Global Equity ADR

Quarterly Report | Third Quarter 2021

HARDING LOEVNER

What's Inside

Market Review →
Global stock markets fell in the quarter as soaring consumer price indexes collided with the prospect of slowing growth and higher interest rates.

Performance and Attribution →
Sources of relative return by sector and geography.

Perspective and Outlook →
Eighteen months after we marveled at China's success in containing the domestic spread of the coronavirus through draconian lockdowns, similarly aggressive regulatory interventions have underscored the downsides of a top-down approach devoid of checks and balances.

Portfolio Highlights →
Despite the disquieting regulatory backdrop, **Baidu's** pivot from internet search to autonomous driving is emblematic of the plethora of quality growth opportunities we are finding in China—and in semiconductors.

Portfolio Holdings →
Information about the companies held in our portfolio.

Portfolio Facts →
Contributors, detractors, characteristics, and completed transactions.

Get More Online

Webcast →
Watch the Global Equity ADR quarterly review.

Insights →
View other reports.

Composite Performance

Total Return (%) — Periods Ended September 30, 2021[1]

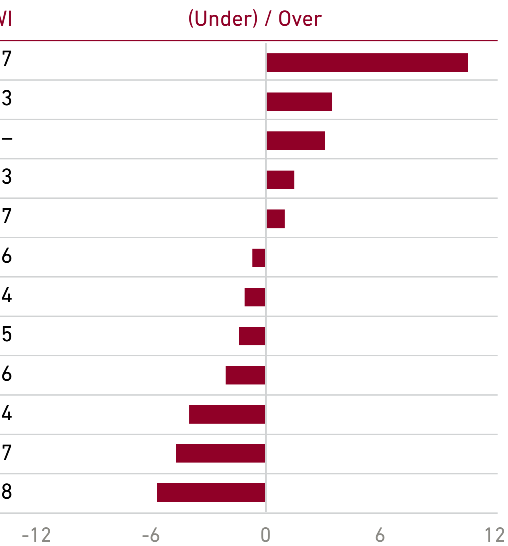
	3 Months	YTD	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Global Equity ADR (Gross of Fees)	-0.57	12.08	29.31	17.19	17.86	15.05	10.38
HL Global Equity ADR (Net of Fees)	-0.75	11.47	28.38	16.28	16.93	14.14	9.48
MSCI All Country World Index[4,5]	-0.95	11.49	27.98	13.13	13.76	12.48	7.78
MSCI World Index[5,6]	0.09	13.43	29.39	13.71	14.34	13.29	7.91

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1989 corresponds to that of the linked Global Equity composite; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

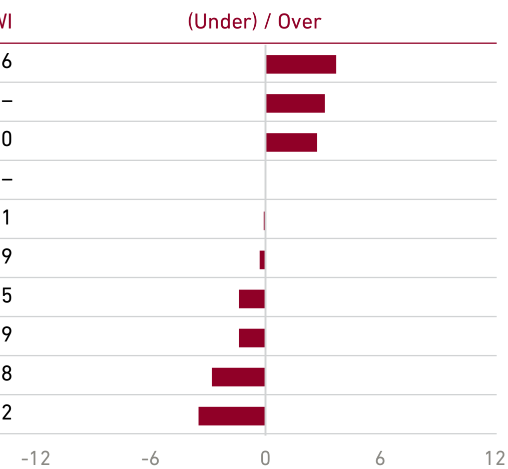
Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL GADR	MSCI ACWI
Health Care	22.3	11.7
Comm Services	12.8	9.3
Cash	3.1	–
Info Technology	23.8	22.3
Industrials	10.7	9.7
Real Estate	1.9	2.6
Financials	13.3	14.4
Energy	2.1	3.5
Utilities	0.5	2.6
Cons Discretionary	8.4	12.4
Materials	0.0	4.7
Cons Staples	1.1	6.8



Geography	HL GADR	MSCI ACWI
US	63.3	59.6
Cash	3.1	–
Emerging Markets	14.7	12.0
Frontier Markets[7]	0.0	–
Middle East	0.0	0.1
Europe ex-EMU	7.6	7.9
Europe EMU	7.1	8.5
Pacific ex-Japan	1.5	2.9
Canada	0.0	2.8
Japan	2.7	6.2



[7]Includes countries with less-developed markets outside the index

Sector and geographic allocations are supplemental information only and complement the fully compliant Global Equity ADR Composite GIPS Presentation. Source: Harding Loevner Global Equity ADR 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

Stock markets fell in the quarter as soaring consumer price indexes collided with the prospect of slowing growth and higher interest rates. After bottoming out in May 2020, inflation expectations have ballooned, stoked by tight labor markets, pent-up consumer demand, and pandemic-mangled supply chains. The spread of the Delta variant, despite high vaccination rates in many developed economies, dampened the pace of recovery. But even with the ongoing effects of COVID-19 and decelerating global growth expectations, central banks have begun to signal the impending end of unprecedented monetary support and, in some cases, have already acted, by reducing bond buying (European Central Bank) or actually raising interest rates (Norway, Brazil, and Russia). The US Federal Reserve adopted a more hawkish tone following its September meeting, suggesting it could begin to scale back its monthly bond purchases as soon as this year, while its short-term interest forecasts now indicate a liftoff for rates as early as next year. US Treasury bond prices fell sharply late in the quarter, but their yields remain below levels reached in March. Oil prices marched higher, with Brent crude trading near US$80 per barrel for the first time since 2018.

MSCI ACWI Index Performance (USD %)

Geography	3Q 2021	Trailing 12 Months
Canada	-2.4	34.9
Emerging Markets	-8.0	18.6
Europe EMU	-1.8	29.6
Europe ex-EMU	-1.1	26.1
Japan	4.7	22.5
Middle East	2.9	28.6
Pacific ex-Japan	-4.4	25.9
United States	0.4	30.5
MSCI ACW Index	-1.0	28.0

Sector	3Q 2021	Trailing 12 Months
Communication Services	-2.5	29.3
Consumer Discretionary	-5.1	18.0
Consumer Staples	-2.0	10.7
Energy	3.1	66.0
Financials	2.0	50.5
Health Care	0.3	18.8
Industrials	-2.0	27.9
Information Technology	0.6	30.6
Materials	-4.9	27.3
Real Estate	-2.0	22.6
Utilities	0.0	11.0

Source: FactSet (as of September 30, 2021). MSCI Inc. and S&P.

Proliferating regulatory interventions and an impending debt default by Evergrande, China's second largest property company, savaged Chinese share prices. The regulatory crackdown, which began last November with the tabling of Ant Group's IPO, expanded with the adoption of anti-monopoly legislation aimed at the country's internet giants and new rules to strengthen the data security of social media platforms. Chinese President Xi Jinping's stated goal to tackle income inequality and promote "common prosperity," including the "reasonable adjustment of excessive incomes," raised questions about the future of many firms. The turbulence in the Chinese property market coupled with mandates to curb Chinese industrial carbon emissions led to a sharp selloff in iron ore, with spot prices falling over 50% since peaking in May, and along with it the share prices of mining stocks. Meanwhile, in the US, a major infrastructure spending bill—which if adopted would help offset falling Chinese demand for iron ore—fell victim to political gridlock as politicians were unable to reach consensus on the scale of a companion package focused on climate change and expanding the social safety net. Partisan gamesmanship around the US debt ceiling added to the general uncertainty.

September was the worst month for stocks since March 2020. Regional performance resembled the pattern in that early stage of the pandemic, marked by the outperformance of Japan and the US and underperformance of Emerging Markets (EMs). One major difference this time, however, was China significantly underperforming; Chinese stocks declined by over 18%, trailing EMs overall by 10% for the quarter. Most major currencies declined against the US dollar, with the biggest falls seen in commodity-exposed currencies, including the Australian and Canadian dollars and the Brazilian real.

Sector performance was heavily influenced by the Chinese regulatory headwinds and the diverging fortunes of iron ore and oil prices. Consumer Discretionary stocks slumped, hurt by roughly a 35% decline in heavyweight **Alibaba's** shares, along with other Chinese retailers such as Pinduoduo and Meituan. **Baidu** and **Tencent's** declines hurt returns in Communication Services. Materials, heavily weighted towards mining stocks, fell in conjunction with the decline in ore prices. The Energy sector eked out positive gains on the back of pricier oil, while Financials also gained, supported by the prospect of widening spreads as interest rates normalize.

Style effects were very mixed, with little divergence between or pattern visible in the returns of various slices of the market on quality, growth, and value metrics. However, the earlier "value rally" still affects year-to-date returns, despite being on hold since May. The cheapest quintile of stocks in terms of valuation

Companies held in the portfolio during the quarter 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 September 30, 2021 is available on page 9 of this report.

have outperformed the most expensive by a staggering 1,400 basis points, and the MSCI ACWI Value Index—up just over 13% for the year-to-date—is still ahead of the nearly 10% return for the MSCI ACWI Growth.

Performance and Attribution

The Global Equity ADR Composite declined 0.6% gross of fees, modestly above the 1.0% decline of the MSCI ACWI Index. For the year to date, the Composite has returned 12.1% (also gross of fees), ahead of the index's 11.5% return.

Strong stock selection in both the United States and Europe ex-EMU lifted returns, while China was the principal drag on relative performance this quarter, due in part to our elevated weight versus the index. The biggest Chinese detractors included Alibaba, online gaming companies Tencent and **NetEase**, and property management company **Country Garden Services**, which all fell more than 20%.

When viewed by sector, our Chinese stocks contributed to our underperformance in Consumer Discretionary (Alibaba), Real Estate (Country Garden Services), and Communication Services (Tencent and NetEase). Within the latter sector, US-listed social media site **Pinterest** also detracted. The company announced results at the end of July that showed large gains in revenue and profitability but a decline in active users, prompting questions about how much of its recent increase in sales will prove to have been pandemic-related.

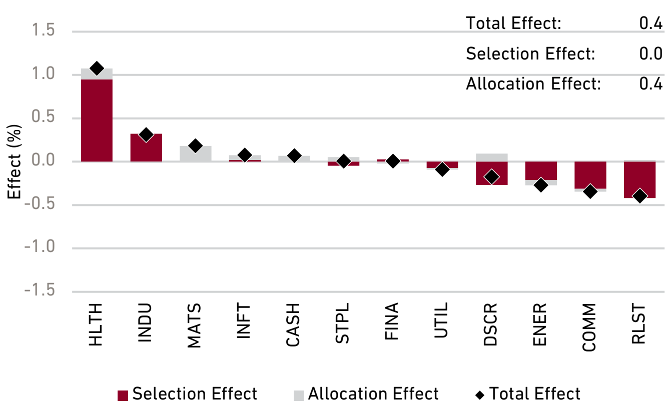
The portfolio's stock selection in Health Care was a notable positive contributor, where US companies **Align Technology** and **Intuitive Surgical** reported strong sales growth and volume growth respectively. Both businesses continue to appear well-positioned in their industries as product volumes and demand accelerate in both the orthodontics and medical equipment domains. In the Industrials sector, the portfolio's stock selection also benefitted performance; specialized Japanese industrial company **MISUMI Group**, a niche supplier of manufacturing components, was a notable standout.

For the year to date, our relative performance was hurt by poor stock performance in markets outside the US, including both Europe and EMs. Within EMs, our Chinese holdings declined less than the Chinese market. Instead, it was our holdings in Brazil and Poland that combined to drag down our relative returns in EMs. Our aggregate EM positioning was a drag on strong returns from our US holdings, which have significantly outperformed the US market.

Third Quarter 2021 Performance Attribution

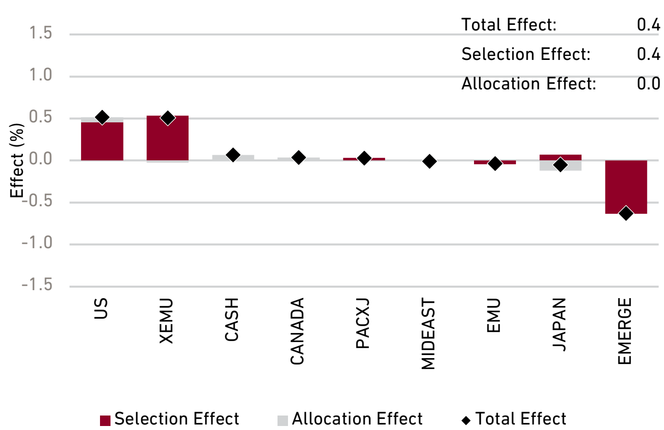
Sector

Global Equity ADR Composite vs. MSCI ACWI Index



Geography

Global Equity ADR Composite vs. MSCI ACWI Index



Source: FactSet; Harding Loevner Global Equity ADR 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

In our 2020 first quarter letter, at the early stage of the global pandemic, we marveled at the resiliency of the Chinese stock market, which we ascribed to the country's success in containing the domestic spread of the coronavirus through draconian lockdowns, whose efficacy was made possible by its authoritarian political system. Eighteen months later, a similarly authoritarian intervention has left investors reeling. While government intervention is not uncommon in China, the scale and pace of this latest crop of reforms is unprecedented. Is Xi Jingping, China's most powerful leader since Chairman Mao, revealing his allegiance to a collectivist ideology long thought to be discredited? Or is he boldly grasping the nettle of reform to redress economic imbalances and social ills before they become more entrenched and undermine the Chinese Communist Party's legitimacy?

Despite headlines conjuring memories of the CCP's gruesome past, we accept that on balance the policy changes are intended to benefit the long-term health of Chinese society and economy, especially its middle class. The message the Party is sending to business leaders across China is clear: compete on a level playing field and pay a fair wage. For instance, much of the coverage of Ant Group's canceled IPO focused on the ostensible desire of the CCP to clip the wings of its tech oligarchs. More persuasive in our view is that having observed and learned from the West's subprime debacle a decade prior, Chinese financial regulators are not keen to allow loan origination to be divorced from the underlying credit risks of the loans—a source of moral hazard that would potentially destabilize a financial system still dominated by lumbering state-owned banks with weak credit cultures and poor management systems. Antitrust interventions targeting the largest e-commerce platforms echo the statements (if not yet the achievements) of many Western policymakers to improve competition by increasing the bargaining power of smaller businesses versus the giants.

Meanwhile, although the gutting of the private educational tutoring sector may seem disproportionate, it has with the stroke of a pen stigmatized one of the educational advantages of affluence while inhibiting the exam preparation arms race that many middle-class families feel has spiraled out of control. Actions taken to strengthen the data privacy protections of social media companies, tighten local ownership of Macau casinos, and rein in speculation in the high-end liquor market would not be out of place in Europe or the US. Not to minimize the serious consequences of these abrupt and radical reforms for private businesses; as investors we are viewing these actions mainly as problems requiring further analysis rather than as an indication that China has become too unpredictable to be investable.

More troubling for China's long-term prospects, although less of an immediate danger to our portfolio, is the looming default of Evergrande. For years, the Chinese government has promised to wean the economy from fixed asset investments in favor of consumption, with little to show for the rhetoric. Regional governments have continued to rely on a red-hot property sector to provide their funding and achieve their mandated growth targets. Alarmed by the outsized role of property development in the economy, and the associated risks to the financial system of too much property speculation, the central government pushed through a series of policies last year to force the property sector to deleverage. Evergrande's plight looks like the direct consequence of those blunt top-down mandates as the heavily indebted company started to find itself cut off from its usual credit lines. While the government may be happy to make an example of the company, the probable spillover effects to the rest of the economy will be hard to contain and likely to require yet more interventions.

Equally disturbing to us are the rolling power outages afflicting as many as 20 provinces. Dueling top-down mandates with competing objectives seem to be playing a role here. Earlier in the year, the central government renewed its commitment to "dual control," a mandate to curb carbon emissions by limiting both energy usage and the intensity (i.e., the amount of energy used per unit of GDP). That directive was issued, however, without anticipating this year's spike in industrial output, whose emissions far exceed those from less energy-intensive sectors. Now that they have met their local growth targets, regional administrators are rushing to institute power shutdowns to avoid breaching stipulated emission ceilings. Woe be to the regional leaders who fail to shrink their carbon footprint before President Xi goes before the UN Climate Change Conference in early November determined to show that China is no climate backslider. To be sure, there are other factors contributing to the power crisis—not least, skyrocketing coal prices whose rise was exacerbated by China's boycott of Australian coal imports in retaliation for that country's insistence on re-opening the inquiry into the origins of the COVID-19 virus.

Nobel Prize-winning economist Friedrich Hayek would have predicted that the Chinese government would ultimately fail to manage its economy by mandate, because officials can't foresee and prevent every unintended consequence of their own actions. If China's growth slows further, more such shortcomings are likely to surface. The Chinese authorities exhibited competence at virus management, but even when their intentions are good, leaders inevitably miscalculate. When the views of authoritarians are subjected to little debate and their mandates are implemented without checks and balances, miscalculations can have outsized consequences. It's unclear to us when a greater trust in the spontaneous order spawned by private actors and market forces, however well-mitigated by regulation and taxation, will take hold in China. Likely not as soon as we had hoped.

Portfolio Highlights

The prospects for our Chinese holdings have recently dominated our internal debates and garnered a disproportionate share of client questions. In China we face a somewhat daunting paradox. Despite the disquieting regulatory changes, we are finding more high-quality growing businesses that meet our investment criteria in China than at any point in our firm's history.

> In a sign of the individual strength of the companies we have identified there, even after the tumult of the recent quarter, China has still been a positive contributor for us for the year.

In 2001, China represented less than 1% of the MSCI ACWI Index and was dominated by state-owned companies with dubious management and limited growth prospects. Additionally, stocks trading in the Shanghai and Shenzhen markets (as what are known today as A-shares) were entirely off-limits to foreigners and indexes. Due to greater access for foreign investors and the increased number of predominantly private-sector, growing China-based companies listed in China, Hong Kong, and the US, China has grown to represent about 4% of the current index. That

China's weight inside our own portfolio is currently 50% more than that is a function of just how broad and deep the opportunity set has become for our approach to investing.

Fittingly in a quarter where the China paradox was front and center, we sold Alibaba and bought Baidu. Alibaba has withstood several rounds of regulatory change in the past, but the expanded regulatory focus now puts almost every aspect of its business in the line of fire. Smaller, faster-growing competitors such as JD.com, Meituan, and Pinduoduo have been quick to adapt to the new standards while continuing to grow their market share at Alibaba's expense. Rivalry, in both its core e-commerce business and in new business areas such as community-based purchasing, it seems will only be getting fiercer.

In contrast, Baidu undertook and is now emerging from a much-needed branching out from its original business of internet search, which has faced waves of regulatory threats and ferocious competition from other new online ad formats. Over the past several years it has invested heavily in the next long-term growth opportunities in AI, what it sees as its real core competency. After racking up over 12 million kilometers (7.5 million miles) of testing, Baidu's autonomous driving system (ADS), Apollo, is now being deployed on certain less congested designated parts of the cities. In July, it introduced its robo-taxi services, Apollo Go, in Guangzhou (pop. 15 million), the fourth city where the service has launched, and it expects to roll out to 30 more cities over the next three years. Several Chinese carmakers such as Great Wall have announced plans to integrate Baidu's system into their vehicles. Baidu's AI initiatives should be viewed favorably by regulators because they align with overarching central government objectives around technology leadership and reducing carbon emissions.

Baidu's technological innovation in internet search, AI, and ADS are made possible by accelerating advancement in semiconductors, a trend of considerable significance to our portfolio. The broad adoption of the internet of things (IoT) and fifth-generation (5G) mobile networks, the growing importance of AI and machine learning applications, and the mass uptake of electric vehicles (EVs)—all enabled by advanced semiconductors—are transforming a host of industries. Taiwan-based semiconductor manufacturer **TSMC** is so confident of sustained demand for its products that it plans to invest $100 billion over the next three years to expand its capacity and maintain its lead over its archrival Samsung Electronics, with whom it shares the market for bleeding-edge chips.

To keep innovating, foundries like those operated by TSMC and Samsung rely on capital equipment made by **ASML**, a Dutch company that enjoys a near-monopoly in lithography, a specialized process that allows for an increase in the density of transistors and their connections on each silicon wafer. The chips, in addition to getting denser, are also getting architecturally more complex, which presents a challenge for both chip designer and fabricator alike. Computer-aided design (CAD) software from US-based **Synopsys** not only allows circuits to be modelled down to their most microscopic elements but also offers the capability to verify their functionality and ease of manufacturing and to optimize the performance all virtually before the design is completed. US-based **Applied Materials**, a new investment this quarter, makes the equipment that helps construct thinner, taller structures on the surface of the silicon.

The proliferation of devices using chips, whether EVs, "things" in IoT, or embedded systems more generally, results in the generation of oceans of data potentially needing to be stored, processed, and analyzed. **NVIDIA**, the leading chip designer well-known for its graphic processing units and its complementary CUDA software ecosystem, is at the forefront of the effort to provide the analytical platform needed to unlock the full potential of such specialist processors.

We sold cosmetic producer **Estée Lauder**, which we bought last March. At the time, the market reflected a dire outlook for retail demand, especially tourist-related; however, we found its Chinese business attractive and admired its agility across social media and other digital channels. The stock has appreciated since our purchase, and the resulting valuation now leaves no room for error, such as a potential shift of Chinese consumers' tastes away from US brands.

A new holding is US-based **CoStar**, the dominant player in information services for the commercial real estate industry and online classified ads for commercial property. Its data and analytics business, which has over 90% market share in the US, mines a proprietary database of commercial real estate that spans office, industrial, retail, multi-family, and land. Its online marketplace business, with over 50% market share, owns valuable websites including Apartments.com for apartment listings and LoopNet for business property listings. Over 80% of its revenue is recurring, as its offerings are typically integrated with the workflow of its customers: brokers, owners, developers, and property managers.

Chinese Regulatory Changes: More Context for the Vexed

By Lee Gao

There are few precedents for China's quick-fire regulatory changes, which over the past few months have transformed everything from ecommerce and education to health care and real estate.

One can only speculate on the reasons for this synchronous timing, but one possibility that stands out is the confluence of the five-year policy and leadership cycles in China. This is the first year of the 2021-25 Five-Year Plan, but more importantly, it is the final full year before the top 200 or so members of the Central Committee of the Communist Party of China are selected at its National Congress in October 2022. It bears remembering that those politicians are similar to counterparts elsewhere in facing challenges that have diverted them from other priorities. They spent the first two years of their terms coping with escalating US-China trade tensions, and just when "normal order" loomed after the signing of the Phase One trade agreement, COVID-19 hijacked everyone's lives. Only recently have they gotten a chance to work on much-delayed goals.

As policymakers picked up where they had left off, they found themselves facing stakes heightened by the pandemic: stagnating incomes, weak consumer confidence, and a growing demographic crisis as birthrates continue to decline. These challenges may have accentuated their top priorities, ones that have been repeatedly highlighted in official policy statements over the last few years: innovation, rule of law, culture, the environment, and social harmony.

The fact is that ever since Deng Xiaoping initiated the initial series of capitalist overhauls in the 1980s, China has undergone multiple periods of reform. These changes cut a wide swath across economic activity and drastically curtailed certain targeted sectors. They were painful in their time, creating mass unemployment and fueling social discontent. Ultimately, they laid the groundwork and helped sustain several decades of nearly uninterrupted growth.

Previous reforms were far less visible to foreign observers because they barely touched the companies widely held by global investors at the time. For example, the coordinated supply-side reforms of 2015, undertaken in part to reduce chronic pollution, shuttered roughly one-fifth of China's steel capacity (equivalent to Japan's entire steel output) in under two years. Air quality improved dramatically, while bankruptcies almost tripled as many marginal producers were killed off. But not many foreign investors owned marginal steel producers, preferring to own faster growing companies such as Alibaba and New Oriental. Likewise, the anti-corruption campaigns that began in 2013 may have ushered in a more sustainable business environment, but they were terrible for liquor makers, whose products had become popular high-priced gifts to lubricate business deals and lobbying efforts. Kweichow Moutai, producer of the fiery Chinese liquor Moutai, saw its sales growth plummet in 2014 and 2015, but the company was not nearly as widely owned externally as Tencent is today.

Much of the focus of late has been on one policy priority: common prosperity. Redolent of China's collectivist past (the term was first used by Mao in 1950), the phrase frightens some foreign investors who are unsure which companies' prosperity will be sacrificed at the altar of the commons. Yet policymakers have been clear: their focus is on growing middle-class disposable income, not "robbing the rich to help the poor," according to Han Wenxiu, executive deputy director of the General Office of the Central Financial and Economic Affairs Commission. This overt aversion to a European-style welfare model may seem contradictory for a party that still pays lip service to its Marxist roots. But the reality is that China systematically underinvested in education, healthcare, and other social spending—especially in rural areas—as it sought to catch up economically with more developed economies. Until now, policymakers have done little in the way of redistribution; indirect taxes, which generally serve to widen income inequality, still represent two-thirds of fiscal revenue. With China coming into its own, we should expect its practices to converge with those in more advanced economies, including some form of income and wealth redistribution.

> To my mind, these regulations are reminiscent of the US Progressive Era of the late 19th and early 20th centuries, epitomized by Theodore Roosevelt's Square Deals.

In practice, the government's targets for common prosperity—judging from recent policies and the detailed roadmap for its first pilot program in Zhejiang, the richest province in China and home to Alibaba—are education, healthcare, and housing. In these pivotal areas, structural impediments have exacerbated inequalities over time, producing a set of challenges that would be very familiar, for example, to residents of California. One of the more draconian national policy shifts, which recently consigned much of the private after-school tutoring business to the non-profit sector, does not go as far as South Korea's complete ban of private tutoring in the 1980s.[1] In each

[1]The South Korean ban was ultimately overturned by the courts two decades later, though South Korea's government has been adding new restrictions on tutoring ever since.

country, the reforms were designed to ease the burden on parents who spend up to thousands of dollars each month coaching their children on how to pass exams. (To put this cost in perspective, the Chinese city with the highest average annual per capita disposable income in 2020 was Shanghai at $11,000.) Likewise, China's recent online regulations covering antitrust, data security, and the safety of minors are similar to the concerns of consumer advocates everywhere.

To my mind, these regulations are reminiscent of the US Progressive Era of the late 19th and early 20th centuries, epitomized by Theodore Roosevelt's Square Deal. It was not an easy time to invest and was marked by muscular antitrust interventions, the inception of a progressive income tax, and the appearance of the first federal consumer and environmental protections. Certain industries faced a permanently higher level of regulation with which they had been unfamiliar. But many companies thrived, and the reforms arguably laid the foundation for a century of growth that shaped the American economy into the largest in the world today, home to the largest number of globally competitive companies.

Structural changes of this magnitude will inevitably shake up competitive forces, buffeting the outlook for growth and strength of free cash flow generation for many businesses—but not all of them in negative ways. If China's reforms succeed in improving middle-class disposable income while opening more opportunities for more people and still ensuring that the country remains a meritocracy, the government will have set the stage for more sustainable end demand for many industries. It's a tall order, but one notable advantage enjoyed by Chinese policymakers today is the benefit of a century of hindsight observing which policies worked—and which did not—in the countries that have tried them.

Global Equity ADR Holdings (as of September 30, 2021)

Communication Services	Market	End Wt. (%)
Alphabet (Internet products and services)	US	3.2
Baidu (Internet products and services)	China	1.0
CD Projekt (Video game developer)	Poland	0.9
Disney (Diversified media and entertainment provider)	US	1.0
Facebook (Social network)	US	2.6
NetEase (Gaming and internet services)	China	1.1
Netflix (Entertainment provider)	US	1.2
Pinterest (Social network)	US	0.9
Tencent (Internet and IT services)	China	1.0
Consumer Discretionary		
Amazon.com (E-commerce retailer)	US	2.9
eBay (E-commerce retailer)	US	1.7
Etsy (E-commerce retailer)	US	1.1
Nike (Athletic footwear and apparel retailer)	US	1.9
Trip.com Group (Online travel services)	China	0.8
Consumer Staples		
L'Oréal (Cosmetics manufacturer)	France	1.1
Energy		
Neste (Oil refiner and engineering services)	Finland	0.8
Schlumberger (Oilfield services)	US	1.3
Financials		
AIA Group (Insurance provider)	Hong Kong	1.5
Bank Central Asia (Commercial bank)	Indonesia	1.2
CME Group (Derivatives exchange and trading services)	US	1.1
First Republic Bank (Private bank and wealth manager)	US	3.3
HDFC Bank (Commercial bank)	India	1.3
Itaú Unibanco (Commercial bank)	Brazil	1.0
SVB Financial Group (Commercial bank)	US	2.8
Tradeweb (Electronic financial trading services)	US	1.1
Health Care		
Abcam (Life science services)	UK	1.1
Alcon (Eye care products manufacturer)	Switzerland	1.2
Align Technology (Orthodontics products manufacturer)	US	2.0
Chugai Pharmaceutical (Pharma manufacturer)	Japan	0.7
Danaher (Diversified science & technology products & svcs.)	US	1.6
Edwards Lifesciences (Medical device manufacturer)	US	1.2
Genmab (Biotechnology producer)	Denmark	0.9
Illumina (Life science products and services)	US	2.3
Intuitive Surgical (Medical equipment manufacturer)	US	1.1
IQVIA (Health care services)	US	0.9
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	1.3
Sysmex (Clinical laboratory equipment manufacturer)	Japan	1.4

Health Care	Market	End Wt. (%)
Thermo Fisher Scientific (Health care products & svcs.)	US	1.3
UnitedHealth Group (Health care support services)	US	1.1
Vertex Pharmaceuticals (Pharma manufacturer)	US	1.7
WuXi Biologics (Biopharma manufacturer)	China	2.4
Industrials		
Ametek (Electronic instruments manufacturer)	US	0.9
Atlas Copco (Industrial equipment manufacturer)	Sweden	1.0
CoStar (Real estate information services)	US	1.0
Epiroc (Industrial equipment manufacturer)	Sweden	0.7
John Deere (Industrial equipment manufacturer)	US	2.4
MISUMI Group (Machinery-parts supplier)	Japan	0.5
Roper (Diversified technology businesses operator)	US	0.8
Schneider Electric (Energy management products)	France	1.1
Spirax-Sarco (Industrial components manufacturer)	UK	0.6
VAT Group (Vacuum valve manufacturer)	Switzerland	0.8
Verisk (Risk analytics and assessment services)	US	0.8
Information Technology		
Accenture (Professional services consultant)	US	1.1
Adobe (Software developer)	US	2.0
Adyen (Payment processing services)	Netherlands	1.2
Apple (Consumer electronics and software developer)	US	1.3
Applied Materials (Semiconductor & display eqpt. mfr.)	US	1.0
ASML (Semiconductor equipment manufacturer)	Netherlands	1.9
EPAM (IT consultant)	US	1.0
Mastercard (Electronic payment services)	US	1.2
Microsoft (Consumer electronics and software developer)	US	2.7
NVIDIA (Semiconductor chip designer)	US	1.1
PayPal (Electronic payment services)	US	2.1
salesforce.com (Customer relationship mgmt. software)	US	1.2
Synopsys (Chip-design software developer)	US	1.4
TeamViewer (Remote connectivity software developer)	Germany	1.1
The Trade Desk (Digital advertising management services)	US	0.9
TSMC (Semiconductor manufacturer)	Taiwan	1.7
Workday (Enterprise resource planning software)	US	1.0
Materials		
No Holdings		
Real Estate		
Country Garden Services (Residential property manager)	China	1.9
Utilities		
ENN Energy (Gas pipeline operator)	China	0.5
Cash		3.1

Model Portfolio holdings are supplemental information only and complement the fully compliant Global Equity ADR 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.

3Q21 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL GADR	Avg. Weight MSCI ACWI	Effect
SVB Financial Group	FINA	2.5	0.1	0.37
Alcon	HLTH	2.3	0.1	0.31
Align Technology	HLTH	3.4	0.1	0.31
Intuitive Surgical	HLTH	2.6	0.2	0.21
Alphabet	COMM	3.6	2.4	0.21

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL GADR	Avg. Weight MSCI ACWI	Effect
Align Technology	HLTH	3.2	0.1	1.74
SVB Financial Group	FINA	2.2	<0.1	1.20
First Republic Bank	FINA	3.0	0.1	0.96
ICICI Bank	FINA	0.8	0.1	0.83
IQVIA	HLTH	2.9	0.1	0.61

3Q21 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL GADR	Avg. Weight MSCI ACWI	Effect
Country Garden Services	RLST	1.6	<0.1	-0.40
NetEase	COMM	1.1	0.1	-0.28
TeamViewer	INFT	1.2	<0.1	-0.28
Pinterest	COMM	0.8	0.1	-0.24
PayPal	INFT	2.3	0.5	-0.20

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL GADR	Avg. Weight MSCI ACWI	Effect
CD Projekt	COMM	0.9	<0.1	-0.97
TeamViewer	INFT	0.8	<0.1	-0.89
Vifor Pharma	HLTH	2.3	<0.1	-0.82
Symrise	MATS	0.9	<0.1	-0.71
Alibaba	DSCR	1.6	0.8	-0.68

Portfolio Characteristics

Quality and Growth	HL GADR	MSCI ACWI
Profit Margin[1] (%)	20.2	12.6
Return on Assets[1] (%)	9.3	6.4
Return on Equity[1] (%)	20.7	14.4
Debt/Equity Ratio[1] (%)	42.4	68.8
Std. Dev. of 5 Year ROE[1] (%)	4.6	5.7
Sales Growth[1,2] (%)	12.9	5.5
Earnings Growth[1,2] (%)	20.7	8.5
Cash Flow Growth[1,2] (%)	17.5	10.1
Dividend Growth[1,2] (%)	9.4	8.7
Size and Turnover	**HL GADR**	**MSCI ACWI**
Wtd. Median Mkt. Cap. (US $B)	69.5	85.2
Wtd. Avg. Mkt. Cap. (US $B)	335.9	356.0
Turnover[3] (Annual %)	30.4	–

Size and Valuation	HL GADR	MSCI ACWI
Alpha[2] (%)	3.53	–
Beta[2]	1.01	–
R-Squared[2]	0.94	–
Active Share[3] (%)	85	–
Standard Deviation[2] (%)	15.18	14.53
Sharpe Ratio[2]	1.10	0.87
Tracking Error[2] (%)	3.7	–
Information Ratio[2]	1.11	–
Up/Down Capture[2]	113/96	–
Price/Earnings[4]	30.0	19.9
Price/Cash Flow[4]	26.3	13.7
Price/Book[4]	6.1	2.9
Dividend Yield[5] (%)	0.5	1.8

[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 Global Equity ADR Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: October 4, 2021, based on the latest available data in FactSet on this date.); Harding Loevner Global Equity ADR Model, based on the underlying holdings; MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
Applied Materials	US	INFT
Baidu	China	COMM
CoStar	US	INDU
Netflix	US	COMM

Positions Sold	Market	Sector
Alibaba	China	DSCR
DBS Group	Singapore	FINA
Estée Lauder	US	STPL
VF Corporation	US	DSCR

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 tables above; and (2) a list showing the weight and relative contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the tables above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall relative 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 Global Equity ADR Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

Global Equity ADR Composite Performance (as of September 30, 2021)

	HL Global ADR Gross (%)	HL Global ADR Net (%)	MSCI ACWI[1] (%)	MSCI World[2] (%)	Hl Global ADR 3-yr. Std. Deviation[3] (%)	MSCI ACWI 3-yr. Std. Deviation[3] (%)	MSCI World 3-yr. Std. Deviation[3] (%)	Internal Dispersion[4] (%)	No. of Accounts[5]	Composite Assets[5] ($M)	Strategy Advisory Only Assets ($M)	Firm Assets ($M)
2021 YTD[6]	12.08	11.47	11.49	13.43	18.58	17.94	18.20	N.A.[7]	5	31	967	73,857
2020	32.01	30.96	16.82	16.50	18.50	18.12	18.26	0.1	6	30	780	74,496
2019	28.18	27.18	27.30	28.40	12.51	11.21	11.13	N.M.[8]	5	23	588	64,306
2018	-9.05	-9.85	-8.93	-8.20	11.85	10.48	10.39	N.M.	2	2	422	49,892
2017	32.97	32.00	24.62	23.07	11.33	10.37	10.24	N.M.	3	3	271	54,003
2016	5.91	5.04	8.48	8.15	11.56	11.07	10.94	N.M.	3	2	148	38,996
2015	2.89	2.07	-1.84	-0.32	11.22	10.78	10.80	N.M.	5	4	73	33,296
2014	6.34	5.47	4.71	5.50	10.90	10.48	10.21	N.M.	5	4	51	35,005
2013	20.91	19.95	23.44	27.37	14.53	13.92	13.52	0.1	7	5	52	33,142
2012	18.53	17.56	16.80	16.54	17.52	17.11	16.72	0.5	7	4	40	22,658
2011	-8.70	-9.41	-6.86	-5.02	20.15	20.59	20.16	0.2	15	8	17	13,597

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the composite, gross of fees, and the index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]Total product accounts and assets are 4,570 and $1,016 million, respectively, at September 30, 2021, include both separately managed and unified managed accounts, and are presented as supplemental information and include advisory-only assets; [6]The 2021 YTD performance returns and assets shown are preliminary; [7]N.A.–Internal dispersion less than a 12-month period; [8]N.M.–Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year. Strategy Advisory Only Assets, total product accounts and assets are supplemental information.

The Global Equity ADR Composite contains fully discretionary, dual contract, fee-paying accounts that may also pay a wrap fee to their custodian investing in US and non-US equity and equity-equivalent securities and cash reserves. The Composite was re-defined in March 2018, to allow for the inclusion of dual contract wrap portfolios. The percentage of wrap assets in the Composite as of December 31, 2020 was 3.59%, as of December 31, 2019 was 3.65%, and as of December 31, 2018 was 42.46%. Securities are held in Depository Receipt (DR) form, including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), or are otherwise traded on US exchanges. For comparison purposes the Composite return is measured against the MSCI All Country World Total Return Index. From 2001 (when the net index first became available) through December 30, 2012, the index return is presented net of foreign withholding taxes. Beginning December 31, 2012, Harding Loevner LP presents the gross version of the index to conform the benchmark's treatment of dividend withholding with that of the Composite. 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 All Country World Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The index consists of 50 developed and emerging market countries. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. The index consists of 23 developed market countries. You cannot invest directly in these Indices.

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. Harding Loevner has been independently verified for the period November 1, 1989 through June 30, 2021.

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 Global Equity ADR Composite has had a performance examination for the periods December 1, 1989 through June 30, 2021. The verification and performance examination reports are available upon request. 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 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 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. Performance for accounts paying a wrap fee is calculated including the trading costs associated with their wrap program.

Under a wrap fee program, a client is charged a specified fee, which is not based directly upon transactions in a client's account, for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisors) and execution of client transactions.

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 Global Equity ADR accounts is 0.80% annually of the market value up to $20 million; 0.40% of amounts above $20 million. Refer to Part 2A of our Form ADV for more details regarding our fees. 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 Global Equity ADR Composite was created on October 31, 2001 and the performance inception date is November 30, 1989.

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