Global Equity

Quarterly Report | Second Quarter 2022

HARDING LOEVNER

What's Inside

Market Review →
Global stocks and bonds fell precipitously as interest rate hikes provoked by soaring consumer prices threatened a global recession.

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

Perspective and Outlook →
Historically, an overweight to the highest-quality companies has helped in market routs. In this one it has hurt (so far). But that also puts us in a more favorable position to find excellent companies whose shares are priced to perform well in the years ahead.

Portfolio Highlights →
Most of our companies have continued to report great results but have been punished nonetheless by the style shift against high valuations and by the looming concern about the economy. That's not to say the portfolio is unblemished by the occasional stumble that, in the current unforgiving climate, is all that's needed for immediate rustication.

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

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

Get More Online

Webcast →
Watch the Global Equity quarterly review.

Insights →
View other reports.

Composite Performance

Total Return (%) – Periods Ended June 30, 2022[1]

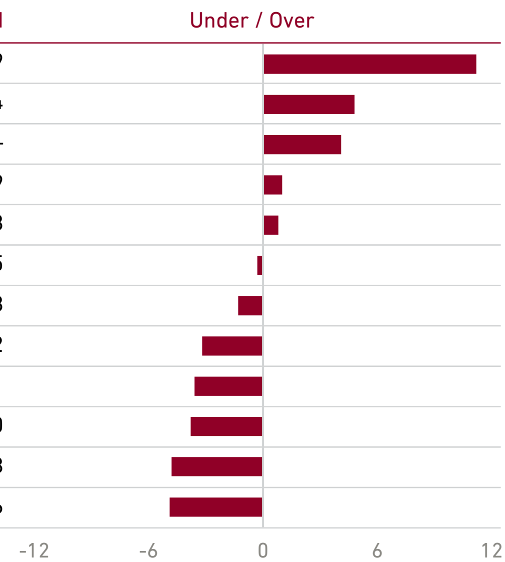
	3 Months	YTD	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Global Equity (Gross of Fees)	-20.55	-30.36	-28.14	5.20	7.16	9.89	9.51
HL Global Equity (Net of Fees)	-20.63	-30.52	-28.45	4.77	6.71	9.41	8.87
MSCI All Country World Index[4,5]	-15.53	-19.97	-15.37	6.70	7.53	9.32	7.08
MSCI World Index[5,6]	-16.05	-20.29	-13.94	7.51	8.22	10.10	7.22

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1989; [4]The benchmark index; [5]Gross of withholding taxes; [6]Supplemental index.

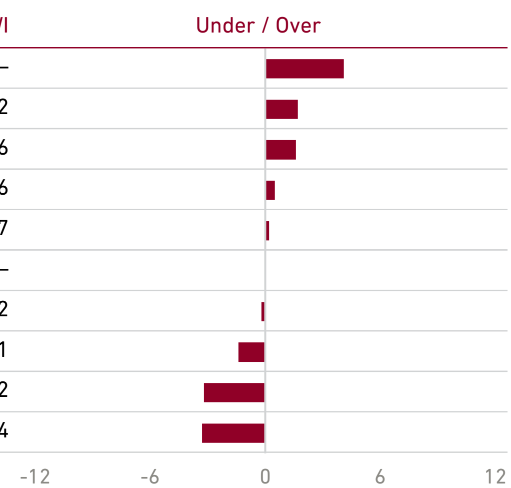
Past Performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL Global	MSCI ACWI
Health Care	24.1	12.9
Industrials	14.2	9.4
Cash	4.1	–
Comm Services	8.9	7.9
Info Technology	21.6	20.8
Financials	14.2	14.5
Real Estate	1.5	2.8
Utilities	0.0	3.2
Cons Discretionary	7.5	11.1
Energy	1.2	5.0
Materials	0.0	4.8
Cons Staples	2.7	7.6



Geography	HL Global	MSCI ACWI
Cash	4.1	–
Europe ex-EMU	9.9	8.2
Europe EMU	9.2	7.6
US	61.1	60.6
Emerging Markets	11.9	11.7
Frontier Markets[7]	0.0	–
Middle East	0.0	0.2
Pacific ex-Japan	1.7	3.1
Canada	0.0	3.2
Japan	2.1	5.4



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

This page intentionally left blank.

Market Review

Global stocks and bonds fell precipitously as interest rate hikes provoked by soaring consumer prices threatened a global recession. This year's rout has wiped out over US$13 trillion dollars from global stock markets.

Inflation in most developed economies continued to climb, reaching the highest level in a generation. Lingering supply chain disruptions, food and energy shortages worsened by the Ukrainian conflict, and resurgent consumer demand post-pandemic contributed to rising prices. Central banks, having previously insisted that price pressures were transitory, were forced to make a U-turn, setting out aggressive plans to regain the upper hand and restore price stability. The US Federal Reserve boosted its benchmark interest rate by 0.75%—the largest single increase in 28 years—after a worse-than-expected 8.6% rise in consumer prices in May and pledged to increase rates until inflation is under control. Central bankers in the UK, Canada, Australia, and Switzerland all raised borrowing rates, along with numerous emerging markets (EMs) central banks. The European Central Bank, despite faltering economic growth, previewed a July rate increase that will be its first in 11 years and hinted at additional hikes in the months ahead. An exception was the Bank of Japan, which remains committed to its ultra-accommodative monetary policy. All these factors weighed on the economic outlook; in the World Bank's most recent forecast, global growth slows to 2.9% in 2022—a marked drop from the 4.1% growth it forecast a mere five months earlier.

Swooning markets offered few places to hide. Global bonds, as measured by the Bloomberg Global-Aggregate Index, fell almost 10%. Commodities, a stalwart performer since the rollout of vaccines in late 2020, cracked in the closing weeks of the quarter as fears of recession overshadowed inflation. Crypto assets suffered a ferocious collapse accelerated by leverage structures. Value stocks, whose discounted cash flows may be less impacted by rising rates, fared somewhat better than broad-based indexes. The MSCI All Country World Value Index has outperformed its Growth counterpart by 16 percentage points in the year to date; the disparity between the performance of the most expensive and the cheapest quintiles of stocks was wide, at over 21%, although it had been even wider until growing recession fears led to a sell-off of shares of cyclical companies in late June. Even the stocks of high-quality companies—those with higher profitability, more stable cash flows, and lower leverage—failed to provide refuge: the highest quintile of quality trailed the overall market by nearly 250 basis points for the quarter and over 450 basis points for the half year.

Swooning markets offered few places to hide, though value stocks fared somewhat better than the rest. The MSCI All Country World Value Index has outperformed its Growth counterpart by 16 percentage points in the year to date.

Every sector finished the quarter in the red. Like last quarter, shares of companies sensitive to business confidence, such as those in Information Technology (IT) and Consumer Discretionary, registered the biggest losses. Higher rates and their portent of expanding net interest margins did little for shares of Financials, as investors weighed the offsetting prospects of anemic loan growth and mounting defaults. Materials stocks fell alongside declines in iron ore and copper prices. Even the Energy sector sold off on a late fade in oil prices.

All regions declined. EMs performed the best, helped by the positive performance of China as Beijing and Shanghai eased their weeks-long COVID-19 lockdowns. The government also announced new stimulus measures, including tax relief and infrastructure spending, to boost economic activity in the wake of the shutdowns. Other than tiny Middle East (which just contains Israel), the US performed the worst, weighed down by its large tilt to high-priced fast-growing technology stocks.

MSCI ACWI Index Performance (USD %)

Sector	2Q 2022	Trailing 12 Months
Communication Services	-18.1	-29.6
Consumer Discretionary	-20.2	-28.7
Consumer Staples	-6.0	-4.1
Energy	-5.0	22.6
Financials	-15.6	-11.4
Health Care	-7.1	-4.0
Industrials	-16.1	-18.3
Information Technology	-21.6	-20.2
Materials	-19.7	-15.7
Real Estate	-13.8	-13.1
Utilities	-7.0	4.0
Geography	**2Q 2022**	**Trailing 12 Months**
Canada	-15.6	-7.3
Emerging Markets	-11.3	-25.0
Europe EMU	-15.4	-23.4
Europe ex-EMU	-13.0	-10.2
Japan	-14.6	-19.6
Middle East	-19.9	-17.7
Pacific ex-Japan	-14.1	-14.8
United States	-16.8	-12.8
MSCI ACWI Index	-15.5	-15.4

Source: FactSet (as of June 30, 2022). MSCI Inc. and S&P.

Companies held in the portfolio at the end of 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 June 30, 2022 is available on page 9 of this report.

Performance and Attribution

The Global Equity Composite fell 20.6% in the quarter, gross of fees, trailing the 15.5% decline for the MSCI All Country World Index. Performance was plagued by poor stocks among expensive, fast-growing companies, which continued to bear the brunt of selling pressure.

Our longstanding structural overweight to shares of the fastest-growing companies, many of which are also among the most expensive, accounted for about half the portfolio's underperformance. Stock selection was also poor, particularly in the US and within Health Care, Industrials, and Consumer Discretionary sectors.

Among our biggest detractors overall were two US-based Health Care companies, **Illumina** (discussed in detail below) and **Align Technology**. The latter, whose revolutionary digital scanning and 3D-printed tray-based teeth-straightening system saw a huge bump during the pandemic (and the shift to Zoom meetings that call more attention to people's appearance from the neck up), withdrew its guidance for 2022 after seeing some slackening in demand from consumers cutting back on discretionary health spending. Long-term, the company still projects growth in the 20–30% range.

Our weakest-performing Industrials holding, French engineering energy management company **Schneider Electric**, underperformed due to fears a European recession could be imminent and to the debilitating lockdown effects in Shanghai, the center of its extensive manufacturing and distribution operations in China. The shares of US-based agricultural machinery maker **John Deere** suffered as rising costs for inputs ate into its profit margins. Within Consumer Discretionary, South American e-commerce company **MercadoLibre**'s shares slid due to slowing growth in the region and higher financing costs which, together with aggressive hiring and capacity expansion, squeezed the firm's bottom line.

Relatively brighter spots were our Chinese holdings, including **Tencent**, **WuXi Biologics**, and Hong Kong-based insurance provider **AIA Group**, whose shares outperformed due in part to perceptions of expansion opportunities on the mainland created by a stabilizing Chinese regulatory environment and expectations for further policy stimulus to support economic growth.

Perspective and Outlook

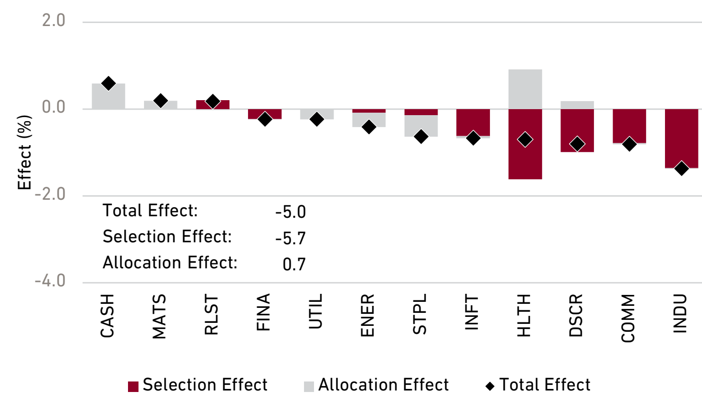
Since our founding 33 years ago, we have stuck to the same approach: investing in reasonably priced shares of high-quality growing businesses. We want to own growing companies because the compounding of economic value creation is the foundation for long-term investor returns. We prefer high-quality businesses because they typically create more economic value and are more resilient in the face of adversity than lesser businesses. Moreover, because quality and growth are synergistic, the benefit of insisting on both factors can be greater than the sum of the factor parts. High-quality businesses can sustain their profitable growth over multiple businesses cycles, and there is greater visibility into their long-term cash flows than for companies whose businesses are more exposed to economic vagaries. Much of our focus is aimed at projecting uncertain future cash flows, handicapping them to account for risk, and continually monitoring fluctuations in the attendant valuations, which allows us to judge when to pounce on price declines in the shares of fundamentally strong businesses or—conversely—to take some of our exposure to strong and expensive businesses off the table. After all, returns are inextricably linked to what you paid (or could have received).

We have worried—and written—a good deal about the nosebleed valuations for the fastest-growing cohort of companies, and we trimmed our holdings at the margin when valuations reached

Second Quarter 2022 Performance Attribution

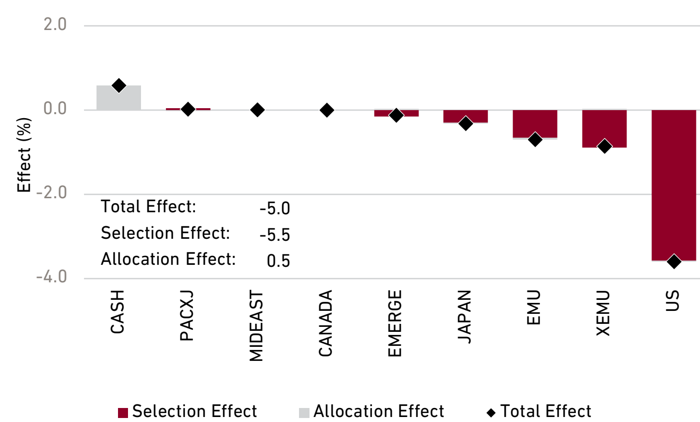
Sector

Global Equity Composite vs. MSCI ACWI Index



Geography

Global Equity Composite vs. MSCI ACWI Index



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

extremes. But on balance we have been unwilling to compromise on growth, judging it unwise to forsake fundamentally robust businesses in the hopes of timing valuation cycles successfully. Our insistence that growing revenues be matched by strong balance sheets and solid profitability is aimed at moderating valuation extremes by steering clear of the more speculative growth companies.

> We trimmed our holdings at the margin when valuations reached extremes. But on balance we have been unwilling to compromise on growth, judging it unwise to forsake fundamentally robust businesses in the hopes of timing valuation cycles successfully.

Recent market behavior shows that, in the absence of more aggressive actions to address our concerns about valuation, our reliance on quality to temper the price risks of the portfolio was wishful thinking. Contrary to historical form, the shares of high-quality businesses have underperformed for two consecutive quarters in the teeth of a brutal market pullback. The poor shareholder returns of our portfolio companies in the market's highest-quality quintile, as measured by consistency of profitability, balance sheet strength, and free cash flow generation, among other metrics, has been disappointing.

Several interrelated factors explain why. Top of the list is price, as the valuation premiums for quality coming into 2022 were higher than we had seen since the height of the global financial crisis in 2008. Second is rising interest rates, which penalize the discounted-cash-flow-based valuations of companies with long-lived earnings streams disproportionally, a trait that is emblematic of quality companies. A third is that, because the rout appears largely to reflect retreating valuations, the absence thus far of the ravages of an economic contraction on corporate earnings means the advantages held by intrinsically robust businesses have yet to be highlighted. Intriguingly, this raises the possibility that the *relative* performance of quality companies will improve should the nascent slowdown morph into an actual recession.

Our insistence that the companies in which we invest meet our quality and growth criteria is not just a philosophical holding; it is also a form of self-discipline. Our research process requires evaluation of a company in terms of quality and growth criteria before we consider its shares' valuation. The idea behind this rule is simple: addressing valuation too early in the process can cloud one's judgment about a business's fundamentals. So, we leave consideration of valuation for last. Consequently, we will miss out on some good-performing stocks of not-so-good companies. And we will sometimes spend a great deal of time and effort identifying and monitoring good companies whose stocks never become attractively priced enough for us to buy them.

Despite the inability of the shares of high-quality companies to distinguish themselves from other high-priced growth stocks in this market correction thus far, we think it is only a matter of time before many "good companies" again become "good stocks." We don't know if the shares of high-quality companies have reached a trough, but, while the valuations of high-quality companies are still elevated relative to those of low-quality companies, that premium has declined during this year's sell-off. *That* puts us in an improved position to find excellent companies whose shares are priced to perform well in the years ahead.

We also don't know when supply disruptions will abate, what the outcome of the Ukraine conflict will be, how far central banks will go to tame inflation, nor how tighter monetary policy will reverberate. But we can remain focused on industry structure, management quality, and competitive advantage to ensure that each growth thesis remains intact. In the next section, we use this lens to examine some of our holdings which have recently suffered the most.

Portfolio Highlights

The Global Equity portfolio is loaded with high-quality growth companies now trading at less demanding valuations. Our companies, without exception, continue to invest through turbulent times from positions of financial strength, and the vast majority continue to report solid operating results. For Q1 earnings reported during the most recent quarter, 79% of the portfolio's holdings beat previous sell-side earnings estimates, But the share prices of these companies have been punished nonetheless, caught up by the style shift against high valuations and by the looming concern about the effects of elevated inflation and falling consumer confidence. That's not to say the portfolio is unblemished by the occasional earnings miss, management stumble, or other indications of franchise erosion that, in the current unforgiving climate, are all that's needed for immediate rustication. One such company is Illumina, the global leader in genetic sequencing with approximately 90% market share, and our biggest detractor for the quarter.

Illumina enjoys an enviable recurring revenue model; sales of proprietary machinery bring customers onto its platform, but higher-margin consumables and services represent 80% of sales. The nature of the genetic sequencing business is such that as the cost of sequencing falls, demand increases because myriad new applications—from large population health studies to advanced areas of research such as single-cell analysis, proteomics, and spatial biology—become economically viable. Illumina has sustained strong earnings growth by using its technology and unmatched scale to keep its costs of production below those of its competitors while also capturing the lion's share of increased volumes. Over the past five years, the company has grown revenues at a 14% annualized rate and generated US$3.5 billion cumulatively in free cash flow.

Now, though, the business is suffering fallout from its controversial decision last summer to acquire GRAIL, a groundbreaking Illumina-incubated startup, over antitrust objections from US and European regulators. Few have questioned GRAIL's potential. The firm makes an early-detection diagnostic test capable of recognizing circulating tumor DNA long before a patient might exhibit symptoms of cancer. Even with the test's current high rate of false positive results, a function of the limited data currently available on which its AI has been trained to make predictions, its future market opportunity is significant. The issue is whether Illumina will get to reap the benefit of the US$8 billion acquisition. The fact that this is a vertical merger could help Illumina prevail in its antitrust fight, but we acknowledge the possibility that it will be forced to spin off or sell GRAIL, possibly at a much lower valuation.

> GRAIL makes an early-detection diagnostic test capable of recognizing circulating tumor DNA long before a patient might exhibit symptoms of cancer. The issue is whether Illumina will get to reap the benefit of the exciting acquisition before antitrust regulators force a de-acquisition, possibly at a much lower valuation.

On an unrelated front, Illumina also appeared to face a pair of credible new rivals when the venture-funded firms Ultima and Element Biosciences separately announced competing technologies that, on paper at least, are more cost effective than those currently employed by Illumina. Some industry observers have seized on this incipient threat to question whether Illumina has somehow let its guard down in not pushing the price of sequencing even lower, and therefore left an opening for the new entrants to the marketplace. We see little evidence of that hypothesis (the price of sequencing over the past five years has declined at 20% a year) and, moreover, have questions whether the challengers' claims are quite what they seem. The companies have produced a small run of prototype machines and published data claiming a lower cost of put-through. Will those economics hold up in the move into full-scale production? It's hard to know. What is known is that when customers purchase and operate large-scale sequencing equipment, numerous ancillary costs and services are also involved. Illumina's incumbency confers a huge installed base of instruments and informatic software—while the challengers will be starting from scratch.

In the meantime, Illumina is getting set to unveil its next-generation platform—code-named "Chemistry X"—which it says will be able to sequence DNA twice as fast and three times as accurately as its current platform. Assuming the new system delivers on those pledges (the company's previous track record of releases suggests it will), we see Illumina's recent share price decline as an overreaction. Backing out the dilutive effect of GRAIL—which brought minimal revenue and significant development costs—Illumina's core business should deliver 13–15% revenue growth this year and almost US$8 in adjusted earnings per share. Even with GRAIL conservatively valued at zero, these estimated results translate to a fair value for Illumina reflecting a significant upside to its current share price according to our valuation model.

Any discussion of Q2 underperformance is incomplete without addressing two FAANG stocks. We do not share the market's concerns about growth prospects at Facebook, **Meta Platforms**' core social media platform. Yes, growth is moderating as the business matures. There is also work to be done on technical workarounds to repair the damage to earnings growth from privacy changes implemented by **Apple** that impair Facebook's ad targeting to iPhone users. But Meta's digital advertising model still generates an extremely attractive rate of return on investment for the merchants it serves. Once its Apple workarounds are complete, we expect growth through market share gains and addressable market expansion to resume. Despite all the hyped new initiatives and skirmishes with rivals, Facebook remains an immensely free cash flow-generative business with huge advantages in putting its cash to work developing direct consumer relationships and monetizing them through targeted advertising. CEO Mark Zuckerberg has noted on multiple occasions how the company's returns from its significant investments in AI have been even higher than it expected, in terms of driving higher revenue and lower costs. We view Meta shares as a bargain today, trading at 15 times earnings after over US$10 billion in annual expenditures on its Metaverse investments.

> Despite all the hyped new initiatives and skirmishes with rivals, Facebook remains an immensely free cash flow-generative business with huge advantages in putting its cash to work developing direct consumer relationships and monetizing them through targeted advertising.

For fellow FAANG member **Netflix**, we overestimated the company's ability to sustain its subscriber growth rates. It is clear now that management misread the extent of subscriber growth pull-through during the pandemic and the ability of proprietary content growth to entice the 100 million-plus freeloaders who watch Netflix using shared passwords to become paying subscribers. Management believed that it would be able to keep growing its subscriber base and incrementally raise its subscription fees at the same time it introduced an advertising-supported service to win over a new base of lower-paying customers. The company has since realized that it is reaching a saturation point with its full-fee customers, and that much of future growth will need to come from the demand elasticity of the planned cheaper service. But the current share price appears to be discounting poor growth on both fronts. We think that is unreasonable. Even with limited full-price growth, we think the total global subscriber opportunity is twice the current base, even accounting for the plethora of streaming services with which Netflix now competes. Our revised fair value estimate based on these new assumptions remains well above the current share price.

We also had a small number of cases where stock price weakness is anticipating a drastically weaker operating environment rather than what are more likely to be transient cyclical pressures. Semiconductor juggernauts **NVIDIA** and **TSMC** each has an overflowing order book and continue to generate record sales and profits and reinvest at a furious clip. Their shares' current valuations, however, imply that a significant easing in demand is imminent. Making semiconductors is an intrinsically cyclical business, but we have seen these companies take share across the business cycle and emerge from each trough to achieve higher sales and profitability at the next peak.

> Making semiconductors is an intrinsically cyclical business, but we have seen these companies take share across the business cycle and emerge from each trough to achieve higher sales and profitability at the next peak.

Some of the same dynamics appear to be at work in the share price slump of **SVB Financial Group**, the preferred lender for large swathes of the US technology, life sciences, and venture capital industries. SVB's primary subsidiary, Silicon Valley Bank, is a longstanding and unrivaled source of early-stage financing and associated services to the cutting-edge technology and life science companies and their backers that comprise the so-called "innovation economy." The Bank has a long history of generating double-digit organic loan growth, deposit growth, earnings growth, and book value per share growth—all while maintaining pristine asset quality. One key to the company's success is its ability to secure low-cost deposit funding due to its close working relationships with the founders and executives of not only the pioneering companies themselves but also with their venture and private equity backers. In addition, the bank's asset liability structure—the short duration of its investment security portfolio plus its high percentage of variable-rate general purpose business loans—makes its net interest income strongly leveraged to rising rates. Nonetheless, SVB's shares have been volatile when uncertainty casts a shadow over the tech sector and consequently the innovation economy more broadly. Over our long period of holding SVB, we have chosen to look through such cyclical setbacks to benefit over the long term from its unparalleled earnings power among financials. By our estimates, SVB's share price now reflects expectation of a deep and extended slump in the innovation economy, a possible but unlikely scenario.

The inexorable pace of innovation and trend toward greater digitalization underpins the profitability of not only our semiconductor companies, our other life sciences and technology companies, and their bankers; it's also the bedrock underlying the competitive advantages of many of our other financial-related holdings. This quarter we added to one of those: **Adyen**, a Dutch digital payments platform. The company stands out for its ability to offer a unified platform for both online and offline channels across different regions. This integration leads to better data analysis from which to enhance user experience, increase usage, and reduce fraud. The company's cost structure is lower than that of its titular rivals and, as a result, Adyen's EBITDA margin is almost twice that of its large-scale competitors. Adyen's cash reserves of close to €5B are more than enough to see it through a downturn and allow it to continue investing in the business. Adyen's competitors lack either the financial cushion or as differentiated an offering. If there is a recession, Adyen's growth rate is likely to temporarily decline, but with only 2% market share we expect that the company has a long runway of growth ahead of it.

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.

This page intentionally left blank.

Global Equity Holdings (as of June 30, 2022)

Communication Services	Market	End Wt. (%)
Alphabet (Internet products and services)	US	3.8
CD Projekt (Video game developer)	Poland	0.6
Meta Platforms (Virtual reality and social network)	US	2.0
Netflix (Entertainment provider)	US	0.5
Pinterest (Social network)	US	0.9
Tencent (Internet and IT services)	China	1.1
Consumer Discretionary		
Amazon.com (E-commerce retailer)	US	2.2
Etsy (E-commerce retailer)	US	0.5
Kering (Luxury goods manufacturer)	France	1.0
Lululemon (Athletic footwear and apparel retailer)	US	1.0
MercadoLibre (E-commerce retailer)	US	0.8
Nike (Athletic footwear and apparel retailer)	US	1.9
Consumer Staples		
Hello Fresh (Food delivery services)	Germany	0.5
L'Oréal (Cosmetics manufacturer)	France	2.2
Energy		
Schlumberger (Oilfield services)	US	1.2
Financials		
AIA Group (Insurance provider)	Hong Kong	1.3
B3 (Clearing house and exchange)	Brazil	0.9
Bank Central Asia (Commercial bank)	Indonesia	1.5
CME Group (Derivatives exchange and trading services)	US	1.5
First Republic Bank (Private bank and wealth manager)	US	3.2
HDFC Bank (Commercial bank)	India	1.8
SVB Financial Group (Commercial bank)	US	2.7
Tradeweb (Electronic financial trading services)	US	1.3
Health Care		
Abcam (Life science services)	UK	1.2
Alcon (Eye care products manufacturer)	Switzerland	1.4
Align Technology (Orthodontics products manufacturer)	US	0.9
Chugai Pharmaceutical (Pharma manufacturer)	Japan	0.7
Danaher (Diversified science & tech. products & svcs.)	US	1.4
Edwards Lifesciences (Medical device manufacturer)	US	1.3
Genmab (Biotechnology producer)	Denmark	0.9
Illumina (Life science products and services)	US	1.4
Intuitive Surgical (Medical equipment manufacturer)	US	0.9
IQVIA (Health care services)	US	1.1
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	1.0
Thermo Fisher Scientific (Health care products & svcs.)	US	2.0
UnitedHealth Group (Health care support services)	US	3.0
Vertex Pharmaceuticals (Pharma manufacturer)	US	3.6
WuXi AppTec (Biopharma manufacturer)	China	1.4
WuXi Biologics (Biopharma manufacturer)	China	1.9

Industrials	Market	End Wt. (%)
Ametek (Electronic instruments manufacturer)	US	1.6
Atlas Copco (Industrial equipment manufacturer)	Sweden	0.8
CoStar (Real estate information services)	US	1.0
Epiroc (Industrial equipment manufacturer)	Sweden	1.0
John Deere (Industrial equipment manufacturer)	US	2.5
MISUMI Group (Machinery-parts supplier)	Japan	0.6
Rockwell Automation (Manufacturing IT provider)	US	1.3
Schneider Electric (Energy management products)	France	2.8
Spirax-Sarco (Industrial components manufacturer)	UK	0.9
VAT Group (Vacuum valve manufacturer)	Switzerland	0.7
Verisk (Risk analytics and assessment services)	US	1.0
Information Technology		
Accenture (Professional services consultant)	US	1.9
Adobe (Software developer)	US	1.3
Adyen (Payment processing services)	Netherlands	1.3
Apple (Consumer electronics and software developer)	US	1.4
Applied Materials (Semiconductor & display eqpt. mfr.)	US	1.2
ASML (Semiconductor equipment manufacturer)	Netherlands	1.3
Broadcom (Semiconductor manufacturer)	US	1.1
Hexagon (CAD and measurement technology provider)	Sweden	1.9
Keyence (Sensor and measurement eqpt. mfr.)	Japan	0.9
Microsoft (Consumer electronics & software developer)	US	2.8
NVIDIA (Semiconductor chip designer)	US	0.7
PayPal (Electronic payment services)	US	0.6
salesforce.com (Customer relationship mgmt. software)	US	0.9
Sangfor (IT security services)	China	0.2
Synopsys (Chip-design software developer)	US	2.0
The Trade Desk (Digital advertising mgmt. svcs.)	US	0.8
TSMC (Semiconductor manufacturer)	Taiwan	1.1
Xero (Accounting software developer)	Australia	0.3
Materials		
No Holdings		
Real Estate		
Country Garden Services (Residential property mgr.)	China	1.5
Utilities		
No Holdings		
Cash		4.1

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

2Q22 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
Vertex Pharmaceuticals	HLTH	3.1	0.1	0.59
WuXi Biologics	HLTH	1.5	<0.1	0.35
Tesla*	DSCR	–	1.2	0.30
UnitedHealth Group	HLTH	2.7	0.8	0.27
Country Garden Services	RLST	1.2	<0.1	0.22

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
Vertex Pharmaceuticals	HLTH	2.2	0.1	0.97
UnitedHealth Group	HLTH	1.9	0.7	0.48
Schlumberger	ENER	1.3	0.1	0.32
Bank Central Asia	FINA	1.3	<0.1	0.32
Synopsys	INFT	1.6	0.1	0.31

2Q22 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
Illumina	HLTH	1.8	0.1	-0.64
SVB Financial Group	FINA	2.9	<0.1	-0.41
Align Technology	HLTH	1.1	<0.1	-0.39
Schneider Electric	INDU	2.8	0.1	-0.36
MercadoLibre	DSCR	1.0	0.1	-0.35

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
Illumina	HLTH	2.1	0.1	-1.11
PayPal	INFT	1.4	0.3	-0.97
Country Garden Services	RLST	1.5	<0.1	-0.94
WuXi Biologics	HLTH	1.8	0.1	-0.84
Pinterest	COMM	0.8	<0.1	-0.78

*Company was not held in the portfolio; its absence had an impact on the portfolio's return relative to the Index.

Portfolio Characteristics

Quality and Growth	HL Global	MSCI ACWI
Profit Margin[1] (%)	19.7	16.3
Return on Assets[1] (%)	9.9	8.9
Return on Equity[1] (%)	20.5	20.5
Debt/Equity Ratio[1] (%)	35.0	67.6
Std. Dev. of 5 Year ROE[1] (%)	4.8	6.7
Sales Growth[1,2] (%)	14.7	8.4
Earnings Growth[1,2] (%)	22.0	16.2
Cash Flow Growth[1,2] (%)	18.3	12.9
Dividend Growth[1,2] (%)	11.1	8.5
Size and Turnover	**HL Global**	**MSCI ACWI**
Wtd. Median Mkt. Cap. (US $B)	67.2	77.5
Wtd. Avg. Mkt. Cap. (US $B)	265.2	312.9
Turnover[3] (Annual %)	30.6	–

Risk and Valuation	HL Global	MSCI ACWI
Alpha[2] (%)	-0.38	–
Beta[2]	1.03	–
R-Squared[2]	0.91	–
Active Share[3] (%)	83	–
Standard Deviation[2] (%)	17.29	16.06
Sharpe Ratio[2]	0.35	0.40
Tracking Error[2] (%)	5.2	–
Information Ratio[2]	-0.07	–
Up/Down Capture[2]	103/104	–
Price/Earnings[4]	26.2	15.3
Price/Cash Flow[4]	20.6	10.9
Price/Book[4]	4.6	2.5
Dividend Yield[5] (%)	0.9	2.2

[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 Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: July 6, 2022, based on the latest available data in FactSet on this date.); Harding Loevner Global Equity Model, based on the underlying holdings; MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
Kering	France	DSCR

Positions Sold	Market	Sector
NetEase	China	COMM
Samsung Electronics	South Korea	INFT
Sysmex	Japan	HLTH

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 Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

Global Equity Composite Performance (as of June 30, 2022)

	HL Global Equity Gross (%)	HL Global Equity Net (%)	MSCI ACWI[1] (%)	MSCI World[2] (%)	HL Global Equity 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	Composite Assets ($M)	Firm Assets ($M)
2022 YTD[5]	-30.36	-30.52	-19.97	-20.29	18.99	17.77	18.20	N.A.[6]	31	13,080	50,423
2021	16.14	15.68	19.04	22.35	16.42	16.83	17.05	0.4	29	20,188	75,084
2020	31.22	30.68	16.82	16.50	18.17	18.12	18.26	0.3	30	18,897	74,496
2019	30.17	29.64	27.30	28.40	12.56	11.21	11.13	0.2	29	14,139	64,306
2018	-9.35	-9.75	-8.93	-8.20	11.85	10.48	10.39	0.2	30	10,752	49,892
2017	33.26	32.66	24.62	23.07	11.16	10.37	10.24	0.2	27	8,946	54,003
2016	7.13	6.62	8.48	8.15	11.37	11.07	10.94	0.1	29	7,976	38,996
2015	2.65	2.18	-1.84	-0.32	11.16	10.78	10.80	0.5	28	7,927	33,296
2014	6.91	6.43	4.71	5.50	10.82	10.48	10.21	0.3	31	9,961	35,005
2013	21.64	21.12	23.44	27.37	13.92	13.92	13.52	0.5	32	11,165	33,142
2012	18.44	17.98	16.80	16.54	16.49	17.11	16.72	0.1	25	9,071	22,658

[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]The 2022 YTD performance returns and assets shown are preliminary; [6]N.A.–Internal dispersion less than a 12-month period.

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

The MSCI 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 ndexes.

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 March 31, 2022.

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 Composite has been examined for the periods December 1, 1989 through March 31, 2022. 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 foreign withholding taxes on dividends, interest income and capital gains. Additional information is available upon request. Past performance does not guarantee future results. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The US dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The standard fee schedule generally applied to separate Global Equity accounts is 1.00% annually of the market value for the first $20 million; 0.50% for the next $80 million; 0.45% for the next $150 million; 0.40% for the next $250 million; above $500 million upon request. The management fee schedule and total expense ratio for the Global Equity Collective Investment Fund, which is included in the composite, are 0.70% on all assets and 0.75%, respectively. 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 Composite was created on November 30, 1989 and the performance inception date is December 1, 1989.

This page intentionally left blank.