourced from the most efficient producers, will tend higher instead of lower. If the current escalation of US-China economic disagreements become further militarized, those inflationary effects could be large. If post-COVID-19 normalization demand and low inventories combine with debt financed infrastructure spending, interest rates may well lead, rather than follow, inflation higher. Some of these scenarios would be headwinds for profits; all, except a sustained, rapid economic expansion, are bad for stock valuations.

But there are also portents that endless growth of big tech profits itself could become less of a given. The commanding position of the dominant internet platforms and software companies flows in large part from benign competitive forces driven by powerful network effects and winner-take-all industry dynamics. Yet, in the final quarter of 2020, many of these companies found themselves beset by regulatory scrutiny in almost every jurisdiction. In Europe, the focus has shifted from data privacy toward taxing some of the revenues and profits generated in those countries. Among the recent actions, this strikes us as a modest blow to sustain (if, indeed, it stops there), and one that markets are probably good at discounting. In China, where Alibaba and Tencent dominate the previously largely freewheeling consumer economy, the situation is more treacherous, if only because of the opaque and unconstrained nature of China's regulatory authority. By encroaching onto the turf of the state-supported Chinese banking system via their payments platforms, Alibaba and Tencent were "poking the dragon" of politically powerful, entrenched vested interests, and potentially getting their business models singed in the process.

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Antitrust actions in the US, meanwhile, are being driven by both state governments as well as the federal government, which adds its own unpredictable twist. The common thread in all these efforts is the emergence of a cohesive political opposition to the monopoly-like power of the world's largest internet-based companies. A key difference between this and past periods of regulatory backlash is that more of the monopolies' power today has been directed at squeezing their suppliers and eliminating competitors rather than gouging their customers, who continue to delight in the broader availability of better and cheaper goods, and who may well yet offer a countervailing pull on the regulators' push. Earlier antitrust actions in the US against Microsoft in the 1990s, IBM in the 1980s, or ATT in the 1970s, were costly and disruptive, but ultimately left the targeted incumbents plenty powerful and profitable until innovation and new competitive challenges unrelated to the regulatory onslaught disrupted their dominance. We believe such an outcome is possible from the current actions, but the journey is likely to be a rocky one.

However, there is a world of difference between identifying risks and having them come to pass. 2021 may well prove to be an *annus horribilis* for growth investing, but there is no way of knowing in advance. Moreover, there is far more to the growth investing story than falling discount rates and the monopolistic practices of a handful of mega-cap companies. The last decade may have witnessed previously unimaginably low interest rates, but we've also experienced a resurgence in innovation accompanied by secular and, albeit still narrow, explosive earnings growth fueled by rapid advances in technology. And herein lies the iron law of growth investing—you may overpay but, with careful selection and a long enough horizon, compounding revenues and, ultimately, earnings will eventually bail you out of the high price you paid. Of course, underlying the careful selection part is a paradox that is frequently overlooked and liable to snare the unwary. The iron law only applies to individual growth companies; by definition, it cannot be true for *all* of them. This fallacy of composition is identical to the problem faced by a sports fan trying to get a better view of the field. Individually, they may stand up to get a better view, but it's obviously impossible for everyone to stand up and enjoy the view unimpeded. The best growth companies will ultimately justify even extreme valuations, but investors should have no illusion that all or even most growth companies can hope to join this unique cadre.

The problem faced by growth companies today is akin to that of a sports fan standing up to get a better view of the field. It's obviously impossible for everyone to stand up and enjoy the view unimpeded.

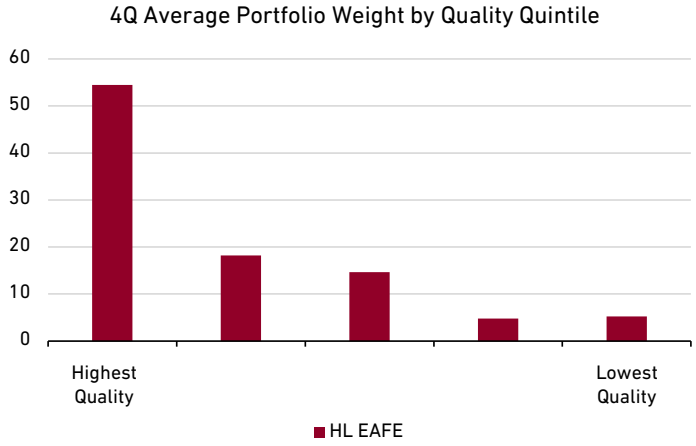
In our investment process we attempt to balance the emphasis among growth, sustained profitability, financial strength, and well-governed, able management. Our conviction lies in the belief that these attributes, elucidated through fundamental research, maximize our odds of picking out the few companies with the long-term ability to sustain their growth. And despite the many looming risks to growth stocks we take encouragement from the pace of innovation that continues to hum along behind the cacophony.

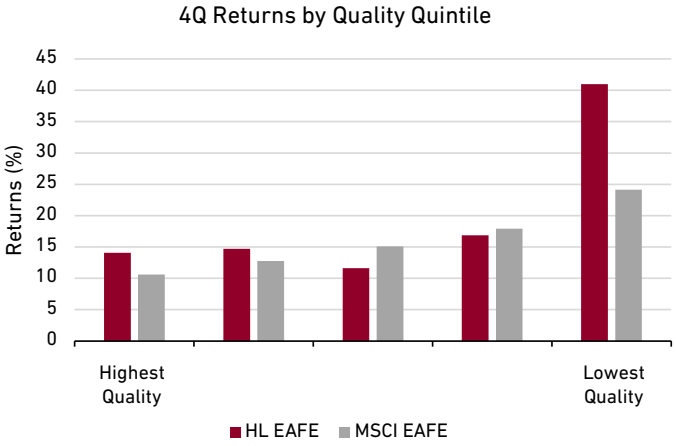
Our portfolio has weathered the "value" rally in the fourth quarter with some degree of aplomb. That's a result, we suspect, of our steady and incremental reduction or exit from some of our holdings over the past few years that reached into the ranks of the highest priced stocks. It's also the result of owning some of the most innovative companies outside the spotlight of regulatory scrutiny, whose growth has continued untrammeled so far. If the narrowing of valuation spreads and the relative performance rebound of cheaper stocks is mostly—or even halfway—completed, and inflation stays quiescent, our portfolio should do fine. That's what happened after the global financial crisis, when we feared a sustained "low-quality" rally would hobble our chances of good relative performance for an extended period, but which didn't persist beyond a few months. We believed then that the damage from the debt crisis cut so deeply across the global economy that a strong rebound was never in the cards, especially with a robust austerity voice constraining most governments (a voice today seemingly lost in the wilderness). Compare that to the experience after the tech bubble of the late 1990s, when the burst affected the IT and Telecom sectors, but left the rest of the economy relatively unscathed and primed to respond dramatically to monetary stimulus. But looking even further back to other periods of equally distended valuations for growth companies, such as the Nifty Fifty of the early 1970s, we're reminded that markets have a history of being unprepared for tectonic shifts in politico-economic conditions, when the only warning signs are stretched valuations alongside the usual markers of speculative fever. Wariness is warranted

PORTFOLIO HIGHLIGHTS

2020 seemed to pack multiple years of a market cycle into a single year, with the market lurching from rewarding quality, to rewarding growth, then speculative growth, and finally value. Throughout, we maintained our time-tested approach of bottom-up stock selection—we require both fundamental quality and prospective growth from our companies, and prices for their stocks, that are supportive of future returns. Over the course of the year, market volatility provided us with several opportunities to increase the overall quality and growth profile of our portfolio without having to pay the expected premium these attributes typically cost. We worked, as always, to keep our heads and avoid being caught up in the market's emotions. Rather, our inclination is to lean against the prevailing market sentiment, while basing each decision on the fundamental prospects and the valuation for each individual stock. When markets were fearful and "riskier" positions such as Brazilian brewer **Ambev**, France-based **Schneider Electric**, Brazil-based **Itaú Unibanco**, Japan-based construction equipment manufacturer **Komatsu**, and Rio Tinto sold off, we added to them while trimming "safer" positions such as Roche and Nestlé. When markets chose to ignore valuation, we made sure to pay it *more* attention, trimming the most richly priced companies (Japanese pharmaceutical maker **Chugai Pharmaceutical**, **Canadian National Railway**, Ireland-based industrial gas supplier **Linde**) and adding to or purchasing positions that looked unusually cheap (Swiss-based eye care specialist **Alcon**, Mexican bottler and retailer **FEMSA**). We parted ways with several companies that failed to attain our predetermined mileposts for success: Japanese advertising agency Dentsu, South African energy and chemical company Sasol, Hong-based HSBC, Chinese search engine Baidu, and, in the fourth quarter, China Mobile. The latter's revenue growth had been disappointing, so when the Trump administration, in a largely incoherent executive order, included China Mobile on a list of purportedly Chinese military-controlled companies that US persons will very shortly be precluded from purchasing and, within a year, from selling as well, we chose to withdraw with alacrity, completing our divestment before year end.

STOCK SELECTION ALWAYS MATTERS





Source: MSCI Inc., FactSet; Data as of December 31, 2020.

We held no other companies subject to this draconian and near-immediate sanction, not to be confused with the slowly-moving sanction of eventual (December 2023) de-listing from US exchanges potentially faced by a longer list of Chinese companies whose accounting transparency thus far has failed to meet the standards of US securities regulators. With respect to those companies, we envision myriad possible ways in which they may avoid de-listing, including outright compliance or Chinese compromise with a new US administration, or we may be able to gain or maintain investment exposure without recourse to US exchanges. Despite the market volatility, at 11.0% our annual turnover was below our five-year average of 17.2%.

Fully *half* our portfolio is invested in the highest quintile of objectively measured quality, and very little in the two lowest quintiles. On that basis alone, we should have been expected to lag the benchmark by nearly 400 basis points this quarter.

In a quarter that was characterized by dramatic outperformance of cheaply priced shares of lower-quality companies, our emphasis on higher-quality, more expensive shares should have dragged us under. Fully *half* our portfolio is invested in the highest quintile of objectively measured quality, and very little in the two lowest quintiles. On that basis alone, we should have been expected to lag the benchmark by more than 350 basis points. But, thanks to the much better performance of our holdings *within* nearly every cohort of quality, we did not. We trace a direct line between this outperformance of our style and our dogged efforts to ignore the momentum of the most highly priced growth stocks and pursue growing businesses outside the fashionable segments instead. This was costly for our relative performance earlier, and concerning for those suffering FOMO, but has ultimately put us in a gratifying spot: a year of good relative performance from a consistent portfolio, resilient in the face of a sharp style shift.

To be sure, we had some turkeys. One of our self-improvement practices is to provide each analyst and portfolio manager an "after-action" report showing the consequences in performance terms of each of their investment decisions. Here's a sampling for the behaviorists among you: We initiated five complete sales from late February through late April, amid the thickest fog of COVID-19 uncertainty. The sales of Sasol and HSBC so far look to have been good decisions. Their shares have underperformed their respective industry sector and the market overall since the sale decision, although costs for executing the Sasol sale more or less offset the underperformance avoided. The other three sales, made with stoutly asserted reasoning at the time, have left egg on our faces. Schlumberger, sold in late March after the OPEC cartel collapsed, has outperformed Energy by a wide margin since. Baidu, sold in despair in late April over its declining growth prospects and competitor incursions, has since trounced many other Communications Services sector companies. Amadeus, the airline-reservation-management software business headquartered in Spain, looked like a good sale in hindsight *until* vaccine approvals lifted both the outlook for a rebound in travel and Amadeus's performance relative to the rest of IT.

These underwhelming results from our actions remind us of two important principles: first, fear is rarely the right state of mind in which to make an investment decision. And, second, most of us could stand to be more modest about the predictive power of our insights and therefore more careful to weigh them against estimates of the costs of the transactions required to monetize them. The good news is that we made few such COVID-19-fear-inspired trades, and hence inflicted little self-harm.

Management Update

Babatunde Ojo, CFA has joined our International Equity strategy portfolio management team. He now manages a "paper" portfolio that expresses his investment views but is not employed directly in managing client capital for the strategy. A member of the firm since 2012, he also continues to serve as a research analyst and co-lead PM of the Frontier Emerging Markets Strategy. International Equity co-lead PM assignments are not changing. The addition of portfolio managers to the strategy's team reflects our ongoing commitment to preparing our rising generation of investment leaders.

EAFE EQUITY HOLDINGS (AS OF DECEMBER 31, 2020)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
COMMUNICATION SERVICES		
TENCENT Internet and IT services	China	1.0
YANDEX Internet products and services	Russia	0.3
CONSUMER DISCRETIONARY		
ADIDAS Athletic footwear and apparel retailer	Germany	0.7
ALIBABA E-commerce retailer	China	0.4
NITORI Home-furnishings retailer	Japan	1.4
CONSUMER STAPLES		
ALIMENTATION COUCHE-TARD Convenience stores operator	Canada	1.1
AMBEV Alcoholic beverages manufacturer	Brazil	0.3
DIAGEO Alcoholic beverages manufacturer	UK	1.8
FEMSA Beverages manufacturer and retail operator	Mexico	0.3
L'ORÉAL Cosmetics manufacturer	France	3.8
NESTLÉ Foods manufacturer	Switzerland	2.3
UNICHARM Consumer products manufacturer	Japan	2.9
UNILEVER Foods and consumer products producer	UK	1.7
ENERGY		
LUKOIL Oil and gas producer	Russia	0.3
ROYAL DUTCH SHELL Oil and gas producer	UK	1.4
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	3.4
ALLIANZ Financial services and insurance provider	Germany	3.1
BBVA Commercial bank	Spain	1.6
DBS GROUP Commercial bank	Singapore	2.5
HDFC BANK Commercial bank	India	0.4
ICICI BANK Commercial bank	India	0.4
ITAÚ UNIBANCO Commercial bank	Brazil	0.5
PING AN INSURANCE Insurance provider	China	0.5
SE BANKEN Commercial bank	Sweden	0.7
STANDARD CHARTERED Commercial bank	UK	0.9
HEALTH CARE		
ALCON Eye care products manufacturer	Switzerland	1.6
CHUGAI PHARMACEUTICAL Pharma manufacturer	Japan	2.7
LONZA Life science products manufacturer	Switzerland	3.1
ROCHE Pharma and diagnostic equipment manufacturer	Switzerland	3.1
SHIONOGI Pharma manufacturer	Japan	1.0
SONOVA HOLDING Hearing aids manufacturer	Switzerland	1.5
SYSMEX Clinical laboratory equipment manufacturer	Japan	2.1
INDUSTRIALS		
ALFA LAVAL Industrial equipment manufacturer	Sweden	1.5
ATLAS COPCO Industrial equipment manufacturer	Sweden	3.7
CANADIAN NATIONAL RAILWAY Railway operator	Canada	1.0
EPIROC Industrial equipment manufacturer	Sweden	1.5
FANUC Industrial robot manufacturer	Japan	1.2
KOMATSU Industrial equipment manufacturer	Japan	1.8
KUBOTA Industrial and consumer equipment manufacturer	Japan	2.0
SCHNEIDER ELECTRIC Energy management products	France	3.0
SGS Quality assurance services	Switzerland	1.1
INFORMATION TECHNOLOGY		
ADYEN Payment processing services	Netherlands	3.8
CHECK POINT Cybersecurity software developer	Israel	1.8
DASSAULT SYSTÈMES Design and engineering software developer	France	2.0
INFINEON TECHNOLOGIES Semiconductor manufacturer	Germany	4.7
KEYENCE Sensor and measurement equipment manufacturer	Japan	3.0
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	1.4
SAP Enterprise software developer	Germany	3.1
TSMC Semiconductor manufacturer	Taiwan	1.5
MATERIALS		
AIR LIQUIDE Industrial gases producer	France	1.1
BHP Mineral miner and processor	Australia	1.3
FUCHS PETROLUB Lubricants manufacturer	Germany	0.7
LINDE Industrial gases supplier and engineer	US	1.1
NOVOZYMES Biotechnology producer	Denmark	0.9
RIO TINTO Mineral miner and processor	UK	2.5
SYMRISE Fragrances and flavors manufacturer	Germany	1.7
REAL ESTATE		
No Holdings		
UTILITIES		
ENN ENERGY Gas pipeline operator	China	0.1
CASH		3.7

Model Portfolio holdings are supplemental information only and complement the fully compliant EAFE Equity Composite GIPS Presentation. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

4Q20 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
INFINEON TECHNOLOGIES	INFT	4.7	1.54
ADYEN	INFT	3.6	0.88
AIA GROUP	FINA	3.4	0.82
ALLIANZ	FINA	3.0	0.80
DBS GROUP	FINA	2.5	0.73

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
ADYEN	INFT	2.4	3.45
INFINEON TECHNOLOGIES	INFT	4.0	2.63
KEYENCE	INFT	3.1	1.92
LONZA	HLTH	2.6	1.84
SCHNEIDER ELECTRIC	INDU	2.6	1.71

4Q20 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
SAP	INFT	3.3	-0.86
SYMRISE	MATS	1.9	-0.13
NOVOZYMES	MATS	1.0	-0.10
ALIBABA	DSCR	0.4	-0.09
NESTLÉ	STPL	2.5	-0.05

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
AMADEUS	INFT	0.5	-1.19
SCHLUMBERGER	ENER	0.2	-1.09
ROYAL DUTCH SHELL	ENER	1.3	-1.01
BBVA	FINA	1.4	-0.82
STANDARD CHARTERED	FINA	0.9	-0.71

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EAFE	MSCI EAFE
PROFIT MARGIN[1] (%)	12.6	8.7
RETURN ON ASSETS[1] (%)	6.7	4.9
RETURN ON EQUITY[1] (%)	13.3	11.1
DEBT/EQUITY RATIO[1] (%)	47.6	69.4
STD DEV OF 5 YEAR ROE[1] (%)	3.1	3.2
SALES GROWTH[1,2] (%)	3.8	1.6
EARNINGS GROWTH[1,2] (%)	6.3	5.2
CASH FLOW GROWTH[1,2] (%)	8.8	7.8
DIVIDEND GROWTH[1,2] (%)	5.4	5.0
SIZE & TURNOVER	**HL EAFE**	**MSCI EAFE**
WTD MEDIAN MKT CAP (US $B)	60.5	43.3
WTD AVG MKT CAP (US $B)	105.3	71.9
TURNOVER[3] (ANNUAL %)	17.2	—

RISK AND VALUATION	HL EAFE	MSCI EAFE
ALPHA[2] (%)	6.23	—
BETA[2]	0.92	—
R-SQUARED[2]	0.92	—
ACTIVE SHARE[3] (%)	85	—
STANDARD DEVIATION[2] (%)	14.63	15.25
SHARPE RATIO[2]	0.86	0.45
TRACKING ERROR[2] (%)	4.4	—
INFORMATION RATIO[2]	1.35	—
UP/DOWN CAPTURE[2]	111/84	—
PRICE/EARNINGS[4]	28.8	21.4
PRICE/CASH FLOW[4]	18.8	10.9
PRICE/BOOK[4]	3.1	1.7
DIVIDEND YIELD[5] (%)	1.7	2.5

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Weighted harmonic mean; [5]Weighted mean. Source (Risk characteristics): eVestment Alliance (eA); Harding Loevner EAFE Equity Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: January 6, 2021); Harding Loevner EAFE Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
THERE WERE NO COMPLETED PURCHASES THIS QUARTER.		

POSITIONS SOLD	COUNTRY	SECTOR
CHINA MOBILE	CHINA	COMM

The portfolio is actively managed therefore holdings identified above do not represent all of the securities held in the portfolio and holdings may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance over the period. Contributors and detractors exclude cash and securities in the Composite not held in the Model Portfolio. Quarterly data is not annualized. Portfolio attribution and characteristics are supplemental information only and complement the fully compliant EAFE Equity Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

EAFE EQUITY COMPOSITE PERFORMANCE (AS OF DECEMBER 31, 2020)

	HL EAFE GROSS (%)	HL EAFE NET (%)	MSCI EAFE INDEX[1] (%)	HL EAFE 3-YR STD DEVIATION[2] (%)	MSCI EAFE INDEX 3-YR STD DEVIATION[2] (%)	INTERNAL DISPERSION[3] (%)	NO. OF ACCOUNTS	COMPOSITE ASSETS ($M)	FIRM ASSETS ($M)
2020[4]	23.89	23.26	8.28	17.19	17.87	3.2	13	981	74,496
2019	26.77	26.10	22.66	11.70	10.80	0.5	7	655	64,306
2018	-11.72	-12.20	-13.36	11.51	11.27	0.4	7	545	49,892
2017	29.48	28.85	25.62	12.03	11.85	0.4	7	643	54,003
2016	6.97	6.34	1.51	12.74	12.48	N.M.[5]	4	270	38,996
2015	2.53	1.96	-0.39	12.48	12.47	N.M.	1	99	33,296
2014	-0.93	-1.51	-4.48	11.67	12.99	N.M.	4	240	35,005
2013	18.73	17.95	23.29	15.25	16.22	N.M.	4	241	33,142
2012	20.88	20.11	17.90	+	+	N.M.	1	76	22,658
2011	-11.07	-11.61	-11.73	+	+	N.M.	1	83	13,597
2010[6]	22.77	22.30	13.96	+	+	N.A.[7]	1	95	11,010

[1]Benchmark Index; [2]Variability of the composite, gross of fees, and the Index returns over the preceding 36-month period, annualized; [3]Asset-weighted standard deviation (gross of fees); [4]The 2020 performance returns and assets shown are preliminary; [5]N.M.-Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year; [6]2010 represents the partial year March 1, 2010 to December 31, 2010; [7]N.A.–Internal dispersion less than a 12-month period; +Less than 36 months of return data.

The EAFE Equity Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities and cash reserves, and is measured against the MSCI EAFE Total Return Index (Gross) for comparison purposes. Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The Index consists of 21 developed market countries. You cannot invest directly in this Index.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Harding Loevner has been independently verified for the period November 1, 1989 through September 30, 2020.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The EAFE Equity Composite has had a performance examination for the periods March 1, 2010 through September 30, 2020. The verification and performance examination reports are available upon request.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. Additional information is available upon request. Past performance does not guarantee future results. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The US dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The standard fee schedule generally applied to separate EAFE Equity accounts is 1.00% annually of the market value up to $20 million; 0.50% of amounts from $20 million to $100 million; 0.45% of amounts from $100 million to $250 million; above $250 million on request. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The EAFE Equity Composite was created on February 28, 2010, and the performance inception date is March 1, 2010.

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