International Equity ADR

Quarterly Report | Second Quarter 2022

HARDING LOEVNER

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Composite Performance

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

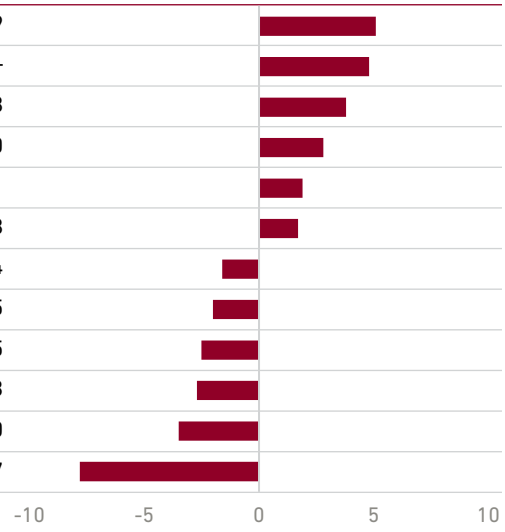
	3 Months	YTD	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL International Equity ADR (Gross of Fees)	-14.80	-23.59	-21.66	2.86	3.73	6.73	7.66
HL International Equity ADR (Net of Fees)	-14.95	-23.86	-22.19	2.17	3.03	5.99	6.82
MSCI All Country World ex-US Index[4,5]	-13.54	-18.15	-19.01	1.81	2.97	5.31	4.80
MSCI EAFE Index[5,6]	-14.29	-19.25	-17.33	1.54	2.69	5.88	4.48

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: December 31, 1989 corresponds to that of the linked International Equity Composite; [4]The benchmark index; [5]Gross of withholding taxes; [6]Supplemental index.

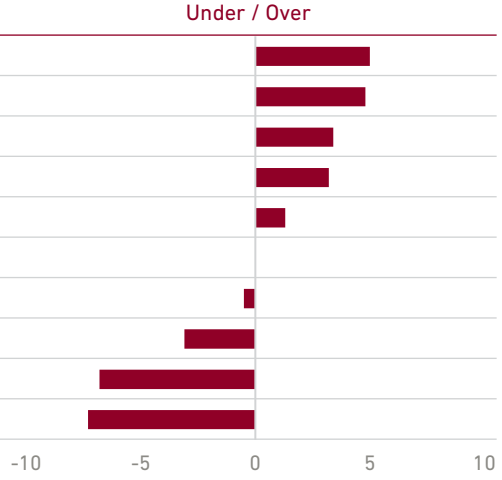
Past Performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL IADR	ACWI ex-US	Under / Over
Cons Staples	14.0	8.9	
Cash	4.8	–	
Health Care	13.6	9.8	
Info Technology	13.8	11.0	
Materials	10.0	8.1	
Industrials	13.5	11.8	
Utilities	1.8	3.4	
Comm Services	4.5	6.5	
Real Estate	0.0	2.5	
Financials	17.6	20.3	
Energy	2.5	6.0	
Cons Discretionary	3.9	11.7	



Geography	HL IADR	ACWI ex-US	Under / Over
Europe EMU	24.2	19.2	
Cash	4.8	–	
Pacific ex-Japan	11.4	8.0	
Europe ex-EMU	23.9	20.7	
Other[7]	1.3	–	
Frontier Markets[8]	0.0	–	
Middle East	0.0	0.5	
Japan	10.7	13.8	
Canada	1.3	8.1	
Emerging Markets	22.4	29.7	



[7]Includes companies classified in countries outside the Index. [8]Includes countries with less-developed markets outside the Index. Sector and geographic allocations are supplemental information only and complement the fully compliant International Equity ADR Composite GIPS Presentation. Source: Harding Loevner International Equity ADR Model; MSCI Inc. and S&P. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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Market Review

International stocks and bonds fell precipitously as interest rate hikes provoked by soaring consumer prices threatened a global recession. This year's rout has wiped over US$5 trillion from non-US 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— 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.

MSCI ACWI ex-US Index Performance (USD %)

Sector	2Q 2022	Trailing 12 Months
Communication Services	-10.6	-26.2
Consumer Discretionary	-8.2	-31.0
Consumer Staples	-7.4	-13.8
Energy	-4.5	9.0
Financials	-14.0	-9.7
Health Care	-9.5	-15.1
Industrials	-16.9	-21.6
Information Technology	-22.5	-31.3
Materials	-21.2	-18.7
Real Estate	-13.4	-22.9
Utilities	-9.3	-6.9
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
MSCI ACWI ex-US Index	-13.5	-19.0

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

Swooning markets offered few places to hide. Global bonds, as measured by the Bloomberg Global-Aggregate Index, fell almost 10%. Commodities, stalwart performers 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 leveraged 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 ex-US Value Index has outperformed its Growth counterpart by 13 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 15%, although it had been even wider until growing recession fears led to a sell-off of shares of cyclical companies in late June. Even 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 over 150 basis points for the quarter and 475 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 ex-US Value Index has outperformed its Growth counterpart by 13 percentage points in the year to date.

Expectations for more aggressive monetary tightening in the US boosted the US dollar relative to other major currencies. The Japanese yen sank to a 24-year low as the Bank of Japan intervened in the domestic bond market to keep long-term yields low.

Every sector finished in the red. Like last quarter, shares of companies sensitive to business confidence, such as those in Information Technology (IT) and Industrials, 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

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.

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), Canada performed the worst, weighed down by its large tilt to slumping Energy stocks.

Performance and Attribution

The International Equity ADR Composite fell 14.8% in the quarter, gross of fees, lagging the 13.5% decline for the MSCI All Country World ex-US Index.

As in the prior quarter, investors fled from the shares of high-quality growth companies. But this quarter they also fled from cheaper stocks of slower-growing companies, which helped mitigate our underperformance relative to the benchmark. A small comfort, to be sure. Though headwinds to high valuation and high growth began to subside, our emphasis on high business quality continued to drag on returns. The failure of shares of high-quality companies to provide protection is the subject of the next section. Here we will just note that our decision to maintain a large allocation to companies in the top quintile of quality characteristics accounted for nearly a third of our underperformance in the quarter.

Much of the rest came from weakly performing stocks in the Industrials, Health Care, and Consumer Staples sectors. **Schneider Electric**, the French leader in energy management engineering, underperformed on concerns about the impact of the Shanghai lockdowns on its manufacturing and distribution in China, as well as broader supply chain and recession fears. Swedish industrial tool and equipment maker **Atlas Copco** slid on concerns about its revenue outlook in the face of decelerating economic growth. Swiss contract drug maker **Lonza** fell despite posting strong operating results as investors grew timorous toward expensive health care companies. And among Consumer Staples, **L'Oréal** and **Shiseido** fell in response to pandemic-related lockdowns in urban China, one of their biggest markets, while Brazilian brewer **Ambev** and Mexican bottling giant **FEMSA** fell on worries about rising input costs.

Financials was our strongest sector, driven by our holdings in Asian life insurance companies **Ping An Insurance** and **AIA Group**. Their recent results indicate that life insurance demand in the region has bottomed. Other helpful trends include rising interest rates, which make funding long-term liabilities easier, and (finally) the easing of Chinese lockdowns toward quarter end and rising hopes for a lifting of the border closure that has prevented mainlanders from traveling to Hong Kong, where they can purchase the more tailored health and investment-linked life policies. Good stocks in the Materials sector were another modestly positive counterweight. German fragrance and flavors maker **Symrise** reported faster organic growth than expected, and management reaffirmed its 2022 guidance for strong revenue growth and margins.

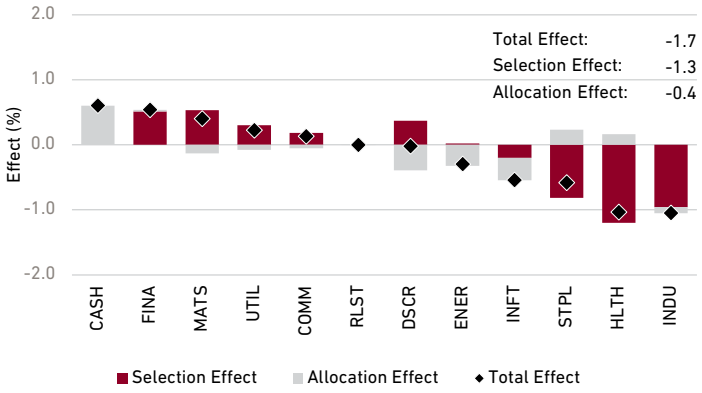
From a geographic perspective, nearly all the portfolio's underperformance was localized in Europe, where Schneider Electric and Atlas Copco helped lead the way down. Pacific ex-Japan was one of the few regions that added to relative performance, mostly driven by the rebound in shares of Hong Kong-domiciled AIA.

Through the first half of 2022, the International Equity ADR Composite fell 23.6%, gross of fees, well behind the 18.2% decline of the MSCI All Country World ex-US Index. Over a quarter of the year-to-date underperformance derived from our overweight skew toward the market's highest-quality companies and over a third from the first quarter write-downs of our two Russian holdings, **Lukoil** and **Yandex**. Most of the remaining balance came from poorly performing stocks within the Health Care, Energy, and Industrials sectors. Our underweight in Consumer Discretionary and our mining companies **BHP** and **Rio Tinto** were positive offsets.

Second Quarter 2022 Performance Attribution

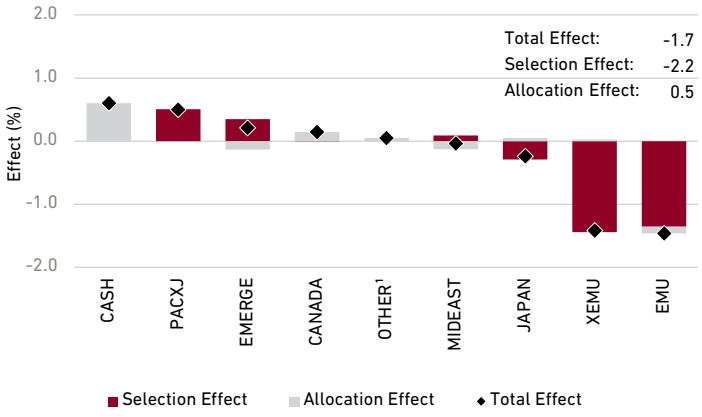
Sector

International Equity ADR Composite vs. MSCI ACWI ex-US Index



Geography

International Equity ADR Composite vs. MSCI ACWI ex-US Index



[1]Includes companies classified in countries outside the Index. Source: FactSet; Harding Loevner International Equity ADR Composite; MSCI Inc. and S&P. The total effect shown here may differ from the variance of the Composite performance and benchmark performance shown on the first page of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS Presentation.

Perspective and Outlook

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 business 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've worried—and written—a good deal about the nosebleed valuations for the fastest-growing cohort of companies, and we've repeatedly trimmed our holdings of them to the point where, in the eyes of certain observers, we risked forsaking our reputation as bona fide growth investors. So, when the tide turned against the most expensive stocks of the growthiest companies in late 2020, we were relatively prepared.

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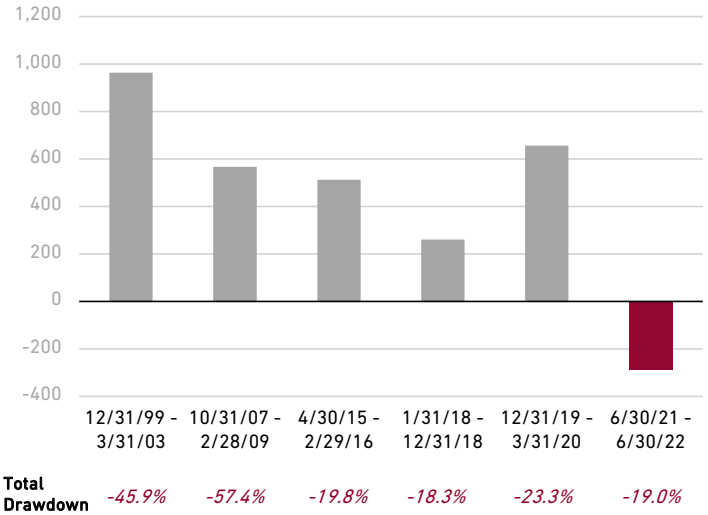
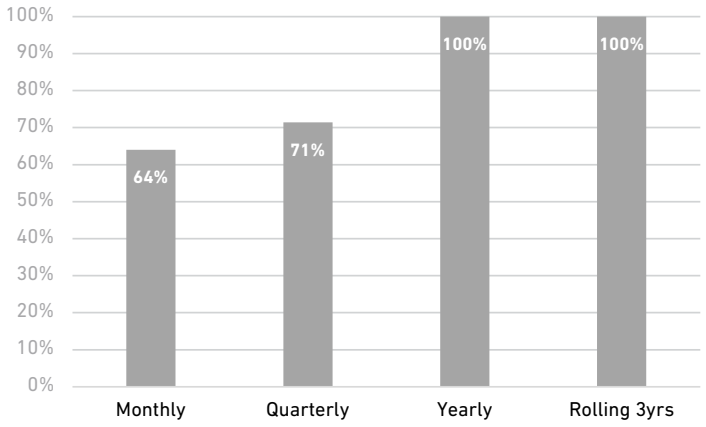
Recent market behavior shows we would have benefitted from having an equal level of concern about high valuations for high-quality companies. Contrary to historical form, the shares of high-quality businesses have underperformed for two consecutive quarters in the teeth of a brutal market pullback. The 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 valuation premiums for quality coming into 2022 were higher than we've seen since the height of the global financial crisis (GFC) 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

Quality Outperformace During Drawdowns (bps)
MSCI ACWI ex-US Index (Total Returns, not annualized)



% of Down Market Periods Where Quality Outperformed
MSCI ACWI ex-US Index since 12/31/1998



Source: Bloomberg, MSCI Inc.

rout appears largely to reflect retreating valuations, the absence thus far of the impact 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 judgement about a business' 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 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 a more favorable position to find excellent companies whose shares are priced to perform well in the years ahead.

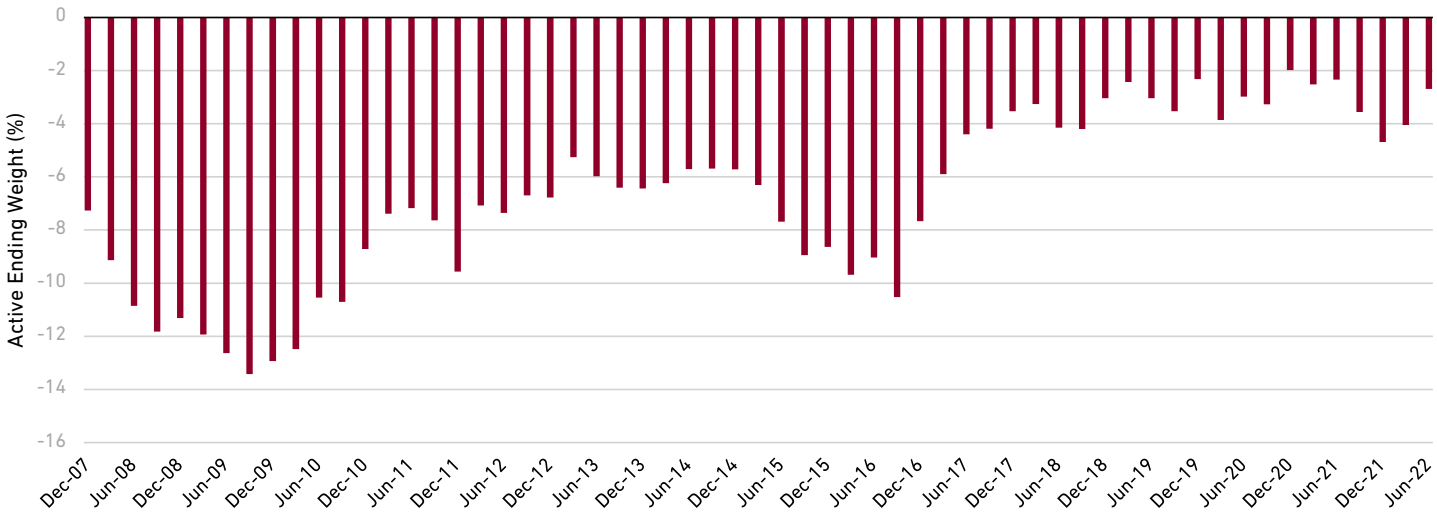
Portfolio Highlights

We have regarded the financial services industry cautiously since well before the global financial crisis, concerned by the increasing prevalence in developed markets of slow-growing banks with poor risk management, and the assorted adventures by once-orthodox insurers like AIG. Heading into the crisis, we owned a couple of developed market companies (such as Swiss Re and Austria's Erste Bank) that ended up faring poorly, but for the most part concentrated our exposure on EM banks and insurers or developed market institutions with large EM businesses. These companies were less directly affected by the GFC, and afterward that's where we continued to focus, drawn by the higher long-term growth prospects of participants in EMs' still-immature financial sectors. At that time, growth prospects for developed market financial companies generally looked poor, asset quality was in doubt, and the path back to profitability was clouded.

Over subsequent years, as the better-managed businesses adjusted to increased capital requirements and more stringent regulation generally and the precarity of the post-crisis environment kept their shares reasonably valued even as customers returned to borrowing and transacting, we gradually increased our exposure to the sector. As central banks around the world have begun to raise interest rates over the past year, the growth outlook for some developed markets as well as EM financial companies has brightened considerably. Rising rates allow well-funded banks to raise their net interest margins, which, all else equal, should boost returns on equity substantially. Similarly, higher yields will raise the investment income of insurance companies in future years after the onetime hit to the mark-to-market value of their bond portfolios, making it easier for them to meet their long-term commitments to their policyholders. By the end of the quarter, we had narrowed our longstanding underweight to the Financials sector to less than 1%—and increased our overweight position in its constituent insurance industry—through a new purchase and an addition to an existing position.

Manulife, the Canadian life insurer operating primarily in North America and Asia, is a new holding. Manulife offers a full suite of life insurance products as well as retirement and wealth management services. While the wealth management and retirement products appeal to the aging populations of the Western world, long-term life insurance products address the needs of the growing number of middle-class families in places like China and southeast Asia. COVID-19-induced lockdowns in China brought the shares down to a significant discount to our estimate of long-term value. The holding now serves as a nice diversifier to our Asia-centered insurers AIA and Ping An, the former of which we also added to during the quarter.

HL Intl. ADR Financials Sector Active Weight



Source: MSCI Inc., FactSet.

Outside of Financials, we also purchased Shiseido, a company that we had been monitoring for years, but whose stock had not appeared reasonably priced until now. Shiseido generates most of its sales outside of Japan while facing mostly domestic prices for its inputs, a combination that should make it a net beneficiary of yen weakness. Its strong skincare brands are particularly well-regarded throughout Asia. We expect the company's revenues and profitability to resume their upward trajectory in the coming years as Japan and China recover from COVID-19 restrictions and as management emphasizes margin improvement with greater focus on a smaller number of premium products.

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To buy we must also sell, so we sold a couple of stocks whose resilience saw them trading at levels above what we consider their fair value. Russia's invasion of Ukraine helped highlight cybersecurity threats, in which Israel-headquartered cybersecurity company Check Point specializes; however, we grew concerned about the company's long-term earnings growth outlook given faltering market share and the potential for increased labor costs. We also sold Diageo, the UK-based spirits and drinks producer known for premium brands such as Johnny Walker scotch and Guinness stout. Its shares, remarkably, have outperformed both the Consumer Staples sector and the broad market since the vaccine announcements in November 2020, as folks dashed back to their favorite watering holes to imbibe among friends. Ultimately, though, we grew nervous that this "re-opening" theme had spurred their price to levels unsupported by the company's long-term growth outlook.

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.

Demolition Work in Progress

By Edmund Bellord

After cheering asset prices higher for the best part of two decades, the developed world's central banks have dusted off their hard hats in preparation for a controlled demolition of real estate and equity prices. Naturally, much attention has focused on whether the central planners can tame inflation without crashing the real economy. Unfortunately, inflation is a syndrome—the manifestation of an interlocking set of imbalances between the real and financial economies. As such, it does not lend itself to being fine-tuned by even well-intentioned technocrats. Ultimately, the removal of monetary largess not only risks damaging real economic activity but also collapsing flimsy structures built up over 15 years of easy money.

Financial markets, among other things, act as a type of sieve that screens investments. Ideally, the riskiest tradable assets pass through to the strongest balance sheets. In practice, however, they often end up on the balance sheets of the most accommodating investors, owned not by those most capable of bearing risks, but rather those most willing to. A well-functioning market will tend to eliminate investors who exceed their risk-bearing capacity, while those who take on too little risk will see their returns shrink and their share of the capital base dwindle. On balance, this sifting mechanism helps to steer capital to its most productive uses.

Extended bull markets tend to interfere with this process, as rewards flow disproportionally to the most aggressive, over-confident, and complacent investors. This creates a powerful feedback loop, as unbridled risk-taking is rewarded with outperformance which in turn draws more capital. Once the process gets going, it is self-reinforcing as the newly attracted capital is plowed back into the same group of assets. But in so doing, fragilities increase, and the longer it persists the more distorted capital allocation becomes.

The implosion over the last six months (at least in terms of their asset prices) of profitless growth stocks, crypto assets, and other speculative creatures of the markets is emblematic of a reversal of this dynamic. Fears of outright deflation following the global financial crisis encouraged central banks to keep pushing interest rates lower to allow over-extended borrowers to heal, and to reduce the cost of capital for new investment in the hopes of kick-starting growth. At the same time, the total absence of inflationary pressures seduced central bankers to set aside worries about the dangers of money printing and unrestrained liquidity. By their own admission, the goal of their zero-interest monetary policy was to spur a positive wealth effect on spending, by pushing fearful, safety-minded investors into taking more risks, thus driving up valuations.[1]

Primary beneficiaries of this process were growth stocks, particularly the most speculative growth stocks of companies with untried business models; their multiples steadily increased, inversely with submerging interest rates. This coincided with an explosion in indexation and so-called "smart beta" and factor investing, which channeled vast amounts of capital to the same group of stocks. Remarkably, for an extended period, some of these stocks were simultaneously defensive, fast growing, and relatively involatile, guaranteeing them an outsized weighting across a plethora of indices designed to track those very characteristics. Many active managers, faced with the prospect of having to beat a steadily narrowing benchmark, also piled in, overweighting these same stocks in the case of mutual funds, or owning them with leverage in the case of hedge funds. The prolonged success of these strategies encouraged yet more risk-taking, with new rafts of venture-backed startups and IPOs lacking anywhere near the prodigious free cash flows of the established tech companies. Moreover, the initial phases of the pandemic led to a last hurrah for tech stocks seemingly insulated from pandemic-induced disruptions to traditional commerce, which further turbocharged their valuations. The result was levitating valuations justified on the back of negative real interest rates.

The whole process was vulnerable to any shift in the macroeconomic backdrop that could prompt central banks to reverse course. The coils of that shift were arguably set by the pandemic and then sprung by the vaccine clinical trial results and rollouts which together upended consumption patterns, snarled supply chains, and reconfigured labor markets. According to the Bank for International Settlements, global growth, after cratering in 2020, accelerated to the fastest pace in almost five decades the following year.[2] The subsequent conflict in Ukraine exposed the fragility of an energy supply that had been undermined by a decade of underinvestment and climate-related antipathy, applying an energy supply shock to a combustible mix.

Now we will see just how difficult unwinding the unprecedented asset purchase programs and zero interest rate policies will be as central bank balance sheets shrink, interest rates rise, and the wealth effect goes into reverse. Policymakers embarked on their former policies with a clear-eyed view of the clear and present danger of deflation while the uncertain contingent costs inhabited a distant and abstract future. As that future arrives, the true costs are being revealed.

[1]"Aiding the Economy: What the Fed Did and Why," Ben S. Bernanke, *The Washington Post* (November 4, 2010).

[2]BIS Annual Economic Report, Bank of International Settlements (June 26, 2022).

International Equity ADR Holdings (as of June 30, 2022)

Communication Services	Market	End Wt. (%)
Telkom Indonesia (Telecom services)	Indonesia	1.6
Tencent (Internet and IT services)	China	3.0
Yandex (Internet products and services)	Russia	0.0[1]
Consumer Discretionary		
Haier Smart Home (Consumer appliances mfr.)	China	2.9
NITORI (Home-furnishings retailer)	Japan	0.9
Consumer Staples		
Ambev (Alcoholic beverages manufacturer)	Brazil	1.2
Diageo (Alcoholic beverages manufacturer)	UK	1.3
FEMSA (Beverages manufacturer and retail operator)	Mexico	2.7
L'Oréal (Cosmetics manufacturer)	France	3.7
Nestlé (Foods manufacturer)	Switzerland	2.6
Shiseido (Personal care products manufacturer)	Japan	1.0
Unicharm (Consumer products manufacturer)	Japan	1.4
Energy		
Lukoil (Oil and gas producer)	Russia	0.0[1]
Royal Dutch Shell (Oil and gas producer)	UK	2.1
Woodside[2] (Oil and gas producer)	Australia	0.4
Financials		
AIA Group (Insurance provider)	Hong Kong	4.6
Allianz (Financial services and insurance provider)	Germany	3.2
BBVA (Commercial bank)	Spain	1.3
DBS Group (Commercial bank)	Singapore	3.6
HDFC Bank (Commercial bank)	India	1.1
ICICI Bank (Commercial bank)	India	2.0
Ping An Insurance (Insurance provider)	China	1.0
XP (Broker dealer and financial services)	Brazil	0.8
Health Care		
Alcon (Eye care products manufacturer)	Switzerland	1.7
Chugai Pharmaceutical (Pharma manufacturer)	Japan	1.3
CSPC Pharmaceutical Group (Pharma manufacturer)	China	1.5
Lonza (Life science products manufacturer)	Switzerland	2.1
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	3.2
Shionogi (Pharma manufacturer)	Japan	1.4
Sonova Holding (Hearing aids manufacturer)	Switzerland	1.3
Sysmex (Clinical laboratory equipment manufacturer)	Japan	1.1

Industrials	Market	End Wt. (%)
Alfa Laval (Industrial equipment manufacturer)	Sweden	1.2
Atlas Copco (Industrial equipment manufacturer)	Sweden	2.8
Canadian National Railway (Railway operator)	Canada	1.2
Epiroc (Industrial equipment manufacturer)	Sweden	1.5
Fanuc (Industrial robot manufacturer)	Japan	0.7
Komatsu (Industrial equipment manufacturer)	Japan	1.4
Kubota (Industrial and consumer equipment manufacturer)	Japan	1.4
Schneider Electric (Energy management products)	France	2.4
SGS (Quality assurance services)	Switzerland	0.9
Information Technology		
Adyen (Payment processing services)	Netherlands	3.0
Dassault Systèmes (CAD software developer)	France	2.6
Infineon Technologies (Semiconductor manufacturer)	Germany	3.0
SAP (Enterprise software developer)	Germany	2.3
TSMC (Semiconductor manufacturer)	Taiwan	2.9
Materials		
Air Liquide (Industrial gases producer)	France	1.1
BHP (Mineral miner and processor)	Australia	2.9
Linde (Industrial gases supplier and engineer)	US	1.3
Novozymes (Biotechnology producer)	Denmark	1.1
Rio Tinto (Mineral miner and processor)	UK	2.1
Symrise (Fragrances and flavors manufacturer)	Germany	1.6
Real Estate		
No Holdings		
Utilities		
ENN Energy (Gas pipeline operator)	China	1.8
Cash		4.8

[1]Since March 7 we have valued our Russian holdings at effectively zero due to an inability to trade their shares and no observable indicative market prices to use as proxies. [2]Woodside was received as part of a corporate action due to the portfolio's shareholding in BHP.

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

2Q22 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL IADR	Avg. Weight ACWI ex-US	Effect
Haier Smart Home	DSCR	2.5	<0.1	0.64
AIA Group	FINA	3.6	0.5	0.61
ENN Energy	UTIL	1.5	<0.1	0.35
Tencent	COMM	2.8	1.2	0.20
ASML*	INFT	–	1.0	0.17

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL IADR	Avg. Weight ACWI ex-US	Effect
DBS Group	FINA	3.2	0.2	0.51
Telkom Indonesia	COMM	1.3	0.1	0.44
Haier Smart Home	DSCR	1.0	<0.1	0.44
Check Point	INFT	2.2	0.1	0.42
Royal Dutch Shell	ENER	1.6	0.7	0.38

2Q22 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL IADR	Avg. Weight ACWI ex-US	Effect
Infineon Technologies	INFT	3.0	0.2	-0.50
Atlas Copco	INDU	3.1	0.2	-0.40
Schneider Electric	INDU	2.6	0.3	-0.40
Adyen	INFT	2.8	0.1	-0.35
Dassault Systèmes	INFT	2.7	0.1	-0.32

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL IADR	Avg. Weight ACWI ex-US	Effect
Lukoil	ENER	1.2	0.1	-1.28
Infineon Technologies	INFT	3.1	0.2	-0.70
Yandex	COMM	0.5	0.1	-0.64
Atlas Copco	INDU	3.6	0.2	-0.64
Sysmex	HLTH	1.5	0.1	-0.51

*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 IADR	ACWI ex-US
Profit Margin[1] (%)	15.9	12.9
Return on Assets[1] (%)	8.5	5.6
Return on Equity[1] (%)	15.3	13.9
Debt/Equity Ratio[1] (%)	47.4	60.2
Std. Dev. of 5 Year ROE[1] (%)	3.4	4.4
Sales Growth[1,2] (%)	6.7	6.2
Earnings Growth[1,2] (%)	10.9	10.9
Cash Flow Growth[1,2] (%)	9.4	8.0
Dividend Growth[1,2] (%)	7.9	6.6
Size and Turnover	**HL IADR**	**ACWI ex-US**
Wtd. Median Mkt. Cap. (US $B)	48.9	38.8
Wtd. Avg. Mkt. Cap. (US $B)	99.7	82.3
Turnover[3] (Annual %)	15.5	–

Risk and Valuation	HL IADR	ACWI ex-US
Alpha[2] (%)	0.85	–
Beta[2]	1.00	–
R-Squared[2]	0.92	–
Active Share[3] (%)	85	–
Standard Deviation[2] (%)	16.18	15.56
Sharpe Ratio[2]	0.16	0.12
Tracking Error[2] (%)	4.5	–
Information Ratio[2]	0.17	–
Up/Down Capture[2]	103/100	–
Price/Earnings[4]	17.4	11.9
Price/Cash Flow[4]	12.9	8.3
Price/Book[4]	2.7	1.7
Dividend Yield[5] (%)	2.6	3.2

[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 International Equity ADR 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 International Equity ADR Model, based on the underlying holdings; MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
Shiseido	Japan	STPL
Woodside[1]	Australia	ENER

Positions Sold	Market	Sector
Check Point	Israel	INFT

[1]Woodside was received as part of a corporate action due to the portfolio's shareholding in BHP.

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

International Equity ADR Composite Performance (as of June 30, 2022)

	HL Intl ADR Gross (%)	HL Intl ADR Net (%)	MSCI ACWI ex-US[1] (%)	MSCI EAFE[2] (%)	Hl Intl ADR 3-yr. Std. Deviation[3] (%)	MSCI ACWI ex-US 3-yr. Std. Deviation[3] (%)	MSCI EAFE 3-yr. Std. Deviation[3] (%)	Internal Dispersion[4] (%)	No. of Accounts[5]	Composite Assets[5] ($M)	Strategy Advisory Only Assets ($M)	Firm Assets ($M)
2022 YTD[6]	-23.59	-23.86	-18.15	-19.25	17.70	17.21	17.75	N.A.[7]	209	967	7,591	50,423
2021	10.07	9.35	8.29	11.78	16.63	16.77	16.89	0.6	203	1,239	10,035	75,084
2020	21.14	20.33	11.13	8.28	18.09	17.92	17.87	0.5	172	1,115	8,707	74,496
2019	23.56	22.71	22.13	22.66	12.35	11.33	10.80	0.5	187	985	7,952	64,306
2018	-13.36	-13.96	-13.78	-13.36	11.84	11.40	11.27	0.9	196	851	6,881	49,892
2017	29.66	28.79	27.77	25.62	11.93	11.88	11.85	0.7	167	903	8,098	54,003
2016	4.32	3.58	5.01	1.51	12.80	12.53	12.48	0.2	165	680	5,618	38,996
2015	-0.63	-1.30	-5.25	-0.39	12.52	12.13	12.47	0.3	165	630	4,016	33,296
2014	-0.16	-0.88	-3.44	-4.48	11.90	12.78	12.99	0.4	160	533	3,172	35,005
2013	14.93	14.10	15.78	23.29	15.03	16.20	16.22	0.7	159	520	3,063	33,142
2012	19.87	18.99	17.39	17.90	17.92	19.22	19.32	0.5	151	417	2,003	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]Total product accounts and assets are 26,969 and $11,470 million, respectively, at June 30, 2022, include both separately managed and unified managed accounts, and include advisory-only assets; [6]The 2022 YTD performance returns and assets shown are preliminary; [7]N.A.–Internal dispersion less than a 12-month period. Strategy Advisory Only Assets, total product accounts, and assets are supplemental information.

The International Equity ADR Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities and cash reserves. Securities are held in Depository Receipt (DR) form, including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), or are otherwise traded on US exchanges. For comparison purposes the Composite return is measured against the MSCI All Country World ex-US Total Return Index. From 1999 (when the net index first became available) through December 30, 2012, the index return is presented net of foreign withholding taxes. Beginning December 31, 2012, Harding Loevner LP presents the gross version of the index to conform the benchmark's treatment of dividend withholding with that of the Composite. The exchange rate source of the 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 ex-US Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the US. The Index consists of 46 developed and emerging market countries. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The Index consists of 21 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 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 International Equity ADR Composite has had a performance examination for the periods January 1, 1990 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.

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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 International Equity ADR accounts is 0.80% annually of the market value for the first $20 million; 0.40% above $20 million. Refer to Part 2A of our Form ADV for more details regarding our fees. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year.

The International Equity ADR Composite was created on August 31, 2000 and the performance inception date is December 31, 1989.

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