# Global Equity ADR

**Quarterly Report** | Year End 2023

## What's Inside

**Market Review →**
Stock markets recovered in the final quarter of 2023. By the year's end, they had managed to regain essentially all of what was lost in the steep declines that occurred during a challenging 2022.

**Performance and Attribution →**
Sources of relative return by sector and region.

**Perspective and Outlook →**
Four years into the pandemic, the macroeconomy may be nearly healed, but new technologies and geopolitical strains are leaving their imprint on global markets and supply chains.

**Portfolio Highlights →**

Technological innovation is driving shareholder value at ServiceNow and Vertex Pharmaceuticals.

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

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

## Get More Online

**Insights →**
View other reports.

## Composite Performance

**Total Return (%)** — Periods Ended December 31, 2023

| | 3 Months | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|---|---|---|---|---|---|---|
| HL Global Equity ADR (Gross) | 13.57 | 28.45 | 1.40 | 12.02 | 9.47 | 9.43 |
| HL Global Equity ADR (Net) | 13.36 | 27.48 | 0.63 | 11.16 | 8.61 | 8.55 |
| MSCI All Country World Index | 11.15 | 22.81 | 6.25 | 12.26 | 8.48 | 7.48 |
| MSCI World Index | 11.53 | 24.42 | 7.79 | 13.37 | 9.18 | 7.68 |

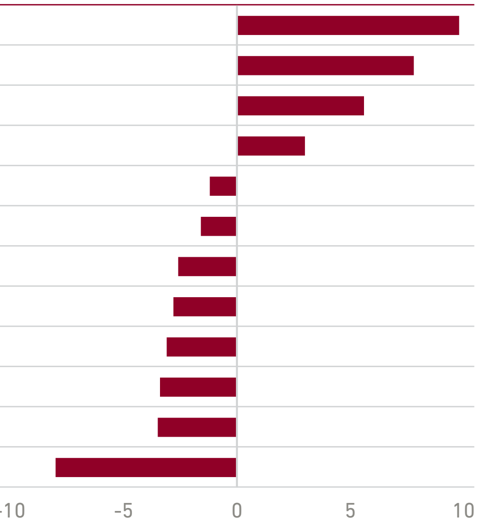
The composite performance returns shown are preliminary. Returns are annualized for periods greater than one year. Global Equity ADR composite inception date: November 30, 1989 corresponds to that of the linked Global Equity composite. MSCI All Country World Index, the benchmark index, and MSCI World Index, the supplemental index, are shown gross of withholding taxes.

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

## Portfolio Positioning (% Weight)

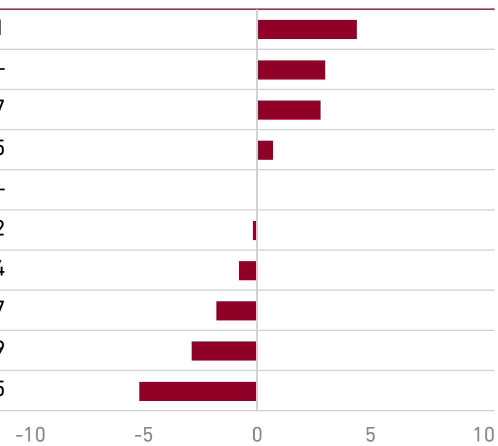
| Sector | HL | Index |
|---|---|---|
| Health Care | 21.0 | 11.2 |
| Industrials | 18.5 | 10.7 |
| Comm Services | 13.0 | 7.4 |
| Cash | 3.0 | – |
| Real Estate | 1.2 | 2.4 |
| Info Technology | 21.3 | 22.9 |
| Utilities | 0.0 | 2.6 |
| Cons Staples | 4.0 | 6.8 |
| Energy | 1.4 | 4.5 |
| Materials | 1.1 | 4.5 |
| Cons Discretionary | 7.6 | 11.1 |
| Financials | 7.9 | 15.9 |

Under / Over




| Geography | HL | Index |
|---|---|---|
| Europe EMU | 12.5 | 8.1 |
| Cash | 3.0 | – |
| Europe ex EMU | 10.5 | 7.7 |
| US | 63.2 | 62.5 |
| Frontier Markets | 0.0 | – |
| Middle East | 0.0 | 0.2 |
| Japan | 4.6 | 5.4 |
| Pacific ex Japan | 0.9 | 2.7 |
| Canada | 0.0 | 2.9 |
| Emerging Markets | 5.3 | 10.5 |

Under / Over




"Frontier Markets": Includes countries with less-developed markets outside the index.

"HL": Global Equity ADR model portfolio. "Index": MSCI All Country World 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, FactSet, MSCI Inc. 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 recovered in the final quarter of 2023, with a sharp turnaround in November erasing the losses of October and indeed those of the third quarter as well. The rally reflected a reversal in investors' outlook for interest rates as inflationary pressures continued to ease. By the year's end, stock markets had managed to regain essentially all of what was lost to the steep declines experienced during a challenging 2022.

The midquarter rally was preceded by a raft of underwhelming US economic data signaling a slowdown in economic growth. This included a deceleration in job creation and further declines in multiple measures of inflation, hinting that central banks' intensive efforts to combat inflation might be drawing to a close. Subsequent inflation data reinforced the view that short-term US policy rates have topped out, and markets quickly priced in rate cuts over the next 12 months. In November, the 12-month US Consumer Price Index inched down to 3.1%, a slight decrease from October's 3.2%, a five-month low. Likewise, the annual inflation rate in the eurozone dropped to 2.4% in November from October's 2.9%, a stark contrast to the double-digit inflation of 2022.

In response to the improving inflationary backdrop, the US Federal Reserve opted to keep the federal funds rate unchanged at 5.25% to 5.5% for the third meeting in a row, while hinting at possible rate cuts in 2024. The European Central Bank followed suit, keeping its policy rate unchanged, indicating a shift in the balance of risks between inflation and growth. In Asia, where inflationary pressures have been less intense, central banks continued their stimulative monetary policies. The People's Bank of China continued to loosen policy, albeit only modestly, amid ongoing struggles to stimulate economic growth. The Bank of Japan maintained its negative interest rate policy despite rising inflation, citing subdued wage growth, lackluster housing investment, and flat government spending.

**MSCI ACWI Index Performance (USD %)**

| Sector | 4Q 2023 | Trailing 12 Months |
|---|---|---|
| Communication Services | 9.4 | 38.3 |
| Consumer Discretionary | 9.9 | 30.6 |
| Consumer Staples | 5.6 | 2.6 |
| Energy | -2.7 | 5.9 |
| Financials | 12.6 | 17.0 |
| Health Care | 6.0 | 4.1 |
| Industrials | 13.3 | 21.9 |
| Information Technology | 17.6 | 55.3 |
| Materials | 11.8 | 12.8 |
| Real Estate | 16.0 | 9.6 |
| Utilities | 11.0 | 1.4 |
| **Geography** | **4Q 2023** | **Trailing 12 Months** |
| Canada | 11.4 | 16.4 |
| Emerging Markets | 7.9 | 10.3 |
| Europe EMU | 12.6 | 24.1 |
| Europe ex EMU | 9.6 | 17.5 |
| Japan | 8.2 | 20.8 |
| Middle East | 9.4 | 11.7 |
| Pacific ex Japan | 11.4 | 6.5 |
| United States | 11.9 | 27.1 |
| MSCI ACWI Index | 11.1 | 22.8 |

Source: FactSet, MSCI Inc. Data as of December 31, 2023.

For the year, enthusiasm for artificial intelligence (AI), especially in the initial months, turbocharged the stock prices of several US mega-cap companies—**Alphabet**, **Amazon.com**, **Apple**, **Meta Platforms**, **Microsoft**, **NVIDIA**, and Tesla—a group that investors have nicknamed the "Magnificent Seven." By year-end, the combined market value of these firms reached nearly US$12 trillion, matching the combined total value of the stock markets in the UK, Canada, and Japan. Backing out the hefty contribution from the Magnificent Seven, international markets would have outperformed the US for the year.

The shift in inflationary expectations catalyzed a surge in US and European bond markets with yields falling across the curve. Yields on US Treasuries declined from mid-October highs, including a drop of 100 basis points (bps) in 10-year Treasury yields. Yields also moved lower in the eurozone, including the yield on Germany's 10-year government bond.

> By year-end, the combined market value of the "Magnificent Seven" reached nearly US$12 trillion, matching the combined total value of the stock markets in the UK, Canada, and Japan.

Throughout the quarter, energy prices, particularly oil, saw sharp declines, as reduced demand and skepticism over the impact of OPEC supply cuts weighed on prices. In contrast, prices rose modestly for financial commodities, gold in particular.

As interest rate differentials narrowed, the US dollar came under pressure and fell against most major developed-market currencies. The year's overall currency trends were more complex: while the currencies of commodity exporters such as Australia and Norway were flat or declined versus the US dollar, mirroring the drop in oil prices, the Swiss franc, euro, and British pound all managed to strengthen relative to the dollar.

Information Technology (IT) led performance viewed by sector, buoyed by expectations for lower interest rates. Sectors often seen as bond proxies, such as Utilities and Real Estate, also

Companies held in the portfolio at the end of 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. A complete list of holdings at December 31, 2023 is available on page 9 of this report.

reflected the rebound in bond markets, recording gains of 11% and 16%, respectively, although their returns significantly lagged the index over the full year. The US Real Estate sector stood out, surging almost 20% as declining long-term mortgage rates spurred expectations of a recovery in residential real estate transactions. Over the full year, IT and associated tech-related sectors such as Consumer Discretionary and Communication Services were the strongest performers, propelled in no small part by the strong showing of the Magnificent Seven in the US.

For the year, while all regions posted positive returns, only the US and the European Monetary Union (EMU) outperformed the index.

In terms of style, returns differed by region: shares of faster-growing companies outperformed their slower-growing counterparts in the US, whereas in China and the eurozone the pattern was reversed. A similar split was evident with valuation, as expensive US and eurozone stocks outperformed. Over the course of the year, although high-quality stocks saw some benefit, the robust returns of growth stocks took center stage, again skewed by the performance of the US and its very large weight in the global index. The top quintile of the fastest-growing companies outperformed the index by over 20 percentage points, with a significant contribution coming from IT companies. In the same vein, expensive stocks outshone their less-expensive counterparts for the year.

# Performance and Attribution

The Global Equity ADR composite rose 13.6% gross of fees in the quarter, ahead of the 11.2% gain in the MSCI ACWI Index. For the full year, the composite appreciated 28.5% gross of fees, exceeding the 22.8% increase in the benchmark.

The IT sector and internet-based businesses in the Communication Services sector were key contributors to our fourth-quarter outperformance. Anticipation of a bottom in the semiconductor cycle propelled shares of semiconductor chip and equipment manufacturers such as **Broadcom** and **ASML**. **Netflix** and **Pinterest** reported growth in total subscribers in their third-quarter results, diminishing concerns over their ability to retain users who flocked to their platforms during pandemic lockdowns.

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Health Care outperformed for the quarter and year, due in part to a strong showing by US-based **Vertex Pharmaceuticals**, even as other holdings in the sector posted weak returns. Vertex reported positive phase 2 trial data for a drug to address diabetic neuropathic pain. Shares of **Genmab** declined because investors are having to wait until 2024 for more visibility on three key oncology drugs in development. **WuXi AppTec** and **Thermo Fisher Scientific** each lowered growth forecasts amid waning COVID-19-related demand and a decline in the number of new drug projects.

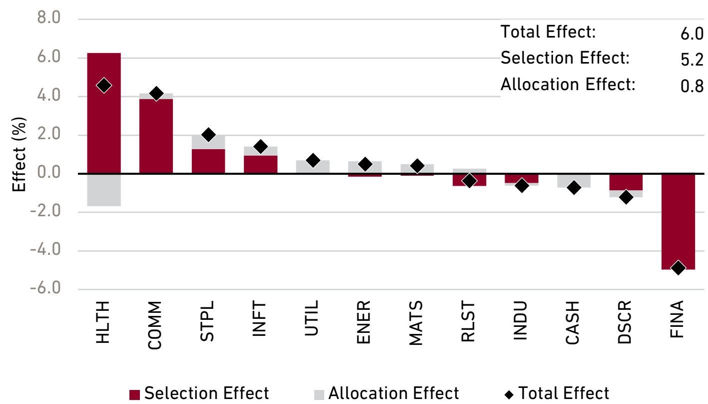
By region, the most noteworthy positive contributors were the US and the EMU. Shares of Dutch payments provider **Adyen** rebounded from an earlier drop that was triggered by the company's lackluster financial results for the first half of the year. Adyen's management alleviated investors' concerns by outlining a three-year plan to deliver greater than 20% annualized revenue growth as well as improve margins.

For the full year, we had strong stock selection in the Communication Services sector. This included companies that appeared to benefit from a wave of investment in generative AI, such as Meta, the parent of Facebook. Meta also dialed back its previously aggressive capital-expenditure plans, which helped

### Trailing 12 Months Performance Attribution

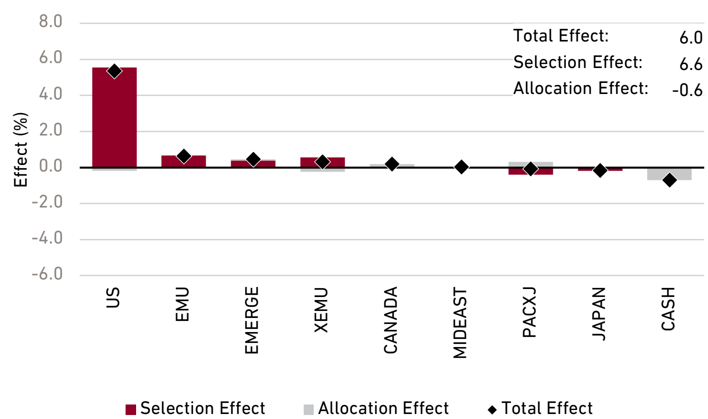
#### Sector

**Global Equity ADR Composite vs. MSCI ACWI Index**




#### Geography

**Global Equity ADR Composite vs. MSCI ACWI Index**




Source: Harding Loevner Global Equity ADR composite, FactSet, MSCI Inc. 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.

its shares to nearly triple in price. Our IT investments fared well, including chipmaker NVIDIA, as well as software and services companies such as **Synopsys** that help with computer-chip design and those embedding AI into their software platforms, such as **Adobe**, **Salesforce**, and **ServiceNow**.

The US market was the largest contributor to relative returns in 2023, even with the significant hit in the first quarter from the collapse in value of two US financial holdings, First Republic and Silicon Valley Bank. The EMU, led by one of our largest holdings, **Schneider Electric**, also boosted performance. Schneider continues to benefit from its market-leading position in energy management and automation products as demand increases for electrification hardware and software.

# Perspective and Outlook

As we approach the four-year anniversary of the COVID-19 pandemic, it might appear that the virus has had little lasting impact on the global macroeconomy. Inflation is abating, and unemployment levels in the US and Europe are rapidly falling to pre-COVID levels. US and global GDP growth, as well as the US national deficit, also have reverted to pre-pandemic trends. The exception to this backdrop is interest rates, which the world over are notably higher than they were four years ago.

While these variables suggest little lasting structural damage from the pandemic, the world has changed in meaningful ways. Geopolitical dynamics are very different today from four years ago. Additionally, governments are trying to manage the impact of new technologies, such as AI, which will have broad implications for international relations as well as businesses and their supply chains.

On the geopolitical front, the world seems to have become too small to accommodate the competing strategic appetites of China, Iran, North Korea, Russia, and the US, among others. To be sure, Russia's designs on Ukraine and China's desire to establish its socioeconomic model as the preferred global alternative to the US predate the pandemic. But it was the pandemic that exposed the fragility of extended global supply chains controlled by geopolitical adversaries.

> Geopolitical dynamics are very different today from four years ago.

It is fascinating to witness what has evolved since. On the one hand, the consumer economy remains highly globalized. Producers of goods still operate on an international scale, and consumers can instantaneously price shop from domestic and foreign retail sites—witness the meteoric rise of Chinese e-commerce platforms Shein and Temu among younger consumers in the US in 2023. On the other hand, the industrial and manufacturing sectors must navigate the increasing balkanization of supply chains amid new state industrial policies that prioritize national security considerations, particularly as they relate to technological leadership. While the US is the most notable recent case, it is to some degree echoing China's long-standing industrial policies that favor localization of supply chains. For example, the US has imposed export restrictions on semiconductors, the underlying hardware for AI. It also has established government-authorized supply chains where other prized technology is involved, such as the production of electric vehicles.

It can be argued that technological innovation is at the core of global instability today. China and the US are locked in a full-scale competition for control over AI infrastructure and applications. Advances in AI can be expected to exacerbate the digital disinformation wars by enabling even more convincing counterfeit images and videos. And AI isn't the only source of tension: the same social media technology that allows Shein to reach American teenagers on Snapchat is also being used to inflame the Israeli-Palestinian conflict.

Technology drove global share-price gains these past four years, with the tech sector returning 20% per year, nearly 2.5 times the 8.5% return of the MSCI ACWI Index. But, like fire, technology gives and it takes. What it has given in superior equity-market performance it can undoubtedly take away, as its adverse uses foster uncertainty, volatility, and subsequent investor risk aversion. Therefore, it is puzzling to see that the VIX—the index that measures expected volatility in the S&P 500 Index as implied by option prices—is low. Sustained low volatility of global share prices would be increasingly at odds with the risks we see.

In this geopolitical environment, where months of apparent market calm can be suddenly shattered by a risk event of whatever origin, a portfolio of companies with superior quality and growth characteristics trading at reasonable valuations should prove especially resilient. Our companies are characterized by strong balance sheets and internally funded growth, so that in the event of sudden interruption to capital markets they will have the wherewithal to continue to grow and invest in their businesses. Valuations across the portfolio are more attractive on a relative basis today than at any time in the past 10 years, while the forecast volatility of the portfolio also has been significantly reduced since the beginning of 2022. These characteristics are partly the result of transactions in which we sold expensive and more volatile-looking securities amid a rebound in US growth stocks and increased our exposure to more attractively valued, lower-volatility stocks in Europe.

While we are confident in the earning power of our companies, we are not confident in our ability to anticipate when the next negative market catalyst will emerge to upend the consensus expectations underpinning share prices. Therefore, we do not hold positions larger than 5% in individual securities, nor do we congregate capital into relatively few sectors or geographies. We remain well diversified, consistently holding more than 50 companies across a minimum of seven industrial sectors and 15 markets.

Even as the underlying conditions of global instability persist, we anticipate meaningful growth opportunities for the portfolio as AI evolves. The AI infrastructure boom of 2023, in our view, will serve as the foundation of long-term improvements in productivity and profitability across global enterprises. Companies of all sizes will inevitably connect their data sets to language models assisted by AI agents or "co-pilots" to automate tasks, serve customers, and potentially sell new and perhaps more valuable insights and solutions.

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First-mover advantages in adopting language models are likely to dissipate as open-source or low-cost third-party language models proliferate. Instead, access to valuable proprietary data sets will be the likely source of lasting AI competitive advantage. Right now, much digital information is siloed within organizations, making it difficult to interrogate and draw useful insights. As generative AI helps to integrate these data sets, it is likely to reveal an important distinction between businesses that possess valuable data and those that don't. For this reason, we'd expect the list of AI winners to greatly expand over time and to include a company such as **Intuitive Surgical**.

As the dominant provider of robot-assisted surgery, Intuitive has amassed vast data on individual surgical procedures around the world—information that can be used to establish best practices to which individual hospitals and surgeons can be benchmarked. Increasingly, Intuitive is offering real-time surgical advice through an AI computational observer inside operating rooms. It is also training robots to automate aspects of surgery, such as stapling, gradually expanding the company's addressable market. Like most businesses today, it has yet to develop a monetization strategy for AI; however, we believe one is likely to come in the form of personalized AI co-pilots available to surgeons for a subscription fee.

> Even as the underlying conditions of global instability persist, we anticipate meaningful growth opportunities for the portfolio as AI evolves.

Longtime holding Amazon.com is another company we view as a long-term AI winner. Amazon holds a trove of customer shopping data that it monetizes through advertising, a high-margin, fast-growing US$50 billion business, which is increasingly supported by AI. The company is also well positioned to offer its many thousands of web-services customers the AI tools needed to structure their own data, attach it to language models, and develop agents to write code. A key feature of Amazon's strategy is to custom fit a language model to each client's business, providing security that the model is trained using only that client's data.

Innovation remains the lifeblood of growth companies. While unpredictable geopolitical risks are on the rise, we remain confident in our ability to identify quality-growth businesses such as Intuitive Surgical and Amazon that contribute to, and benefit from, ongoing innovation across industries globally, and therefore generate superior long-term earnings growth and shareholder returns.

# Portfolio Highlights

Information technology is a crucial part of almost every business. As generative AI infiltrates more and more businesses, their leaders are increasingly recognizing the need for an IT platform that can support the evolution of their business model in an ever-evolving world. Generally, that has entailed a more consolidated, cloud-based infrastructure that can help drive cost efficiency as well as productivity. ServiceNow has become a preferred vendor for addressing those needs.

ServiceNow has differentiated itself through the fast implementation times made possible by the simplicity of its Now Platform, which features a single code base and data model. This makes it easier to roll out across large organizations such as those in the public sector. For example, it took just six months for ServiceNow to develop a digital governmental-services tool to be used by citizens in one US state, and as of the third quarter, its business with the US federal government had increased 75% year over year. After beating and raising its guidance three quarters in a row, ServiceNow forecast full-year revenue growth of 25% for 2023, far eclipsing the 4.3% growth in global IT spending.

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ServiceNow is also among the earliest providers of workflow solutions equipped with generative AI, technology that can help IT departments diagnose and address tech issues faster. For example, with AI able to summarize internal or external requests, IT staff can focus on next steps, whether that be issuing a new computer to an employee or granting a user access to certain functions. ServiceNow also can train large language models with a client's own data to ensure the results are relevant and trustworthy. These enhanced capabilities add to ServiceNow's pricing power, with generative-AI-enabled software commanding, on average, roughly 30% higher prices than software without generative AI. ServiceNow's remarkable customer satisfaction, as evidenced by its high customer-retention rates and expanding relationships, is allowing the company to grow rapidly and profitably.

The universal pursuit of lower costs and higher productivity offers growth potential for software providers able to automate or expedite many costly, labor-intensive processes for their customers.

All of our holdings competing in the enterprise-software arena—Adobe, Amazon, Microsoft, Salesforce, **SAP**, ServiceNow, and Synopsys—have the ability to overlay new AI features onto their existing software offerings and have pointed to rising customer demand for such capabilities. As the impact of AI ripples through organizations globally, we are likely to witness a step change in terms of what people and machines can do to improve current business processes as well as invent and integrate new products and services.

The potential for technological innovation to create shareholder value goes far beyond the effects of AI, of course. For example, Vertex Pharmaceuticals is building a significant competitive advantage through its unique approach to drug discovery.

Unlike most drug developers, which focus on mitigating symptoms of an illness, Vertex seeks to understand and address the causal biology of a disease more fully. This approach has helped the company establish a wide lead in treating cystic fibrosis (CF), a rare disease that causes mucus buildup in organs such as the lungs. Vertex's research and treatments have targeted the root cause of CF, which is that a particular protein becomes misfolded and unable to move chloride out of a cell, resulting in an imbalance between salt and water. Its scientists have been able to do this by working with the lung cells of real CF patients, an advantage over using engineered animal cells to simulate the disease-causing mechanism to determine which drug candidate is most promising for humans. Vertex's latest therapy, approved in 2019, is Trikafta, a combination of three medicines that targets a mutation found in 90% of CF patients.

Vertex is now using the same approach to address other illnesses. In 2023, Casgevy, its treatment for sickle cell disease, became the first CRISPR-based gene-editing therapy to receive regulatory approval. (CRISPR, a technology honored by the Nobel Prize in 2020, allows scientists to make precise changes to parts of the genome, the set of DNA instructions found in a cell.) By correcting the faulty gene that causes sickle cell disease, Casgevy could offer a one-time therapy to cure approximately 16,000 patients who have the red blood cell disorder—a significant improvement over the usual course of treatment, which is merely to manage symptoms through blood transfusions and pain medicines.

Unlike most drug developers, which focus on mitigating symptoms of an illness, Vertex seeks to understand and address the causal biology of a disease more fully.

As Vertex turns toward treating Type 1 diabetes and non-opioid pain management next, the company's CEO is forecasting a "milestone-rich period." Meanwhile, the commercial rollout of Trikafta has been so successful that management increased company revenue projections twice in 2023. Each CF treatment introduced by Vertex has not only made substantial improvements over earlier generations but also arrived long before the patents expired on the previous therapy. By quickly and repeatedly raising the standard of care, Vertex was able to ward off competition from a potential new market entrant. The rival found it too difficult to catch up and ultimately abandoned its efforts.

Harding Loevner's Quality, Growth, and Value rankings are proprietary measures determined using objective data. Quality rankings are based on the stability, trend, and level of profitability, as well as balance sheet strength. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected changes in earnings and profitability. Value rankings are based on several valuation measures, including price ratios.

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## Global Equity ADR Holdings (as of December 31, 2023)

| Communication Services | Market | End Wt. (%) |
|---|---|---|
| **Alphabet** (Internet products and services) | US | 3.8 |
| **Meta Platforms** (Virtual reality and social network) | US | 3.7 |
| **Netflix** (Entertainment provider) | US | 1.7 |
| **Pinterest** (Social network) | US | 1.9 |
| **Rightmove** (Online property listings operator) | UK | 1.1 |
| **Tencent** (Internet and IT services) | China | 0.8 |
| **Consumer Discretionary** | | |
| **Amazon.com** (E-commerce retailer) | US | 3.4 |
| **Kering** (Luxury goods manufacturer) | France | 1.2 |
| **Nike** (Athletic footwear and apparel retailer) | US | 0.8 |
| **Sony** (Japanese conglomerate) | Japan | 2.1 |
| **Consumer Staples** | | |
| **Costco** (Membership warehouse store operator) | US | 1.4 |
| **Haleon** (Consumer health products manufacturer) | UK | 0.8 |
| **L'Oréal** (Cosmetics manufacturer) | France | 1.8 |
| **Energy** | | |
| **SLB** (Oilfield services) | US | 1.5 |
| **Financials** | | |
| **Adyen** (Payment processing services) | Netherlands | 0.9 |
| **AIA Group** (Insurance provider) | Hong Kong | 0.9 |
| **Bank Central Asia** (Commercial bank) | Indonesia | 1.0 |
| **CME Group** (Derivatives exchange and trading services) | US | 2.0 |
| **HDFC Bank** (Commercial bank) | India | 0.9 |
| **Tradeweb** (Electronic financial trading services) | US | 1.4 |
| **XP** (Broker dealer and financial services) | Brazil | 0.8 |
| **Health Care** | | |
| **AbbVie** (Biopharmaceutical manufacturer) | US | 1.1 |
| **Alcon** (Eye care products manufacturer) | Switzerland | 1.3 |
| **Chugai Pharmaceutical** (Pharma manufacturer) | Japan | 1.8 |
| **Danaher** (Diversified science and tech. products and svcs.) | US | 2.0 |
| **Edwards Lifesciences** (Medical device manufacturer) | US | 0.9 |
| **Genmab** (Oncology drug manufacturer) | Denmark | 1.1 |
| **Intuitive Surgical** (Medical equipment manufacturer) | US | 1.3 |
| **Repligen** (Biopharma equipment supplier) | US | 1.0 |
| **Roche** (Pharma and diagnostic equipment manufacturer) | Switzerland | 0.8 |
| **Thermo Fisher Scientific** (Health care products & svcs.) | US | 2.7 |
| **UnitedHealth Group** (Health care support services) | US | 2.1 |
| **Vertex Pharmaceuticals** (Pharma manufacturer) | US | 4.1 |
| **WuXi AppTec** (Biopharma manufacturer) | China | 0.8 |

| Industrials | Market | End Wt. (%) |
|---|---|---|
| **Ametek** (Electronic instruments manufacturer) | US | 1.5 |
| **Atlas Copco** (Industrial equipment manufacturer) | Sweden | 1.3 |
| **Diploma** (Specialized technical services) | UK | 1.1 |
| **Epiroc** (Industrial equipment manufacturer) | Sweden | 1.1 |
| **Honeywell** (Diversified technology & product manufacturer) | US | 1.0 |
| **John Deere** (Industrial equipment manufacturer) | US | 2.7 |
| **MISUMI Group** (Machinery-parts supplier) | Japan | 0.7 |
| **Northrop Grumman** (Aerospace and defense mfr.) | US | 1.0 |
| **Rockwell Automation** (Manufacturing IT provider) | US | 1.9 |
| **Schneider Electric** (Energy management products) | France | 4.3 |
| **SGS** (Quality assurance services) | Switzerland | 0.9 |
| **Spirax-Sarco** (Industrial components manufacturer) | UK | 0.8 |
| **Veralto** (Environmental and applied solutions provider) | US | 0.2* |
| **Information Technology** | | |
| **Accenture** (Professional services consultant) | US | 2.1 |
| **Adobe** (Software developer) | US | 1.7 |
| **Apple** (Consumer electronics and software developer) | US | 1.7 |
| **Applied Materials** (Semiconductor & display eqpt. mfr.) | US | 1.4 |
| **ASML** (Semiconductor equipment manufacturer) | Netherlands | 1.6 |
| **Broadcom** (Semiconductor manufacturer) | US | 2.1 |
| **Microsoft** (Consumer electronics & software developer) | US | 2.7 |
| **NVIDIA** (Semiconductor chip designer) | US | 1.4 |
| **Salesforce** (Customer relationship mgmt. software) | US | 1.2 |
| **SAP** (Enterprise software developer) | Germany | 1.5 |
| **ServiceNow** (Enterprise resource planning software) | US | 1.5 |
| **Synopsys** (Chip-design software developer) | US | 1.3 |
| **TSMC** (Semiconductor manufacturer) | Taiwan | 1.1 |
| **Materials** | | |
| **Symrise** (Fragrances and flavors manufacturer) | Germany | 1.1 |
| **Real Estate** | | |
| **CoStar** (Real estate information services) | US | 1.2 |
| **Utilities** | | |
| **No Holdings** | | |
| **Cash** | | 3.0 |

*Shares of Veralto were received as part of a spin-off from portfolio holding Danaher.

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.

### 4Q23 Contributors to Relative Return (%)

| Largest Contributors | Sector | Avg. Weight HL | Avg. Weight Index | Effect |
|---|---|---|---|---|
| Schneider Electric | INDU | 4.0 | 0.2 | 0.41 |
| Pinterest | COMM | 1.7 | <0.1 | 0.40 |
| Adyen | FINA | 0.7 | <0.1 | 0.34 |
| Broadcom | INFT | 1.9 | 0.6 | 0.27 |
| Vertex Pharmaceuticals | HLTH | 4.0 | 0.2 | 0.22 |

### Last 12 Mos. Contributors to Relative Return (%)

| Largest Contributors | Sector | Avg. Weight HL | Avg. Weight Index | Effect |
|---|---|---|---|---|
| Meta Platforms | COMM | 3.0 | 0.9 | 1.85 |
| Align Technology | HLTH | 0.8 | <0.1 | 1.55 |
| XP | FINA | 0.9 | – | 0.88 |
| Schneider Electric | INDU | 4.0 | 0.1 | 0.75 |
| Broadcom | INFT | 1.6 | 0.5 | 0.71 |

### 4Q23 Detractors from Relative Return (%)

| Largest Detractors | Sector | Avg. Weight HL | Avg. Weight Index | Effect |
|---|---|---|---|---|
| SLB | ENER | 1.6 | 0.1 | -0.37 |
| WuXi AppTec | HLTH | 1.0 | <0.1 | -0.28 |
| Genmab | HLTH | 1.2 | <0.1 | -0.28 |
| Kering | DSCR | 1.3 | 0.1 | -0.19 |
| Thermo Fisher Scientific | HLTH | 2.6 | 0.3 | -0.16 |

### Last 12 Mos. Detractors from Relative Return (%)

| Largest Detractors | Sector | Avg. Weight HL | Avg. Weight Index | Effect |
|---|---|---|---|---|
| First Republic Bank | FINA | 0.5 | <0.1 | -2.72 |
| SVB Financial Group | FINA | 0.4 | <0.1 | -2.31 |
| John Deere | INDU | 3.0 | 0.2 | -0.98 |
| Apple | INFT | 1.5 | 4.4 | -0.68 |
| Hexagon | INFT | 1.3 | <0.1 | -0.67 |

"HL": Global Equity ADR composite. "Index": MSCI All Country World Index.

### Portfolio Characteristics

| Quality and Growth | HL | Index |
|---|---|---|
| Profit Margin[1] (%) | 16.9 | 15.1 |
| Return on Assets[1] (%) | 10.7 | 8.8 |
| Return on Equity[1] (%) | 22.5 | 18.5 |
| Debt/Equity Ratio[1] (%) | 36.7 | 67.5 |
| Std. Dev. of 5 Year ROE[1] (%) | 4.7 | 5.5 |
| Sales Growth[1,2] (%) | 11.9 | 7.9 |
| Earnings Growth[1,2] (%) | 15.7 | 13.5 |
| Cash Flow Growth[1,2] (%) | 14.9 | 12.0 |
| Dividend Growth[1,2] (%) | 9.4 | 7.0 |
| **Size and Turnover** | **HL** | **Index** |
| Wtd. Median Mkt. Cap. (US $B) | 120.0 | 101.9 |
| Wtd. Avg. Mkt. Cap. (US $B) | 424.3 | 469.2 |
| Turnover[3] (Annual %) | 30.0 | – |

| Risk and Valuation | HL | Index |
|---|---|---|
| Alpha[2] (%) | -0.81 | – |
| Beta[2] | 1.08 | – |
| R-Squared[2] | 0.92 | – |
| Active Share[3] (%) | 82 | – |
| Standard Deviation[2] (%) | 19.96 | 17.79 |
| Sharpe Ratio[2] | 0.51 | 0.58 |
| Tracking Error[2] (%) | 5.7 | – |
| Information Ratio[2] | -0.04 | – |
| Up/Down Capture[2] | 107/107 | – |
| Price/Earnings[4] | 29.6 | 18.5 |
| Price/Cash Flow[4] | 20.8 | 13.0 |
| Price/Book[4] | 5.6 | 2.8 |
| Dividend Yield[5] (%) | 1.0 | 2.0 |

[1]Weighted median. [2]Trailing five years, annualized. [3]Five-year average. [4]Weighted harmonic mean. [5]Weighted mean. Source: (Risk characteristics): Harding Loevner Global Equity ADR composite based on the composite returns, gross of fees, eVestment Alliance LLC, MSCI Inc. Source: (other characteristics): Harding Loevner Global Equity ADR model based on the underlying holdings, FactSet (Run Date: January 4, 2024) based on the latest available data in FactSet on this date.), MSCI Inc.

### Completed Portfolio Transactions

| Positions Established | Market | Sector |
|---|---|---|
| Rightmove | UK | COMM |

| Positions Sold | Market | Sector |
|---|---|---|
| There were no completed sales this quarter. | | |

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. Performance of contributors and detractors is net of fees, which is calculated by taking the difference between net and gross composite performance for the Global Equity ADR strategy prorated by asset weight in the portfolio and subtracted from each security's return. 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 December 31, 2023)

| | 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2023[6] | 28.45 | 27.48 | 22.81 | 24.42 | 19.95 | 16.27 | 16.75 | N.M. | 3 | 9 | 596 | 43,926 |
| 2022 | -31.67 | -32.22 | -17.96 | -17.73 | 22.56 | 19.86 | 20.43 | N.M. | 6 | 27 | 638 | 47,607 |
| 2021 | 18.80 | 17.95 | 19.04 | 22.35 | 16.85 | 16.83 | 17.05 | N.M. | 5 | 32 | 1061 | 75,084 |
| 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. | 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 |

[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 3585 and $619 million, respectively, at December 31, 2023, and both include separately managed and advisory-only assets. [6]The 2023 performance returns and assets shown are preliminary. 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 and 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, 2023 was 0.00%, December 31, 2022 was 0.00%, as of December 31, 2021 was 0.00%, 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 47 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 indexes.

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 September 30, 2023. The verification and performance examination reports are available upon request.

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 September 30, 2023. 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 for certain portfolios within the composite and net of withholding for others. 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 for the first $20 million and 0.40% 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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