

# Global Small Companies Equity



Quarterly Report | Year End 2023

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Global small caps rallied as economic data left investors feeling sanguine in the face of rising geopolitical tensions. The IT sector as well as Emerging Markets were the stars of the year.

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Japan's economic reforms exacerbated our style headwinds this year. Over time, though, the country's push to step up corporate governance and growth may result in a larger assortment of companies meeting our investing criteria.

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## Composite Performance

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

	3 Months	1 Year	3 Years	5 Years	Since Inception
HL Global Small Companies Equity (Gross)	13.13	15.99	0.83	11.65	11.65
HL Global Small Companies Equity (Net)	12.89	15.02	-0.04	10.67	10.67
MSCI All Country World Small Cap Index	12.09	17.41	3.80	10.34	10.34

The composite performance returns shown are preliminary. Returns are annualized for periods greater than one year. Global Small Companies Equity composite inception date: December 31, 2018. MSCI All Country World Small Cap Index, the benchmark index, is 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	Under / Over
Comm Services	9.6	3.0	6.6
Health Care	15.0	9.9	5.1
Cons Staples	8.9	4.9	4.0
Info Technology	15.8	12.1	3.7
Industrials	22.8	19.4	3.4
Cash	2.6	—	2.6
Utilities	1.0	2.6	-1.6
Energy	1.8	4.4	-2.6
Financials	10.9	14.3	-3.4
Cons Discretionary	9.5	13.2	-3.7
Materials	2.1	8.1	-6.0
Real Estate	0.0	8.1	-8.1

Geography	HL	Index	Under / Over
Europe ex EMU	24.4	9.4	15.0
Europe EMU	12.0	6.1	5.9
Cash	2.6	—	2.6
Frontier Markets	2.1	—	2.1
Middle East	2.3	0.9	1.4
Japan	11.4	10.3	1.1
Canada	0.4	3.1	-2.7
Pacific ex Japan	0.0	4.2	-4.2
Emerging Markets	8.8	13.7	-4.9
US	36.0	52.3	-16.3

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

"HL": Global Small Companies model portfolio. "Index": MSCI All Country World Small Cap Index. Sector and geographic allocations are supplemental information only and complement the fully compliant Global Small Companies Equity Composite GIPS Presentation. Source: Harding Loevner Global Small Companies Equity 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.

# What Happened

Global small cap stocks rallied 12.1% in the fourth quarter, helped by strong returns in the US. They ended the year up 17.4%, trailing the performance of their large cap counterparts by 540 basis points (bps).

Lower interest rates, slowing inflation, and signs of an economic “soft landing” allowed the year to close on an optimistic note, as earlier worries over the health of the banking system (stemming from the failure of three US regional banks) faded from memory. Artificial intelligence (AI) captivated investors, given the technology’s potential to drive long-term productivity gains and growth. However, concerns persisted throughout the year over the potential economic fallout of worsening geopolitical strain.

The US Federal Reserve maintained the federal funds rate at a steady 5.25% to 5.5% for a third consecutive meeting, with hints of three rate reductions in 2024. The European Central Bank also left rates unchanged, reflecting a newly cautious approach to monetary policy. In Asia, where high inflation is less of a concern, monetary policies remained more accommodative. China’s central bank continued its supportive stance, while news reports suggested the country may pursue additional measures

to stimulate its slowing economy. The Bank of Japan maintained negative policy rates, citing subdued wage growth, lackluster housing investment, and steady government spending.

By sector, Real Estate rebounded to lead returns in the fourth quarter; however, it was still one of the worst performers for the year, as high mortgage rates and shrinking demand for commercial properties took their toll. Financials did well during the quarter, as banks benefited from a growing belief among investors that the US economy may avoid a deep recession. Information Technology (IT) posted strong returns for both the quarter and the year, ending 2023 with a 35% gain, propelled by enthusiasm over AI, as well as earnings growth.

Energy was the only sector to decline for the quarter, as robust oil production in North America offset lower supply elsewhere, pushing down crude prices. Consumer Staples also underperformed during the quarter and year as sales growth fell short of investors’ expectations. The positive effect that inflation has had on pricing for Consumer Staples businesses is now fading as inflation slows, and sales volumes have yet to pick up in response to the lower prices.

For the full year, Health Care had the worst showing, as biotechnology companies—a collection of largely unprofitable businesses—felt the pressures of a higher cost of funding.

By region, the European Monetary Union (EMU) beat the index for the quarter and year, while Canada was dragged down by Energy’s poor performance. Stocks in the Middle East region, which includes only shares of Israeli companies, were hurt by the Israeli-Palestinian conflict and fears that it may spread.

**IT posted strong returns for both the quarter and the year, ending 2023 with a 35% gain, propelled by enthusiasm over AI, as well as earnings growth.**

Emerging Markets (EMs) posted the year’s best performance, with Brazil, Egypt, India, Mexico, Saudi Arabia, and Taiwan each returning more than 30%. India, among the largest EMs, did particularly well amid an improving growth outlook for small companies and as China’s economic slowdown shifted some investor appetite to India’s market.

Style headwinds varied by region. Outside the US, growth and valuation style headwinds were present throughout 2023. Stocks in the lowest quintile of growth outperformed those in the highest quintile by about 300 bps, while the cheapest small caps outperformed the most expensive by about 600 bps. These style headwinds were especially strong in Japan. However, within the

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. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at December 31, 2023 is available on page 5 and 6 of this report.

## MSCI ACWI Small Cap Index Performance (USD %)

Sector	4Q 2023	Trailing 12 Months
Communication Services	9.5	8.1
Consumer Discretionary	13.3	21.2
Consumer Staples	7.9	12.4
Energy	-3.5	10.1
Financials	15.5	15.6
Health Care	12.8	6.6
Industrials	11.5	24.7
Information Technology	14.9	35.3
Materials	11.9	14.8
Real Estate	15.9	9.4
Utilities	8.6	-0.8
Geography	4Q 2023	Trailing 12 Months
Canada	5.9	8.5
Emerging Markets	9.0	24.5
Europe EMU	13.1	19.0
Europe ex EMU	15.6	16.3
Japan	7.5	13.8
Middle East	6.4	-0.4
Pacific ex Japan	9.7	4.8
United States	13.8	18.4
MSCI ACWI Small Cap Index	12.1	17.4

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

US, the stocks of the fastest quintile of growth companies were more in favor, outperforming the lowest quintile of growth by 660 bps.

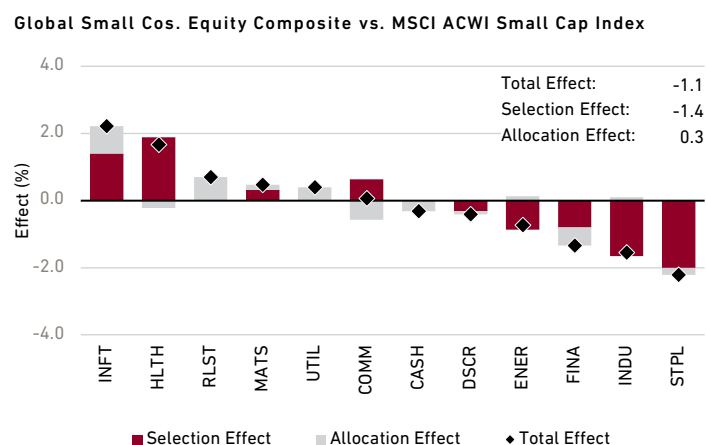
## How We Did

The Global Small Companies composite rose 13.1% gross of fees in the fourth quarter, compared with a 12.1% gain in the MSCI ACWI Small Cap Index. For the full year, the composite increased 16% gross of fees, underperforming the index's 17.4% return.

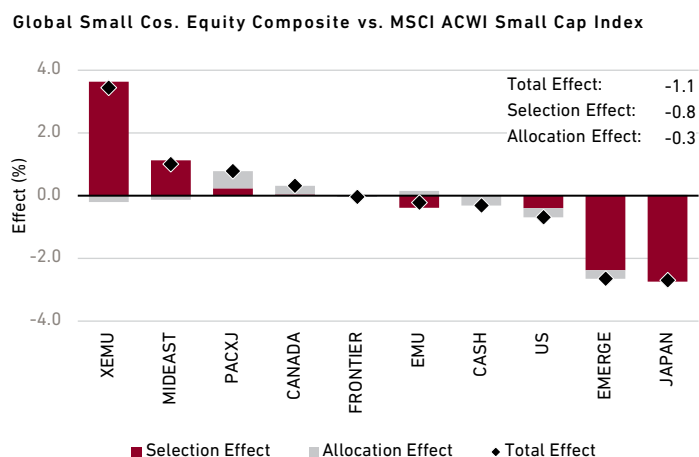
During the quarter, the portfolio's outperformance was almost entirely due to good stocks, with a minimal negative impact from sector allocation.

UK-based **YouGov**, a market research and data analytics provider, was the top contributor. The company reported a 17% year-over-year increase in revenue and a 200-bp improvement

### Trailing 12 Months Performance Attribution Sector



### Geography



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

Source: Harding Loevner Global Small Companies Equity 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.

in operating margins, allaying earlier concerns about its growth. In Health Care, investors were optimistic about **Neurocrine Biosciences'** pipeline of drug candidates, including a treatment that completed phase 3 studies for adult and pediatric congenital adrenal hyperplasia, a disorder of the adrenal glands. Shares of Neurocrine, which also has psychiatric drugs in development, rose further after two of its neuroscience-focused peers received takeover offers from large pharmaceutical companies.

Viewed by sector, IT led returns for the quarter and year. Software developer **Cyberark** reported a 25% jump in revenue as the company sold additional security solutions to existing customers.

Strong tech stocks more than offset weakness in Consumer Staples holdings such as US-based **MGP Ingredients**, a spirits distiller and supplier of food ingredients, during the fourth quarter. Even as MGP posted strong earnings, investors shifted their preferences to companies with greater exposure to discretionary consumer spending in anticipation of potential interest rate cuts.

For the full year, Industrials performed poorly, partly due to broad declines in shares of our capital-goods holdings. **TOMRA**, the world's leading manufacturer of recycling and sorting equipment, fell victim to a cyberattack, while investors were disappointed that a large Scottish collection scheme was delayed until 2025. **MISUMI Group**, a Japanese wholesaler of factory components, reported disappointing results amid weak demand from customers in China, its second-largest market.

By region, Europe ex EMU was the top contributor to relative returns for both the quarter and year. Aside from YouGov's strong performance, shares of Abcam and SimCorp, each the target of an acquisition, posted strong gains. This more than offset a sharp decline in **Keywords Studios** due to concerns that generative AI would replace the company's video-game testing services. Meanwhile, our US holdings failed to keep pace with the robust quarterly gains of index peers. Automotive-components supplier **BorgWarner** reduced its full-year forecast due to weakening demand, particularly from its electric-vehicle customers.

For the year, the weakest region was Japan, which we discuss below. **Milbon** was among the region's poor performers. The provider of professional hair-care products reported weak demand from domestic customers, resulting in excess inventory.

## What's On Our Minds

Japan is the second-largest country weight in the global small cap benchmark, behind only the US. It is also where our portfolio of quality growth stocks struggled most this year.

One reason for the poor performance is that style headwinds have been especially pronounced in Japan for the past several years. In fact, from 2021 through 2023, Japan was one of only two regions where shares of high-quality small companies underperformed those of low quality (by 718 bps). Likewise, fast-growing small

caps underperformed slow growers in Japan to a greater degree (nearly 1,500 bps) than in any other region. And valuation has been the worst style headwind, with the cheapest stocks greatly outperforming the most expensive (by 2,400 bps). Japanese stocks in our portfolio declined 18.8% during those three years, while the broader index gained 3.9%.

High valuations of quality growth companies have been a facet of the Japanese market for much of the past five years. The price-to-earnings ratio of Japanese stocks in the top two quintiles of quality and growth also has climbed for six straight quarters. The relative richness of higher-quality, growing Japanese stocks is one reason our portfolio weight in Japan, at 11%, is down from a high of about 19% several years ago and is now only modestly above the country's benchmark weight of 10.3%.

Overall economic growth in Japan also has been slow amid factors such as an aging population, tight labor conditions, chronic deflation, and, lately, a depreciating currency. However, as investors, we seek growth even in places where it isn't readily apparent. Our research process is geared to uncover companies that operate in industries with long-term demand growth, and which exhibit strong competitive advantages, managerial excellence, and sustained high profitability.

**The relative richness of higher-quality, growing Japanese stocks is one reason our portfolio weight in Japan, at 11%, is down from a high of about 19% several years ago and is now only modestly above the country's benchmark weight of 10.3%.**

Because of the challenging environment in Japan, many companies there turn to overseas markets for growth. Such companies navigate increasingly strict cross-border trade policies in a deglobalizing world, as well as the financial effects of a volatile yen. While we have found plenty of Japanese exporters that offer long-term profitable growth, solid domestic growers without exposure to deglobalization and currency risks also can be attractive.

One such company is **SMS**, a business that benefits from Japan's otherwise unfavorable demographics. As a leading recruitment agency for nurses and elderly-care providers in a country that desperately needs them, the company is seeing higher demand for its services. SMS also has added recruitment services in adjacent areas such as childcare (in a shrinking population, workers of all types get harder to find). Furthermore, the company has introduced other services for its customers, such as a software tool that helps elderly-care facilities navigate the insurance landscape. SMS is targeting 20% annual revenue growth over the next few years.

Meanwhile, what began as a push by former Prime Minister Shinzo Abe to improve corporate governance in Japan has gained more momentum in recent years. This has led to a recent flurry of government reforms as well as new mandates from the Tokyo

Stock Exchange (TSE), which is working in tandem with regulators. The potential impact on companies in our portfolio and portfolio returns is complex.

The TSE, for example, will begin requiring all listed companies to develop plans to improve returns on capital. While this is welcome news, the announcement has primarily benefited shares of lower-quality companies that had been trading below book value, where there is presumably more room for improvement than for high-quality firms. Beginning in January 2024, the exchange will start publishing a monthly list of companies that aren't cooperating with its mandate, a move that some investors are calling "TSE shaming."

This pressure to improve corporate governance and increase shareholder returns would seem to be a break from the business culture that formed in the wake of the country's economic turmoil in the late 1990s. Since then, during an era known as Japan's "lost decades," businesses (and households) have tended to hoard cash rather than reinvest for future growth. Even activist hedge funds, which haven't been shy about agitating for significant changes to ignite growth at companies in the US and Europe, were less active in Japan for many years, given that businesses were often perceived as too resistant to change. The TSE's plan to end this perception includes compiling feedback from investors, and corporate responses thereto, making this information public every six months. The TSE's efforts are a step in the right direction but will likely take time to render fundamental improvements in companies.

Other changes concern taxes. To stoke dealmaking, small and medium enterprises (SMEs) can now write off up to 100% of their acquisition costs as losses for tax purposes if they acquire another SME, which may mean more mergers and acquisitions of small caps. Tax incentives also have been created to encourage individual investors to buy riskier assets. In addition, a new preferential tax rate will be available to firms that give their employees a pay raise above a minimum threshold, so we'll be monitoring whether any of our companies plan to take advantage of that.

**JCU**, the world's top supplier of plating chemicals used in printed circuit boards and chips, may benefit from other upcoming tax changes. The company is positioned to take advantage of a new tax break to boost domestic production in certain sectors considered to be essential for Japan, such as semiconductor devices. The incentive will last for 10 years from the time of approval and is based on the level of production of qualifying products.

Over the long term, the changes in Japanese business policy and mindset should be positive developments. As management teams digest the recent revisions, we'll learn more of the specifics of how they see the reforms potentially impacting their businesses. In the short run, some of the changes will mainly benefit lower-quality, slower-growing companies, an expectation that has clearly exacerbated, and could prolong, the style headwinds our investments in Japan have faced. Over time, though, as more businesses raise their standards, the number of high-quality companies in Japan is likely to increase.

## Global Small Companies Holdings (as of December 31, 2023)

Communication Services	Market	End Wt. (%)	Health Care	Market	End Wt. (%)
<b>Airtel Africa</b> (Telecom services)	UK	0.6	<b>Ambu</b> (Medical device manufacturer)	Denmark	0.2
<b>Bengo4.com</b> (Lawyer and accountant listings services)	Japan	0.1	<b>BML</b> (Clinical testing and information services)	Japan	0.6
<b>Cable One</b> (Cable operator)	US	0.3	<b>CellaVision</b> (Medical device manufacturer)	Sweden	0.7
<b>Cheil Worldwide</b> (Marketing and advertising services)	South Korea	0.6	<b>DiaSorin</b> (Reagent kits developer)	Italy	1.0
<b>Kakaku.com</b> (E-commerce retailer)	Japan	0.8	<b>Elanco</b> (Animal health care products)	US	1.1
<b>Megacable</b> (Cable operator)	Mexico	0.6	<b>Evotec</b> (Drug discovery and developer)	Germany	0.8
<b>Paradox Interactive</b> (Video game publisher)	Sweden	0.5	<b>LeMaitre Vascular</b> (Medical device manufacturer)	US	0.7
<b>Rightmove</b> (Online property listings operator)	UK	0.6	<b>Neurocrine Biosciences</b> (Biopharmaceutical mfr.)	US	2.8
<b>Sarana Menara Nusantara</b> (Telecom tower operator)	Indonesia	0.5	<b>Repligen</b> (Biopharma equipment supplier)	US	0.8
<b>Scout24</b> (Real estate information services)	Germany	1.2	<b>Santen Pharmaceutical</b> (Pharma manufacturer)	Japan	1.5
<b>TIME dotCom Berhad</b> (Telecom services)	Malaysia	0.7	<b>Shockwave Medical</b> (Medical device manufacturer)	US	1.2
<b>YouGov</b> (Market research and data analytics services)	UK	3.1	<b>Simulations Plus</b> (Simulation software developer)	US	1.0
<b>Consumer Discretionary</b>			<b>Square Pharmaceuticals</b> (Pharma manufacturer)	Bangladesh	0.5
<b>BorgWarner</b> (Automotive parts manufacturer)	US	1.6	<b>Tecan</b> (Life science products and services)	Switzerland	2.0
<b>Eclat Textile</b> (Technology-based textile manufacturer)	Taiwan	0.5	<b>Industrials</b>		
<b>Five Below</b> (Discount consumer products retailer)	US	1.3	<b>AAON</b> (HVAC manufacturer)	US	1.3
<b>Malibu Boats</b> (Boat manufacturer)	US	1.5	<b>Alfa Laval</b> (Industrial equipment manufacturer)	Sweden	0.4
<b>Ollie's Bargain Outlet</b> (Discount cons. products retailer)	US	1.1	<b>Allegion</b> (Security equipment manufacturer)	US	1.2
<b>Stanley Electric</b> (Automotive lighting manufacturer)	Japan	0.7	<b>Atkore</b> (Electrical conduit manufacturer)	US	2.0
<b>Thule Group</b> (Lifestyle consumer products manufacturer)	Sweden	1.3	<b>Bossard</b> (Industrial components supplier)	Switzerland	0.8
<b>XPEL</b> (Auto detailing services)	US	1.6	<b>Burckhardt Compression</b> (Compressor manufacturer)	Switzerland	1.5
<b>Consumer Staples</b>			<b>Clarkson</b> (Shipping services)	UK	0.6
<b>Agthia</b> (Foods and beverages manufacturer)	UAE	0.2	<b>Daifuku</b> (Material-handling equipment manufacturer)	Japan	0.9
<b>Ariake</b> (Natural seasonings manufacturer)	Japan	1.2	<b>Diploma</b> (Specialized technical services)	UK	1.8
<b>Cranswick</b> (Foods manufacturer)	UK	1.8	<b>EnerSys</b> (Industrial-battery manufacturer)	US	2.9
<b>MGP Ingredients</b> (Alcoholic beverage ingredients mfr.)	US	2.1	<b>Exponent</b> (Engineering and scientific consultant)	US	1.5
<b>Milbon</b> (Hair care products manufacturer)	Japan	0.9	<b>Haitian International</b> (Injection-molding machines mfr.)	China	0.7
<b>Pigeon</b> (Consumer products manufacturer)	Japan	0.6	<b>Infomart</b> (Restaurant supply chain operator)	Japan	0.6
<b>Reynolds</b> (Consumer products manufacturer)	US	1.6	<b>MISUMI Group</b> (Machinery-parts supplier)	Japan	0.9
<b>Robinsons Retail</b> (Foods & consumer products retailer)	Philippines	0.6	<b>MonotaRO</b> (Factory materials supplier)	Japan	0.3
<b>Energy</b>			<b>Rational</b> (Commercial kitchen equipment manufacturer)	Germany	0.9
<b>Dialog Group Berhad</b> (Petrochemical services)	Malaysia	0.8	<b>Senior</b> (Aerospace and auto parts manufacturer)	UK	2.0
<b>Helmerich &amp; Payne</b> (Oil driller)	US	1.0	<b>SMS</b> (Health care employment services)	Japan	0.4
<b>Financials</b>			<b>Spirax-Sarco</b> (Industrial components manufacturer)	UK	0.4
<b>Bank of Georgia</b> (Commercial bank)	UK	1.3	<b>TOMRA</b> (Industrial sensors manufacturer)	Norway	0.6
<b>BTPN Syariah</b> (Commercial bank)	Indonesia	0.5	<b>UT Group</b> (Manufacturing staffing services)	Japan	0.7
<b>Commerce Bank</b> (Commercial bank)	US	1.1	<b>Information Technology</b>		
<b>Discovery Holdings</b> (Insurance provider)	South Africa	0.7	<b>Advantech</b> (Industrial PCs manufacturer)	Taiwan	0.9
<b>Lazard</b> (Financial advisory)	US	1.0	<b>Alten</b> (Technology consultant and engineer)	France	1.2
<b>Linea Directa</b> (Insurance provider)	Spain	0.5	<b>Appfolio</b> (Real estate information services)	US	0.8
<b>MarketAxess</b> (Electronic trading platform)	US	0.9	<b>Bechtle</b> (IT services and IT products reseller)	Germany	1.4
<b>Max Financial</b> (Financial services & insurance provider)	India	1.5	<b>Cognex</b> (Machine vision systems manufacturer)	US	0.6
<b>Rathbones</b> (Wealth manager)	UK	0.5	<b>Cyberark</b> (Cybersecurity software developer)	Israel	2.2
<b>RGA</b> (Reinsurance provider)	US	2.0	<b>Endava</b> (Software developer)	UK	1.6
<b>Siauliu Bankas</b> (Commercial bank)	Lithuania	1.0	<b>Guidewire Software</b> (Insurance software developer)	US	1.1

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## Global Small Companies Holdings (as of December 31, 2023)

Information Technology	Market	End Wt. (%)
<b>Keywords Studios</b> (Video game technical services)	UK	0.8
<b>Kinaxis</b> (Supply chain software developer)	Canada	0.4
<b>LEM Holdings</b> (Electrical components manufacturer)	Switzerland	1.2
<b>Nemetschek</b> (Engineering software developer)	Germany	1.4
<b>Rakus</b> (IT employment and cloud services )	Japan	0.6
<b>Reply</b> (IT consultant)	Italy	0.9
<b>Vaisala</b> (Atmospheric measuring devices manufacturer)	Finland	0.8
<b>Materials</b>		
<b>Fuchs Petrolub</b> (Lubricants manufacturer)	Germany	1.0
<b>Hoa Phat Group</b> (Steel producer)	Vietnam	0.6
<b>JCU</b> (Industrial coating manufacturer)	Japan	0.6
<b>Real Estate</b>		
<b>No Holdings</b>		
<b>Utilities</b>		
<b>Rubis</b> (Liquid chemical storage and distribution)	France	1.0
<b>Cash</b>		2.6

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

Largest Contributors	Sector	Avg. Weight		Effect
		HL	Index	
YouGov	COMM	2.7	<0.1	1.17
Cyberark	INFT	2.2	–	0.43
Nemetschek	INFT	1.4	–	0.33
Endava	INFT	1.4	–	0.31
AAON	INDU	1.2	0.1	0.19

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

Largest Detractors	Sector	Avg. Weight		Effect
		HL	Index	
BorgWarner	DSCR	1.7	–	-0.47
MGP Ingredients	STPL	2.2	<0.1	-0.46
Helmerich & Payne	ENER	1.2	0.1	-0.33
Ariake	STPL	1.3	<0.1	-0.22
Robinsons Retail	STPL	0.7	<0.1	-0.21

"HL": Global Small Companies composite. "Index": MSCI All Country World Small Cap Index.

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

Largest Contributors	Sector	Avg. Weight		Effect
		HL	Index	
Altair Engineering	INFT	0.8	<0.1	1.09
Ollie's Bargain Outlet	DSCR	1.8	0.1	0.85
Cyberark	INFT	1.9	–	0.82
YouGov	COMM	1.6	<0.1	0.76
AppFolio	INFT	1.4	<0.1	0.75

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

Largest Detractors	Sector	Avg. Weight		Effect
		HL	Index	
MGP Ingredients	STPL	2.3	<0.1	-0.64
Helmerich & Payne	ENER	1.2	0.1	-0.63
MISUMI Group	INDU	1.3	–	-0.58
Keywords Studios	INFT	0.7	<0.1	-0.58
Exponent	INDU	1.8	0.1	-0.56

#### Portfolio Characteristics

Quality and Growth	HL	Index
Profit Margin <sup>1</sup> (%)	10.4	7.6
Return on Assets <sup>1</sup> (%)	8.0	4.9
Return on Equity <sup>1</sup> (%)	15.1	11.0
Debt/Equity Ratio <sup>1</sup> (%)	23.0	58.2
Std. Dev. of 5 Year ROE <sup>1</sup> (%)	4.5	5.7
Sales Growth <sup>1,2</sup> (%)	9.5	7.1
Earnings Growth <sup>1,2</sup> (%)	10.7	10.2
Cash Flow Growth <sup>1,2</sup> (%)	7.4	7.5
Dividend Growth <sup>1,2</sup> (%)	7.6	5.3
Size and Turnover	HL	Index
Wtd. Median Mkt. Cap. (US \$B)	4.1	3.3
Wtd. Avg. Mkt. Cap. (US \$B)	4.8	4.0
Turnover <sup>3</sup> (Annual %)	20.8	–

Risk and Valuation	HL	Index
Alpha <sup>2</sup> (%)	2.25	–
Beta <sup>2</sup>	0.89	–
R-Squared <sup>2</sup>	0.9	–
Active Share <sup>3</sup> (%)	98	–
Standard Deviation <sup>2</sup> (%)	19.94	21.37
Sharpe Ratio <sup>2</sup>	0.49	0.39
Tracking Error <sup>2</sup> (%)	6.7	–
Information Ratio <sup>2</sup>	0.19	–
Up/Down Capture <sup>2</sup>	93/90	–
Price/Earnings <sup>4</sup>	20.0	14.5
Price/Cash Flow <sup>4</sup>	14.4	8.9
Price/Book <sup>4</sup>	2.9	1.7
Dividend Yield <sup>5</sup> (%)	1.6	2.1

<sup>1</sup>Weighted median. <sup>2</sup>Trailing five years, annualized. <sup>3</sup>Five-year average. <sup>4</sup>Weighted harmonic mean. <sup>5</sup>Weighted mean. Source: (Risk characteristics): Harding Loevner Global Small Companies composite based on the composite returns, gross of fees, eVestment Alliance LLC, MSCI Inc. Source: (other characteristics): Harding Loevner Global Small Companies 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
Evotec	Germany	HLTH
Scout24	Germany	COMM
Shockwave Medical	US	HLTH
XPEL	US	DSCR

Positions Sold	Market	Sector
Cosmos Pharmaceutical	Japan	STPL
Domain	Australia	COMM
Planet Fitness	US	DSCR

Model Portfolio holdings are supplemental information only and complement the fully compliant Global Small Companies 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. 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 Small Companies Equity 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 Small Companies Equity Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

## Global Small Companies Composite Performance (as of December 31, 2023)

	HL Global Small Cos. Gross (%)	HL Global Small Cos. Net (%)	MSCI ACWI Small Cap Index <sup>1</sup> (%)	HL Global Small Cos. 3-yr. Std. Deviation <sup>2</sup> (%)	MSCI ACWI Small Cap Index 3-yr. Std. Deviation <sup>2</sup> (%)	Internal Dispersion <sup>3</sup> (%)	No. of Accounts	Composite Assets (\$M)	Firm Assets (\$M)
2023 <sup>4</sup>	15.99	15.02	17.41	18.19	18.17	N.M.	1	2	43,926
2022	-21.46	-22.14	-18.27	21.86	23.83	N.M.	1	1	47,607
2021	12.53	11.52	16.54	18.58	21.27	N.M.	1	2	75,084
2020	29.24	28.09	16.83	+	+	N.M.	1	2	74,496
2019	30.99	29.82	25.23	+	+	N.M.	1	1	64,306

<sup>1</sup>Benchmark index. <sup>2</sup>Variability of the composite, gross of fees, and the index returns over the preceding 36-month period, annualized. <sup>3</sup>Asset-weighted standard deviation (gross of fees). <sup>4</sup>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. +Less than 36 months of return data.

The Global Small Companies composite contains fully discretionary, fee-paying accounts investing primarily in US and non-US equity and equity-equivalent securities of companies with market capitalizations that fall within the range of the composite's benchmark index and cash reserves, and is measured against the MSCI All Country World Small Cap 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 Small Cap Index is a free float-adjusted market capitalization index that is designed to measure small cap developed and emerging market equity performance. The index consists of 47 developed and emerging market countries, and is comprised of companies that fall within a market capitalization range of USD 74-27,477 million (as of December 31, 2023). You cannot invest directly in this index.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Harding Loevner has been independently verified for the period November 1, 1989 through September 30, 2023. The verification report is 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. Verification does not provide assurance on the accuracy of any specific performance report. 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. 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 Small Companies Equity accounts is 1.00% annually of the market value for the first \$20 million; 0.80% for the next \$80 million; 0.70% above \$100 million. 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 Small Companies composite was created on December 31, 2018 and the performance inception date is January 1, 2019.



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