Global Equity

Quarterly Report | Year End 2022

HARDING LOEVNER

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Composite Performance

Total Return (%) – Periods Ended December 31, 2022[1]

	3 Months	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Global Equity (Gross of Fees)	7.84	-29.13	2.60	4.97	9.27	9.41
HL Global Equity (Net of Fees)	7.73	-29.43	2.17	4.53	8.80	8.78
MSCI All Country World Index[4,5]	9.88	-17.96	4.49	5.75	8.53	7.05
MSCI World Index[5,6]	9.89	-17.73	5.44	6.68	9.43	7.21

[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	20.9	13.4
Industrials	17.2	10.1
Cash	4.7	–
Info Technology	23.0	20.0
Comm Services	9.1	6.8
Real Estate	0.8	2.6
Financials	13.3	15.2
Utilities	0.0	3.2
Energy	1.8	5.6
Cons Discretionary	6.4	10.4
Cons Staples	2.8	7.7
Materials	0.0	5.0

Under / Over

-10 -5 0 5 10

Geography	HL Global	MSCI ACWI
Cash	4.7	–
Europe ex EMU	10.6	8.3
Europe EMU	10.2	8.1
US	61.0	60.3
Frontier Markets[7]	0.0	–
Middle East	0.0	0.2
Emerging Markets	9.6	11.2
Pacific ex Japan	1.4	3.2
Canada	0.0	3.1
Japan	2.5	5.6

Under / Over

-10 -5 0 5 10

[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.

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Market Review

Stock markets rebounded sharply in the fourth quarter, buoyed by slowing inflation and falling US bond yields. Nearly all sectors and regions finished in positive territory. For the full year, however, stock markets finished deep in negative territory, their worst annual performance since 2008.

After peaking in June, US inflation subsided modestly, giving the Federal Reserve some much needed breathing room to slow the pace of its rate increases. Europe's inflation appeared to peak this quarter, with the energy supply crisis there easing. Labor markets, however, remained tight, with job openings plentiful, wage gains widespread, and jobless claims stable. In December, the US Federal Reserve boosted its short-term borrowing rate by 50 basis points (bps)—a slower pace than the four prior jumbo 75 bp increases. The Bank of England, Swiss National Bank, and European Central Bank all followed suit with similarly attenuated rate hikes. The messaging on monetary policy, however, remained resolutely hawkish as central bankers signaled that the fight against inflation was far from over by raising their estimates for terminal rates.

Long-term bond yields fell on mounting fears that elevated short-term borrowing costs are not only having their intended effect of choking off inflation and speculative activity but also may be strangling the more productive areas of the economy, tipping it into outright recession. After peaking in October, the yield on the 10-year Treasury fell nearly 40 bps, even as short-term rates reached their highest level since 2007, leading to the most-inverted yield curve since 1981. Many market observers and economists view such inversions as a time-tested recession indicator, with long bond investors trying to lock in the higher yields brought on by the monetary tightening before central banks are compelled to ease monetary policy once again as inflation subsides under a weaker economy.

MSCI ACWI Index Performance (USD %)

Sector	4Q 2022	Trailing 12 Months
Communication Services	2.5	-35.4
Consumer Discretionary	-0.6	-31.5
Consumer Staples	11.3	-6.0
Energy	18.0	34.5
Financials	14.5	-9.2
Health Care	13.2	-5.9
Industrials	17.6	-12.7
Information Technology	5.9	-30.8
Materials	16.3	-11.1
Real Estate	6.1	-24.0
Utilities	10.5	-3.8
Geography	**4Q 2022**	**Trailing 12 Months**
Canada	7.6	-12.2
Emerging Markets	9.8	-19.7
Europe EMU	22.9	-17.2
Europe ex EMU	16.2	-11.7
Japan	13.3	-16.3
Middle East	0.6	-26.2
Pacific ex Japan	15.7	-5.9
United States	7.1	-19.5
MSCI ACWI Index	9.9	-18.0

Source: FactSet (as of December 31, 2022). MSCI Inc. and S&P.

Higher interest rates didn't just stifle speculative activity in cryptocurrencies and non-fungible tokens, they also began to weigh on leverage-dependent activity in the non-digital world. Private-equity capital inflows dried up and deal volumes fell precipitously, with firms resorting to all-cash deals to avoid higher debt costs—an unusual structure in an industry accustomed to layering leverage onto equity to enhance returns. Commercial real estate also showed signs of stress as soaring vacancies due to remote work collided with ballooning carrying costs. One of the largest private real estate funds was forced to halt redemptions, underscoring the effects of scarcer liquidity as the Fed tightens monetary policy. Residential real estate also felt the pinch from higher mortgage rates. The Case-Shiller U.S. National Home Price Index—a broad measure of US house prices—declined 3% through October from its summertime peak. and housing starts plummeted 16% on a year-over-year basis in November. Meanwhile homes in Britain exhibited the sharpest price declines since the global financial crisis.

The dollar reversed course, falling against all major currencies as yield differentials declined, though the greenback remained up against most currencies for the year. The notable exceptions were the Brazilian real and the Mexican peso, as interest rate increases in those countries began significantly earlier than in developed market economies. In late December, the Bank of Japan roiled bond markets after stepping back from its long-held yield curve control regime, signaling a potential end to its ultra-accommodative monetary policy, which sent the yen soaring.

In spite of looming recessionary fears, cyclical industry groups such as capital goods (Industrials) and semiconductors (Information Technology [IT]) outperformed in the quarter. Materials fared well alongside sustained demand for industrial metals such as copper, whose price rose over 10% in the quarter. Consumer Discretionary, home to cyclical groups such as retailing and automobiles, was hurt by share price declines of index heavyweights **Amazon.com** and Tesla. Advertising-driven businesses Facebook (**Meta Platforms**) and Google (**Alphabet**)

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 December 31, 2022 is available on page 9 of this report.

dragged down communications services. Yet another stalwart of the FAANG cohort, **Apple**, brought down returns for tech hardware, as it struggled with COVID-19 outbreaks within its supply chain in China. In the full year, only the Energy sector managed any gains, with its fortunes lifted by the rise in oil and gas prices following Russia's invasion of Ukraine.

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Viewed regionally, China enjoyed a blistering relief rally after the country's zero-COVID policy was effectively rolled back following widespread protests that challenged President Xi Jinping's absolute control. For the full year, only Pacific ex Japan came close to positive territory, helped by more modest declines in resource-rich Australia and in Hong Kong, which bounced back with China's reopening. Although weaker in the quarter, the US dollar appreciation over the course of the full year still accounted for more than 10% of the benchmark's losses for US-dollar-based investors. Despite the currency weakness, home-currency-equity-market declines were mild enough to help non-US stocks outperform the US market in the full year, for the first time since 2017.

The fastest-growing and most-expensive stocks underperformed by a wide margin in the quarter, resuming (after the third-quarter pause) the trend evident since COVID-19 vaccine approvals in December 2020. For the year, the main theme was the de-rating of highly priced growth stocks, as the quintile of the fastest-growing companies trailed the slowest growing by a whopping 27%. The richest quintile of stocks by valuation trailed the least expensive by 33%. The MSCI ACWI Growth Index lagged its value counterpart by 9% in the fourth quarter and by 22% for the full year.

Performance and Attribution

The Global Equity composite rose 7.8% gross of fees in the quarter, behind the 9.9% return for the MSCI All Country World Index. For the year, the composite fell 29.1% gross of fees, trailing the 18.0% decline of the benchmark.

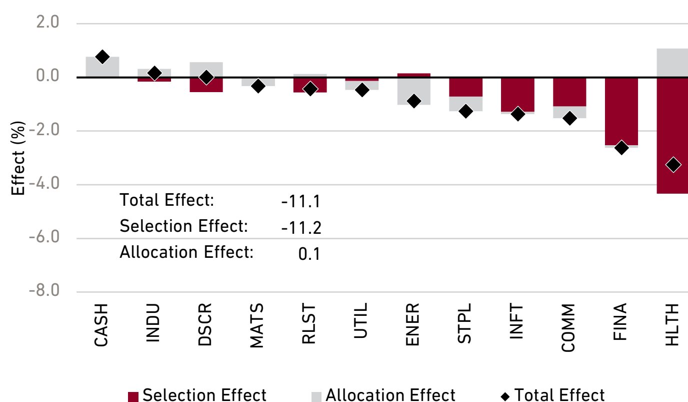
The largest factor detracting from performance this quarter was our tilt towards the most-expensive stocks, regardless of sector. Owning too many of the most richly priced, and too few of the least expensive stocks subtracted around 300 bps from our relative returns, which was more than our total underperformance. Fortunately, this underperformance was partially offset by good stocks within the most expensive cohort, where **ASML**, **Intuitive Surgical**, **Nike**, and **Rockwell Automation** all rebounded from drubbings they received earlier in the year.

Our stocks underperformed in every region except for Emerging Markets (EM)—where China's **Country Garden Services** rebounded strongly and India's **HDFC Bank** excelled—and Pacific ex Japan, where our lone holding in Hong Kong, insurer **AIA Group**, outperformed. The US, which comprises over 60% of the portfolio, also accounted for the vast majority of our poor stocks. We had a holding in each of the FAANG stocks, which together contributed 180 bps of stock selection drag in the quarter, or almost 90% of our total underperformance, although our underweight in Apple offset that number modestly.

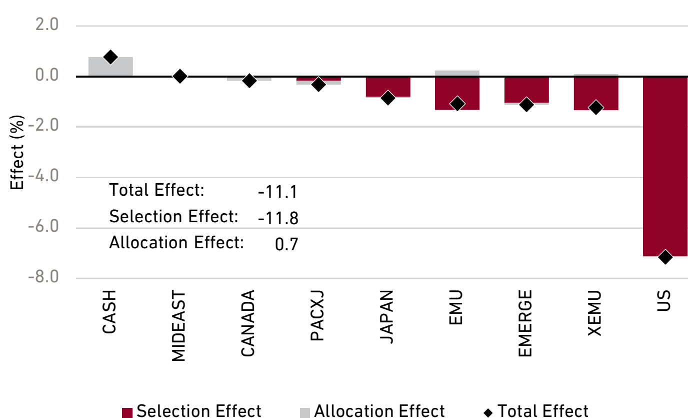
Viewed by sector, our worst stocks came from Health Care and Financials. In the latter, **SVB Financial Group** (SVB) and **First Republic Bank** failed to meet investor expectations that their hefty deposit bases would allow them to benefit from rising

Trailing 12 Months Performance Attribution

Sector



Geography



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.

US short-term interest rates. Both suffered demand deposit outflows as savers found better returns elsewhere, and SVB suffered from the woes of the venture capital ecosystem. In Health Care, **Vertex Pharmaceuticals** reported a solid result, but the stock lagged the strong biotech rally after having stood apart from that group's savage decline earlier in the year.

For the year, as in the quarter, the single biggest factor in poor relative returns was our tilt to the fastest-growing, most-expensive cohorts of stocks, accounting for more than 500 bps of relative performance sliced either by growth or by value. This effect appears as poor stock selection in every region, roughly proportional to the weight in the region and thus having the biggest drag from the US.

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We had poor stocks in every sector except Energy, where **Schlumberger** outperformed a strong sector; our light holdings there more than offset its benefit. The worst performance came within the sectors with the largest weights, Health Care and IT. **Align Technology**, Sysmex, and WuXi Biologics were the biggest detractors within Health Care. Sysmex and WuXi Biologics were sold. EPAM, Xero, and **PayPal** were the biggest detractors in IT, and only PayPal remains in the portfolio.

In other sectors, Meta Platforms and **The Trade Desk** dragged down returns in Communication Services. **Hello Fresh** hurt Consumer Staples; Amazon.com and **Etsy** lagged in Consumer Discretionary. First Republic Bank and SVB were the culprits within Financials, partially offset by sparkling EM holdings. India's HDFC Bank, Indonesia's **Bank Central Asia**, Brazilian exchange **B3**, and Hong Kong's AIA each managed gains in the year.

Perspective and Outlook

Portfolio returns have been abysmal over the past 12 months, with the blame lying equally with the overall contraction in growth stock valuations and poor stock selection. Our goal is to generate long-term outperformance by owning high-quality growth companies at reasonable valuations. Our primary misstep in 2022 was retaining too much growth at too high a valuation. But despite falling share prices, the available evidence suggests that the companies we own retain their fundamental high-quality growth characteristics.

Why are we quality growth investors in the first place? Our investment philosophy is predicated on the demonstrated superior compound earnings power of a diversified portfolio of high-quality growth companies. The rapid earnings growth of such companies, if sustained, can overcome the inevitable inexactness that plagues valuation exercises. Those exercises are performed by humans, beset by the usual dangers of faulty analysis, immoderate extrapolation, or falling for popular narratives.

Growth investors face two central hazards. First, because investors pay a premium for faster growth, stocks of growth companies are acutely vulnerable to any perceived slowdown in their growth rate. Even a short-term disappointment can not only lower the baseline for current earnings, but also typically lead to a knock-on reduction in the projected growth rate. Moreover, that growth path may now appear suspect where it had previously enjoyed a wide consensus, with the greater uncertainty leading to a higher discount rate (or, lower earnings multiples) to account for it. Our friends at Empirical Research, building on a 2002 research paper by Skinner and Sloan[1], call such damaging shifts "earnings torpedoes" because of how deeply they can undermine growth stock returns. (We will discuss several such torpedoes in the next section.) Second, broad valuation compression can result from a significant increase in the equity discount rate due to either higher interest rates or an increase in risk aversion. In 2022 our portfolio fell prey to both earnings torpedo hits on specific stocks and the valuation compression that penalized our growth stocks more broadly.

We make no attempt to forecast top-down macroeconomic conditions. Instead, we rely on competitive advantage, financial strength, and adroit management at the company level, and diversification at the portfolio level, to weather unpredictable shifts in interest rates, inflation, or economy-wide growth. Over the last few years, we've been increasingly aware of steadily rising valuations for growth stocks, midwifed by the unholy union of acquiescent inflation and central banks desperate to revive economic growth. We had thought that our emphasis on balance sheet strength and profitability would insulate the portfolio from the inevitable unwind, since bear markets typically penalize the stocks of lower-quality, speculative growth companies most of all. That emphasis has been to no avail: the noxious combination of higher inflation and interest rates has proved devastating to the stocks of growth companies regardless of quality.

A key tenet of our investment philosophy is a requirement that the companies in which we invest exhibit high business quality in addition to having strong growth prospects. Our insistence on quality underpins our belief that rapid growth, if sustained, can overcome valuation errors with the passage of time. Strong quality means that even when a stock is down, its business persists and can continue to grow. As a result of that belief, our portfolio turnover has declined this year, as it has during other

[1]Douglas J. Skinner and Richard G. Sloan, "Earnings Surprises, Growth Expectations, and Stock Returns or Don't Let an Earnings Torpedo Sink Your Portfolio," *Review of Accounting Studies*, 7 (2002): 289-312.

periods of poor performance stemming from style headwinds. Patience, while frustrating, becomes critical, giving companies in our portfolio time to reassert the compounding power of their structural growth advantages.

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Looking ahead, there are new and potent forces that will weigh on our usual company-focused research. We are parsing the effects of swirling geopolitical risks on our companies' long-term fortunes. We are pondering the impact of receding globalization, of evolving post-pandemic labor patterns amid an increase in labor bargaining power, of the increasing role and reach of governments, of the continued rise of sustainability as a priority for consumers, investors, and many corporations. And of course, we are factoring in uncertainty over the direction and level of inflation and interest rates as well as overall economic growth. All these factors have the potential to slow revenue growth and compress margins for our companies. But it is in more challenging times that the highest quality growth companies can rise above their competitors, using their financial strength and competitive advantages to take market share and ensure their long-term earnings growth.

Portfolio Highlights

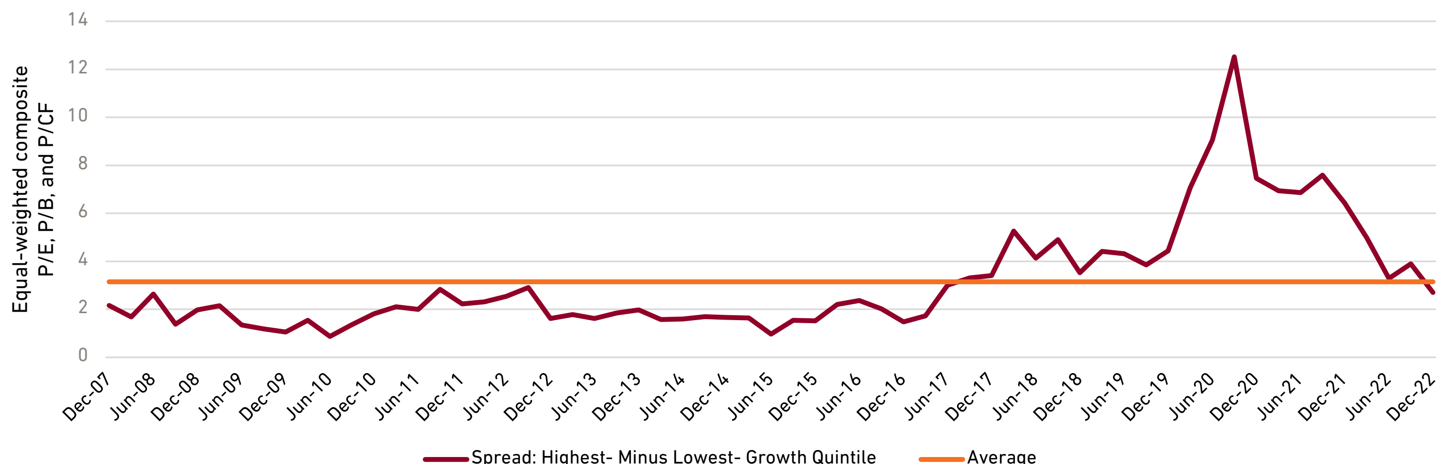
The question we wrestle with is whether to adjust our portfolio stance in the face of these tectonic macro shifts. We retain the essential exposure to high-quality, faster-growing companies, whose share prices inevitably (at least for now) still carry higher valuations than the average company. An important argument against shifting our stance now is the much-improved valuations of growth companies from a year ago, as shown in the chart below. The headwinds that significantly hurt investment results in 2022 have the silver lining of offering investors more attractive prices for the companies whose businesses most attract us.

While we labor to seek out companies with these characteristics, it's only in adversity that competitive position and management strength is revealed. A number of our companies have met with business reversals this year, with their sharp share price declines buffeting the portfolio through several earnings torpedoes. Such events present a challenge beyond the damage done to investment performance; those events also challenge us to decide the fate of the holding. Should we jettison it, as we did with Sysmex, WuXi Biologics, EPAM, and Xero, concluding that their issues would persist? Retain it? Or even add to it, as we did, to our detriment, with SVB? For three of our US-based holdings—Align Technology, Nike, and SVB—we have decided to retain them in the portfolio for now despite these tribulations, as we believe they are high-quality businesses facing temporary, rather than permanent, operating difficulties.

Align Technology, the leading global provider of clear orthodontic aligners and dental imaging equipment, benefited from rising demand during the pandemic, when many customers were looking for ways to enhance their online appearance in video conferences. The company's timely digital marketing efforts were primed to target end users and orthodontists which translated into higher sales. In 2022, however, the company's sales were hit hard as consumers were pinched by higher costs for many necessities. China's zero-COVID policy of lengthy and strict lockdowns further undermined sales in one of its major overseas markets.

After record year-on-year sales growth of 182% for its main product, Clear Aligner, in the second quarter of 2021, sales fell in the second and third quarter of 2022. Margins also came under pressure due to the strong US dollar. Though the outlook for 2023

Valuation Spread of Highest- vs. Lowest-Growth Quintile



Source: FactSet, MSCI Inc.

remains unclear, we are encouraged by the company's roll out of new products and technologies which should help cement its dominant market position.

Nike has faced supply chain issues throughout the pandemic due to factory closures in Asia on the one hand and erratic retailer demand on the other. As global supply chains normalized, the company's North American inventory grew by 65% year over year, while its in-transit inventory shot up 85%, owing to precautionary ordering by frustrated retailers. Thanks to its strong brand image and direct-to-consumer online sales channels, the company was able to take decisive action to clear its excess inventory without sacrificing the premium pricing for its footwear.

Although its share price fell early in the year due to concerns about slowing consumer demand and excess inventory, the stock rebounded significantly in the fourth quarter as the company grew reported revenues 17% and demonstrated its ability to defend its margins despite the challenging economic conditions.

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SVB was our single-most-damaging holding in 2022, with its shares falling by two-thirds. The bank's primary customers are early-stage companies and their venture capital and private equity sponsors in the technology and life science industries. SVB caters to these new businesses and their founders by providing cash management and transaction services, as well as loans as the companies grow and mature.

The bank's short-term results are acutely sensitive to the venture capital and private equity fundraising environment, which can be decisive for the growth of its loans and deposits. After a record year in 2021, US venture capital fundraising fell precipitously. This sudden decline reversed the rapid deposit growth of the prior four years, and SVB's customer deposits began shrinking in lockstep starting in 2Q22. Meanwhile, many early-stage businesses continued to burn through their existing cash deposits, further exacerbating the issue.

With interest-free funding from its deposits shrinking, the bank turned to higher-cost funding sources to maintain its still-growing loan book by tapping debt and money markets. But the rapid rise in interest rates motivated some of its depositors to shift funds into higher-yielding accounts. The subsequent increased funding costs thus pinched the bank's net interest margins, shocking investors who'd been anticipating ongoing margin expansion into 2023.

As jarring as these events have been, they are reminiscent of the end of the previous venture capital fundraising cycle in 2016. Deposits started to decline in the first half of that year but when fundraising returned to normal, deposit growth resumed, and the stock, having fallen by half, rebounded in the second half of 2016 to set an all-time high by year's end. It went on to treble over the next two years.

The conditions the bank faces now are more forbidding. In 2016 the fundraising drought was short-lived, lasting only a couple of quarters, and recovered quickly. Moreover, the Federal Reserve's relaxed pace of interest rate increases in 2016 reflected a benign inflation outlook. That measured action lessened the impact of the increases on bank net interest margins, and likely allowed room for more mitigation efforts with depositors. SVB's optimistic management expects the current depressed fundraising environment to last at least another few quarters, while the Fed is battling high inflation with rising rates.

Some investors worry that the bank's severe share price decline is signaling problems beyond lower margins, and that impaired assets are hidden somewhere in the balance sheet. We believe not. Today, only 3% of the bank's loans are to the riskiest category of borrowers, compared with 11% prior to the 2008 global financial crisis and roughly 30% before the dotcom bust in 2000. Credit quality in the loan book is strong so far, and we expect losses to be modest even in the case of a US recession.

While SVB's share price has been savaged in reaction to these short-term problems, the bank's leadership team remains focused on the long-term drivers of value creation for the company. Although management's choice to fund loan growth with higher-cost deposits has had a negative impact, the long-term growth opportunity outweighs the short-term earnings challenges. The bank's private equity lending pipeline and new client growth are near historic highs despite the headwinds, and higher funding costs should not derail the pursuit of profitable client relationships, which should create value for years to come.

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 Holdings (as of December 31, 2022)

Communication Services	Market	End Wt. (%)
Alphabet (Internet products and services)	US	3.0
CD Projekt (Video game developer)	Poland	0.8
Meta Platforms (Virtual reality and social network)	US	1.5
Netflix (Entertainment provider)	US	0.8
Pinterest (Social network)	US	1.2
Tencent (Internet and IT services)	China	1.0
The Trade Desk (Digital advertising mgmt. svcs.)	US	0.8
Consumer Discretionary		
Amazon.com (E-commerce retailer)	US	1.7
Etsy (E-commerce retailer)	US	0.8
Kering (Luxury goods manufacturer)	France	1.0
Lululemon (Athletic footwear and apparel retailer)	US	1.2
Nike (Athletic footwear and apparel retailer)	US	1.7
Consumer Staples		
Costco (Membership warehouse store operator)	US	0.9
Hello Fresh (Food delivery services)	Germany	0.3
L'Oréal (Cosmetics manufacturer)	France	1.6
Energy		
Schlumberger (Oilfield services)	US	1.8
Financials		
AIA Group (Insurance provider)	Hong Kong	1.4
B3 (Clearing house and exchange)	Brazil	1.0
Bank Central Asia (Commercial bank)	Indonesia	1.7
CME Group (Derivatives exchange and trading services)	US	1.2
First Republic Bank (Private bank and wealth manager)	US	2.7
HDFC Bank (Commercial bank)	India	2.2
SVB Financial Group (Commercial bank)	US	1.9
Tradeweb (Electronic financial trading services)	US	1.2
Health Care		
Abcam (Life science services)	UK	1.3
Alcon (Eye care products manufacturer)	Switzerland	1.4
Align Technology (Orthodontics products manufacturer)	US	0.8
Chugai Pharmaceutical (Pharma manufacturer)	Japan	0.9
Danaher (Diversified science and tech. products and svcs.)	US	1.4
Edwards Lifesciences (Medical device manufacturer)	US	1.0
Genmab (Biotechnology producer)	Denmark	1.2
Illumina (Life science products and services)	US	1.5
Intuitive Surgical (Medical equipment manufacturer)	US	1.2
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	0.9
Thermo Fisher Scientific (Health care products & svcs.)	US	2.0
UnitedHealth Group (Health care support services)	US	2.6
Vertex Pharmaceuticals (Pharma manufacturer)	US	3.6
WuXi AppTec (Biopharma manufacturer)	China	1.1

Industrials	Market	End Wt. (%)
AMETEK (Electronic instruments manufacturer)	US	2.0
Atlas Copco (Industrial equipment manufacturer)	Sweden	1.0
CoStar (Real estate information services)	US	1.3
Epiroc (Industrial equipment manufacturer)	Sweden	1.1
John Deere (Industrial equipment manufacturer)	US	3.5
Misumi Group (Machinery-parts supplier)	Japan	0.6
Rockwell Automation (Manufacturing IT provider)	US	1.6
Schneider Electric (Energy management products)	France	3.3
Spirax-Sarco (Industrial components manufacturer)	UK	1.0
VAT Group (Vacuum valve manufacturer)	Switzerland	0.8
Verisk (Risk analytics and assessment services)	US	1.0
Information Technology		
Accenture (Professional services consultant)	US	1.8
Adobe (Software developer)	US	1.2
Adyen (Payment processing services)	Netherlands	1.2
Apple (Consumer electronics and software developer)	US	1.3
Applied Materials (Semiconductor & display eqpt. mfr.)	US	1.2
ASML (Semiconductor equipment manufacturer)	Netherlands	1.4
Broadcom (Semiconductor manufacturer)	US	1.3
Hexagon (CAD and measurement technology provider)	Sweden	1.9
Keyence (Sensor and measurement eqpt. mfr.)	Japan	1.0
Microsoft (Consumer electronics & software developer)	US	2.6
NVIDIA (Semiconductor chip designer)	US	0.7
PayPal (Electronic payment services)	US	1.0
salesforce.com (Customer relationship mgmt. software)	US	1.2
SAP (Enterprise software developer)	Germany	1.2
ServiceNow (Enterprise resource planning software)	US	1.0
Synopsys (Chip-design software developer)	US	2.0
TSMC (Semiconductor manufacturer)	Taiwan	1.0
Materials		
No Holdings		
Real Estate		
Country Garden Services (Residential property mgr.)	China	0.8
Utilities		
No Holdings		
Cash		4.7

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.

4Q22 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
Tesla*	DSCR	–	0.9	0.86
John Deere	INDU	3.3	0.2	0.52
Schlumberger	ENER	1.7	0.1	0.48
Apple	INFT	1.5	4.2	0.43
Nike	DSCR	1.6	0.2	0.36

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
John Deere	INDU	2.9	0.2	0.92
Vertex Pharmaceuticals	HLTH	3.2	0.1	0.92
Schlumberger	ENER	1.4	0.1	0.81
Tesla*	DSCR	–	1.1	0.55
HDFC Bank	FINA	1.7	–	0.37

4Q22 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
SVB Financial Group	FINA	2.0	<0.1	-1.19
First Republic Bank	FINA	2.7	<0.1	-0.50
The Trade Desk	COMM	0.9	<0.1	-0.39
Vertex Pharmaceuticals	HLTH	3.8	0.1	-0.38
PayPal	INFT	1.2	0.2	-0.31

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL Global	Avg. Weight MSCI ACWI	Effect
SVB Financial Group	FINA	2.7	<0.1	-1.65
Align Technology	HLTH	1.1	<0.1	-0.86
First Republic Bank	FINA	3.0	<0.1	-0.71
Meta Platforms	COMM	1.9	0.7	-0.68
WuXi Biologics	HLTH	1.2	<0.1	-0.58

*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] (%)	19.4	16.1
Return on Assets[1] (%)	9.9	8.5
Return on Equity[1] (%)	20.5	19.6
Debt/Equity Ratio[1] (%)	42.1	68.6
Std. Dev. of 5 Year ROE[1] (%)	4.4	5.4
Sales Growth[1,2] (%)	13.2	8.3
Earnings Growth[1,2] (%)	18.7	15.9
Cash Flow Growth[1,2] (%)	17.9	12.1
Dividend Growth[1,2] (%)	10.3	7.8
Size and Turnover	**HL Global**	**MSCI ACWI**
Wtd. Median Mkt. Cap. (US $B)	78.6	79.3
Wtd. Avg. Mkt. Cap. (US $B)	225.7	273.6
Turnover[3] (Annual %)	28.3	–

Risk and Valuation	HL Global	MSCI ACWI
Alpha[2] (%)	-0.72	–
Beta[2]	1.03	–
R-Squared[2]	0.92	–
Active Share[3] (%)	83	–
Standard Deviation[2] (%)	18.83	17.56
Sharpe Ratio[2]	0.20	0.26
Tracking Error[2] (%)	5.4	–
Information Ratio[2]	-0.15	–
Up/Down Capture[2]	102/104	–
Price/Earnings[4]	25.3	15.3
Price/Cash Flow[4]	19.7	10.5
Price/Book[4]	4.4	2.4
Dividend Yield[5] (%)	0.9	2.3

[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, gross of fees; MSCI Inc. Source (other characteristics): FactSet (Run Date: January 4, 2023, 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
Costco	US	STPL
SAP	Germany	INFT
ServiceNow	US	INFT

Positions Sold	Market	Sector
IQVIA	US	HLTH
MercadoLibre	US	DSCR
WuXi Biologics	China	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 December 31, 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[5]	-29.13	-29.43	-17.96	-17.73	21.13	19.86	20.43	0.2	26	12,189	47,607
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 performance returns and assets shown are preliminary.

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 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, 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 September 30, 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.

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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.

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