International Equity ADR

HARDING LOEVNER

Quarterly Report | Third Quarter 2024

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Composite Performance

Total Return (%) — Periods Ended September 30, 2024

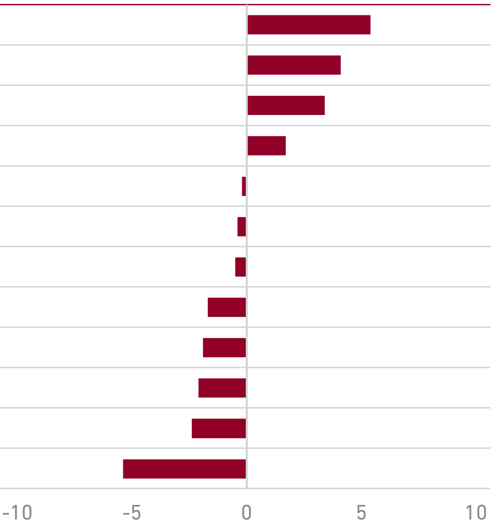
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
HL International Equity ADR (Gross)	9.23	12.48	26.99	3.64	9.33	7.30	8.18
HL International Equity ADR (Net)	9.05	11.92	26.13	2.93	8.59	6.57	7.34
MSCI All Country World ex US Index	8.17	14.70	25.96	4.66	8.09	5.71	5.45
MSCI EAFE Index	7.33	13.50	25.38	6.02	8.71	6.21	5.27

The composite performance returns shown are preliminary. Returns are annualized for periods greater than one year. International Equity ADR composite inception date: December 31, 1989. MSCI All Country World ex US Index, the benchmark index, and MSCI EAFE Index, the supplemental index, are shown gross of withholding taxes.

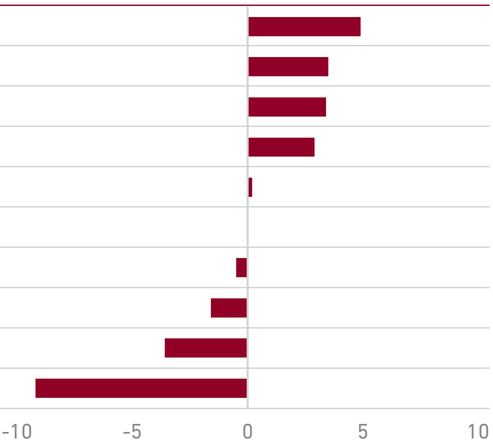
Past performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL	Index	Under / Over
Cons Staples	12.8	7.4	
Health Care	13.5	9.4	
Cash	3.4	–	
Materials	8.8	7.1	
Industrials	13.6	13.8	
Financials	22.1	22.5	
Info Technology	12.3	12.8	
Utilities	1.5	3.2	
Real Estate	0.0	1.9	
Energy	2.9	5.0	
Comm Services	3.2	5.6	
Cons Discretionary	5.9	11.3	



Geography	HL	Index	Under / Over
Europe ex EMU	24.9	20.0	
Europe EMU	24.5	21.0	
Cash	3.4	–	
Other	2.9	–	
Pacific ex Japan	7.4	7.2	
Frontier Markets	0.0	–	
Middle East	0.0	0.5	
Japan	12.4	14.0	
Canada	4.1	7.7	
Emerging Markets	20.4	29.6	



"HL": International Equity ADR model portfolio. "Index": MSCI All Country World ex US Index. "Other": Includes companies classified in countries outside the index. "Frontier Markets": 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, FactSet, MSCI Inc. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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Market Review

Global markets advanced during the quarter, with all regions posting gains. However, sector leadership shifted to more interest rate-sensitive sectors as global monetary conditions changed. This quarter marked the end of the US rate-hike cycle that began in early 2022 to tame surging inflation triggered by the COVID-19 pandemic and its aftermath. With inflation heading back to the Federal Reserve's (Fed) target, the central bank shifted its focus to its second mandate: maximizing employment. After keeping rates unchanged in July, the Fed cut the federal funds rate by half a percentage point in September to head off further weakening in the labor market. The European Central Bank also lowered rates, delivering its second cut in three months to support the region's faltering economy, now that inflation is cooling there as well.

Conversely, Japan's central bank caught markets off guard with an interest rate *hike* in late July, causing a swift appreciation of the yen. This sudden currency shift disrupted the widely used yen carry trade, a popular strategy where investors borrowed at low Japanese rates to purchase higher-yielding foreign assets. The rapid unwinding of these positions, combined with weaker US economic data and disappointing earnings from US technology giants, ignited a market firestorm. The resulting volatility culminated in a dramatic 12% drop in Japan's Nikkei index on August 5, a marked sell-off in stocks with positive price momentum, and a spike in expected US equity-market volatility to 40%—a level not seen outside of major crises.

But markets rebounded almost as quickly as they had fallen. By the end of August, all regions and sectors recovered from the brief but intense period of disruption to post gains for the month. Toward the end of the quarter, China unveiled a sweeping stimulus package aimed at reducing borrowing costs to boost credit availability. Key measures included lowering the minimum down payment on mortgages to 15% to stabilize the struggling residential real estate market, as well as the creation of a new lending pool to encourage share buybacks and to enable asset managers to buy more domestic stocks. Additionally, positive signals from the Politburo hinted at further fiscal support to come. Despite a lack of specifics, the end of policy inertia was welcomed by a market facing a fourth consecutive annual decline. The resulting buying frenzy pushed the MSCI China Index up more than 20% in just two weeks—its strongest performance in more than a decade. Year to date, China's market has now outperformed those in the US and Japan. Companies with significant exposure to Chinese consumers, such as European and Japanese cosmetics and luxury-goods makers, also saw their shares rally.

The US dollar weakened in the quarter, with the US Dollar Index (DXY)—which tracks the dollar's performance against a basket of major currencies—falling by nearly 5%, led by the surge in the Japanese yen, which appreciated 12% against the dollar.

In the US, the yield of the two-year Treasury bond fell below its 10-year counterpart, ending the prolonged yield curve inversion that began in mid-2022 when the Fed started raising rates. Yield curves in Europe showed a similar pattern, with the UK and Germany un-inverting, and the spread widening further in France, Italy, and Spain. The US 10-year yield declined 73 basis points to 3.63%, giving a noticeable benefit to potential homebuyers via lower mortgage rates. European bond yields declined more modestly.

Despite escalating Middle East tensions and a late-quarter recovery in industrial metals prices spurred by China's stimulus, the Bloomberg Commodity Index declined about 3% in the quarter, largely due to a drop in oil prices. Brent crude fell US$15, settling at US$72 per barrel, as expectations of increased supplies from OPEC and rumors that Saudi Arabia may abandon its US$100 per barrel target weighed on the market.

From a sector perspective, interest-rate-sensitive sectors such as Utilities, Financials, and Real Estate posted strong gains, while Information Technology (IT) lagged. The semiconductors &

MSCI ACWI ex US Index Performance (USD %)

Sector	3Q 2024	Trailing 12 Months
Communication Services	13.7	26.6
Consumer Discretionary	11.6	20.9
Consumer Staples	10.6	11.5
Energy	-1.5	8.1
Financials	11.5	34.1
Health Care	6.4	20.9
Industrials	8.8	31.1
Information Technology	-1.5	38.8
Materials	9.4	19.3
Real Estate	17.2	24.0
Utilities	13.5	28.5
Geography	**3Q 2024**	**Trailing 12 Months**
Canada	12.2	27.7
Emerging Markets	8.9	26.5
Europe EMU	7.4	27.9
Europe ex EMU	5.8	24.1
Japan	5.9	22.0
Middle East	12.5	32.9
Pacific ex Japan	14.3	28.3
MSCI ACWI ex US Index	8.2	26.0

Source: FactSet, MSCI Inc. Data as of September 30, 2024.

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 September 30, 2024 is available on page 9 of this report.

semiconductor equipment industry was especially weak, falling roughly 9%. Communication Services fared well, buoyed by returns of Chinese social media and video game giant **Tencent**, while the Energy sector declined, dragged down by lower oil prices.

> In the US, the yield of the two-year Treasury bond fell below its 10-year counterpart, ending the prolonged yield curve inversion that began in mid-2022 when the Fed started raising rates. Yield curves in Europe showed a similar pattern.

The Pacific ex Japan region was the top performer, lifted by the nearly 25% return in Hong Kong, which rose sharply late in the quarter in step with the Chinese market. Robust returns in China also boosted the performance of Emerging Markets region, which outperformed modestly. Despite its heavy exposure to Energy stocks, Canada did well due to strong gains in Financials, while Japan and Europe both trailed slightly.

In terms of style effects, the fastest-growing companies underperformed, reversing last quarter's trend. The top quintile of growth stocks rose by just over 4%, while all other quintiles posted gains over 8%. High-quality stocks also lagged. The MSCI ACWI ex US Momentum Index, which emphasizes stocks with high recent price gains, underperformed this quarter but remains about 7.5 percentage points ahead of the core index for the year. Across the main MSCI style indices, value did better than growth in developed markets but trailed slightly in Emerging Markets.

Performance and Attribution

The International Equity ADR composite rose 9.2% gross of fees in the third quarter, outpacing the 8.2% gain of the MSCI All Country ex US Index. In the year to date, the composite has returned 12.5% gross of fees, trailing the 14.7% return of the index.

This quarter's strong relative performance was driven by favorable stocks across sectors and regions. Our Health Care holdings were notably strong, but we also witnessed good performance in the IT, Financials, and Consumer Discretionary sectors. Regionally, our Japanese stocks significantly outperformed the benchmark, as did our European stocks, though our Emerging Markets stocks dragged on performance.

In Japan, which was our best-performing region, investors appeared to appreciate the ongoing business growth our companies are generating, after spending the first half of 2024 focused on value plays. Our holdings within Japanese healthcare posted encouraging operational results, as pharmaceutical companies **Chugai Pharmaceutical** and **Shionogi** as well as hematology testing systems maker **Sysmex** gained, as did bicycle parts manufacturer **Shimano**, and consumer electronics powerhouse **Sony**.

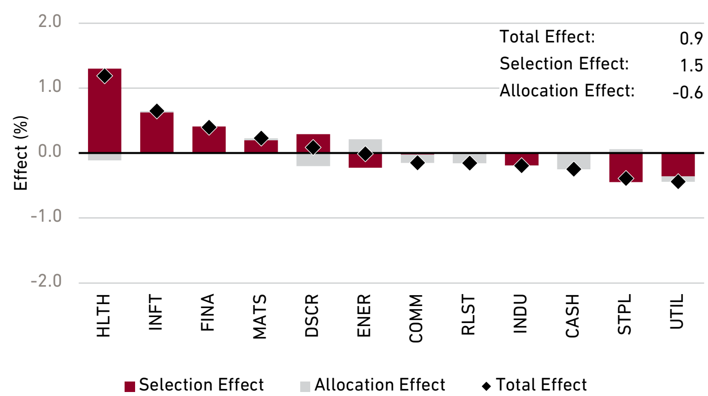
In Europe ex EMU, Denmark was a standout market as our holdings in **Coloplast** and **Novonesis** gained, while shares of index heavyweight Novo Nordisk fell this quarter. UK based consumer health company **Haleon** announced good second quarter results and increased full year profit growth expectations, helped by accelerating toothpaste and health supplements sales. Within the EMU, our financial holdings were strongest, led by Dutch payment processor **Adyen** and German insurer **Allianz**, both of which delivered favorable second quarter results and outlooks.

Our weakest region this quarter was Emerging Markets, in which China's **ENN Energy** was our biggest drag on relative performance. Ongoing weakness in China's real estate sector has continued to weigh on the company's residential connection business. Our Mexican holdings dropped despite **FEMSA** and

Third Quarter 2024 Performance Attribution

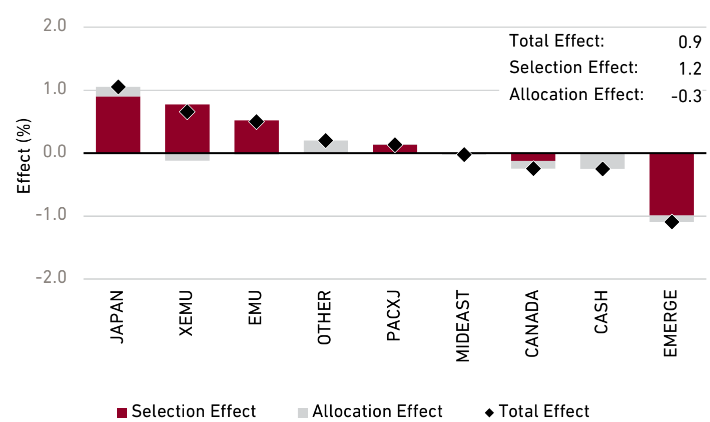
Sector

International Equity ADR Composite vs. MSCI ACWI ex US Index



Geography

International Equity ADR Composite vs. MSCI ACWI ex US Index



"OTHER": Includes companies classified in countries outside the index.

Source: Harding Loevner International Equity ADR composite, FactSet, MSCI Inc. Data as of September 30, 2024. 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.

GF Banorte reporting ongoing earnings growth, as investors continued to be wary of the Morena party's rising political power over the judicial branch while awaiting the inauguration of President Sheinbaum. Our Chinese stocks (with the exception of ENN) rose sharply in the quarter but didn't keep up with the index' blistering rise, led by companies possibly more desperate for relief from China's economic travails than our holdings.

Our Health Care stocks were strong, gaining almost triple the index's 6.4% rise. Chugai was the largest contributor, helped by strong quarterly earnings results from hemophilia treatment sales, and continuing optimism regarding its prospective obesity pill in trials with partner Eli Lilly. **Roche**, Sysmex, Shionogi, **Sonova**, and **Alcon** each posted double digit gains as ongoing growth in their businesses reminded investors of their multifaceted growth opportunities. During the quarter, non-owned Health Care sector heavyweight Novo Nordisk fell despite positive earnings growth as investors perhaps increasingly contemplated challenges to its weight loss drug Wegovy from both rivals and potential next-generation drugs.

Our Consumer Discretionary stocks performed well, with Latin American e-commerce operator **MercadoLibre** rising on second quarter results revealing strong revenue, profit, and user base growth, while Chinese appliance maker **Haier Smart Home** rose on good second quarter earnings, ongoing air conditioning market share gains, and hopes that Chinese stimulus measures can further boost growth.

Financials holdings outperformed, led by life insurers **Ping An Insurance** and **AIA Group**—which posted solid second quarter results and enjoyed the uplift in sentiment late in the quarter from China's economic stimulus announcements—and by global insurer Allianz, following solid first half results and an improving growth outlook.

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Consumer Staples was among our weakest sectors, with Mexico's FEMSA falling alongside its local market, **L'Oréal** facing slowing growth in China and the US amidst tighter consumer spending, and **Nestlé** reducing its revenue guidance as consumers reined in spending, leading to the ouster of the company's CEO. The new CEO pledged to invest more in its brands to support growth.

Our outperformance in the third quarter only partly reversed our underperformance of the first half of the year, when index gains seemed driven by a handful of themes in which we were only partially participating (such as artificial intelligence [AI] and semiconductor plays and weight loss drugmakers), or entirely absent from (such as Japanese financials and holding companies). Year-to-date, our performance is nevertheless disappointing, hurt by stocks in Consumer Staples (FEMSA) and Health Care (**Genmab**) that also weighed on eurozone and Emerging Markets performance respectively, despite also holding large gainers such as **SAP** and **TSMC**.

Perspective and Outlook

Earlier this year, the International Equity ADR portfolio underperformed its benchmark because we held too few of the large index stocks that have risen the most. It's particularly frustrating because some of these top performers are high-quality, growing companies within our opportunity set that we do not currently own. Portfolio analytics indicate that our portfolio exhibits a small negative exposure to the "momentum factor" even as we take care to emphasize other attributes, especially those of high quality and rapid growth, in the companies we own. As we discuss below, we think the analytical observation is a misdirection, pointing towards actions unlikely to help us achieve future outperformance.

Price momentum refers to the well-documented phenomenon where securities whose prices have risen are more likely to keep rising in the short run, while those that have fallen are more likely to experience further declines. The precise causes of this phenomenon are debated, but the evidence is strong enough for it to be classified as a "factor"—a recurring pattern associated with positive excess returns. We're persuaded that momentum is closely linked to investor psychology, namely conservatism in (under) reacting to new information, and the tendency to extrapolate existing trends. The concept of momentum has garnered sufficient adherents to secure its place in the pantheon of portfolio analytics and inspire the creation of numerous indices and ETFs designed to exploit it, as well as a group of active investors that range from the most sophisticated quants to the most naive amateurs.

We have deliberately resisted incorporating the momentum factor into our investment process for several reasons. First, despite being well documented, simple price momentum does not provide a fundamental basis for making investment decisions. Serial correlation of share price changes has, at best, a weak connection to the underlying business you're investing in, and nothing to do with what it is worth. Second, momentum investing is literally "chasing" stocks that have already gone up or outperformed (or selling those that already went down or underperformed). This approach carries real-world costs. Our trading desk estimates that trades executed in a stock with strong momentum cost, on average across all markets, up to 400 basis points more than trades involving stocks with little or no price momentum. For a strategy such as ours, which turns over its portfolio roughly 25% a year, a 4% trading penalty would subtract 100 basis points of alpha every year. Even worse, attempting to keep up with the ever-changing group of momentum stock leaders typically demands significantly more than 25% annual turnover, while frequently conflicting with our fundamental and longer-term investment conclusions.

Cumulative Excess Returns

MSCI ACWI ex US Momentum vs. MSCI ACWI ex US

Source: MSCI Inc., Bloomberg. Data as of September 30, 2024.

Third, although momentum investing has shown net positive returns over very long periods, there is considerable volatility in its return path, with frequent momentum reversals leading to sharp "drawdowns" in performance. This whipsaw effect makes momentum investing much harder to stomach in practice than it appears in theory. Moreover, unlike high-quality portfolios or even value portfolios, where drawdowns typically increase future expected returns, a momentum reversal offers no such silver lining. In fact, when momentum turns against you, there's reason to believe that the portfolio has become less attractive, not more.

The biggest drawback may lie in a related but distinct area. Over the last 18 months, disciplined fundamental investors have been challenged by an episode of momentum concentrated in a few of the largest stocks in the market. When the biggest companies, with the largest market capitalizations, experience highly correlated share-price rallies, momentum returns become aligned with overall market returns. In such cases, a more troubling form of momentum emerges—one increasingly driven by the fear of missing out (FOMO).

Investors who hold the winning stocks are happy to hold on, while those who don't quickly feel the pressure of "missing out," amplified by the constant media coverage that acts as free advertising for these market leaders. Passive investors inadvertently pour more capital into these heavyweight stocks in ever-increasing percentages, further amplifying their impact. As a result, the momentum behind these stocks grows ever stronger, and they come to dominate index returns. All (human) investors who measure themselves against a benchmark index feel drawn to jump on the bandwagon.

There can be, naturally, a link between stock-price momentum and company fundamentals: When a profound and structural change is harnessed by one or more companies over a long period, sustained profit growth should find itself linked to an extended share-price appreciation. A clear example is Apple, where even casual observers can recognize the transformative impact its products have had on consumer behavior, a shift reflected in its share price over the past two decades. Less iconic examples include **Schneider Electric**'s role in the global trend toward electrification of industry this decade and L'Oréal's expansion into emerging markets with branded cosmetics products over thirty years.

Over the last 18 months, disciplined fundamental investors have been challenged by an episode of momentum concentrated in a few of the largest stocks in the market.

Most equity investors fail to immediately appreciate the scale and longevity of such trends. This delay—what's referred to above as under-reaction behavior—allows fundamental growth to drive price momentum, by enabling a sustained compounding of earning that surpasses the attention span of initial excitement. Research by Hendrik Bessembinder illustrates that these "profound and structural changes" tend to follow a power-law distribution—a pattern seen in the returns of venture capital: a small number of incidents have a disproportionate impact, often referred to as the 80/20 rule. A minority of companies experience sustained appreciation due to real, underlying causes, making these few cases the most consequential in terms of value creation.

An aversion to momentum, perhaps formalized with a pre-committed, mechanical sale rule, risks forfeiting enormous potential gains when an extraordinary case delivers a disproportionately large and sustained run of value creation. This possibility is worth serious consideration in today's market, where we see such dynamics possibly at play with NVIDIA in the US, leading weight-loss drug developers Novo Nordisk of Denmark or Eli Lilly in the US, and the broader Artificial Intelligence ecosystem residing primarily within the IT sector.

Nevertheless, most of the time investors tend to overestimate the number of transformative changes that will actually materialize, often falling into a pattern of "being slow to overreact" as one of our colleagues aptly described the behavioral two-step that has fueled many instances of momentum and inevitable reversals. The FOMO response to price momentum is clearly associated with poor investment decisions, and, in our experience, is most acute when it's most dangerous—near the peak of market trends, or worse, an investment bubble. We suspect that FOMO has been a significant element contributing to some of the most damaging drawdowns in the performance record of momentum investing, and we expect it will likely feature in some doozies to come.

For all our tools to promote objectivity and our culture of awareness surrounding the behavioral pitfalls in investing, we can be just as susceptible as other investors to such temptations. To stiffen our resolve, we've made pre-commitments in the form of absolute limits in our risk guidelines, which are primarily aimed at enforcing diversification in our portfolios, but secondarily act as brakes to curb our enthusiasm. We set maximum limits on holdings of single securities to keep us from the most basic of fundamental company infatuations. We also set maximums on aggregate investments in single industries and sectors, as well as individual countries.

These are fixed limits, preferably set in moments of low controversy and neutral enthusiasm for those classifying categories. They later compel us to look through and beyond current fashion and consensus to recall and consider the investment world as it long has been and as it may be again in less florid times. These limits are arrived at from a common-sense perspective, rather than scientifically. We have altered them from time to time as reasonable considerations of changing opportunity size and enduring alterations in market significance have become manifest.

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Inevitably, we face pressure to bend or break those risk guideline pre-commitments when FOMO is greatest. (By the way, well-schooled portfolio managers trot out sophisticated terms such as "enforced tracking error" instead of "FOMO.") But our long experience with these absolute limits—such as the benefits of maximum weights in China (2020), in Brazil (2006-7), in Emerging Market banks (2012), in the IT sector (back in 1999-2000), and minimum weights in the US (2004-5) and in Japan (1998)—serves as positive reinforcement for a discipline that some find to be commercially unhelpful, and others find to be simply constraining without a corresponding well-researched theoretical underpinning.

For the moment, as is visible in the graph above, the fever for AI-related semiconductor stocks and the first wave of weight-loss drugmakers has broken, oddly at the same time that the crowding into Japanese stocks with low price-to-book ratios did. No possible investment thesis that we have heard can tie all three of those market themes together, but they all fell apart as one in less than a month over the summer. And that's really the problem with momentum investing: It works until it doesn't, and when it doesn't, all the gains you made can be reversed more quickly than you can exit the market. Gains of months are squandered in days.

Portfolio Highlights

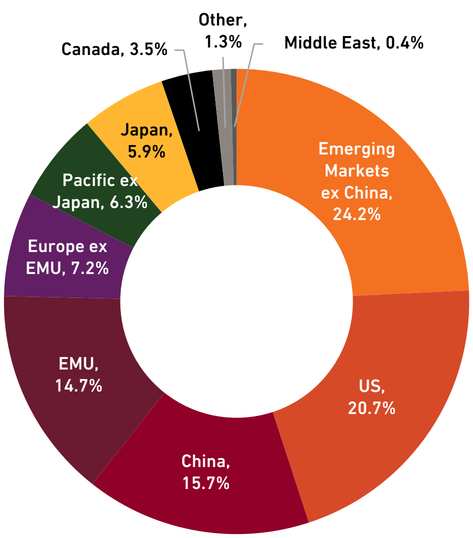
This quarter, we consolidated our Indian bank holdings by adding to **HDFC Bank** (HDB) and selling ICICI Bank. After a year of underperformance, HDB shares have become more attractively priced. In contrast ICICI shares have trebled in USD terms since we first invested in late 2016, outperforming the global Financial Services Index by a factor of two. Back then, buffeted by lending missteps, ICICI shares were valued at less than half of its higher quality rival, HDB. Today, ICICI's valuation stands at 3.2-times book value, with return on equity having quadrupled over the past five years. This makes ICICI shares nearly 20% more expensive than HDB, which has historically been one of India's priciest banks due both to its high quality and its consistent growth.

HDB is almost a year into its merger with its parent HDFC Ltd, and the integration has been smooth. Management has systematically addressed the operational integration and funding liability re-set. The HDFC merger has brought the company's various insurance and asset management businesses under one umbrella, which means shareholders will benefit from the growth across the broader business, not just the bank. Despite this, investors seem skeptical about HDB's ability to return to its previous growth trajectory, while simultaneously extrapolating ICICI's currently high profitability and strong growth far into the future. We believe HDB will once again trade at a premium over its rivals when a tougher credit cycle shows the advantages of its disciplined lending practices and capacity to grow prudently. As further incentive, the significant premium for HDB ADRs over its hard-to-access local shares has been washed out over the past two years, removing another hurdle for foreign investors. Despite these transactions, we have not increased our overall exposure to Indian equities, remaining underweight, as the Indian market's rise has expanded its index weight to 5.8%, roughly on par with Germany's.

We also sold our holding in German drugmaker BioNTech. Since our purchase, its earnings from COVID-19 vaccine sales have fallen further than expected. Rather than experiencing two to three years of lower earnings that could fund operations and R&D, the consensus now projects losses for the next three years. While BioNTech's balance sheet remains exceptionally strong due to past vaccine revenue, ensuring that its development activity remains unhindered, this shift renders the investment thesis more uncertain. Holding the stock now requires looking through several years of losses, turning it into a more speculative biotech venture investment, rather than a profitable business with upside optionality. Additionally, the company's expansive cash reserves coupled with no operating profits have resulted in it being classified as a Passive Foreign Investment Company (PFIC), imposing an additional tax burden on US investors. These factors combined led us to exit our investment for the time being.

Last quarter, we discussed the potential market impact of various elections worldwide, highlighting the upcoming US election in November as likely the most consequential. One key issue in this election that could affect international investors is US tariffs on global trade. While we won't attempt to predict the election outcome, potential policies, or their effects, we can outline the degree to which our investments are exposed to the US market.

HL International ADR Portfolio Geographic Revenue Split Weighted by Holdings



Source: HL Holdings Weights and HL Analyst Estimates. Data as of September 30, 2024.

We estimate that approximately 20% of our portfolio's weighted revenue is generated from the US, with minimal direct exposure to tariffs or trade restrictions. When examining our holdings with the highest concentration of US sales, we find little serious tariff risk. For instance, our Health Care companies—Roche, Genmab, and Alcon—each derive around half of their revenues from the US but manufacture much of their US-bound production domestically. Moreover, pharmaceutical companies benefit from the WTO Pharma Agreement of 1994 which eliminated tariffs among most developed countries on finished pharmaceutical products and active ingredients. However, the companies do face some risk from potential efforts to undermine drug prices, which could have long-term consequences by discouraging new discoveries.

Dassault Systèmes, which generates over half of its revenue from the US, sells design software and services that are unlikely to face tariffs. However, its largest customers in the automotive and aerospace industries could see varying effects from potential trade tariffs.

TSMC is perhaps our holding with the most significant export exposure—manufacturing most of its products in Taiwan, while generating half of its revenue from the US. In response to US policies aimed at reducing dependence on semiconductor imports, TSMC has been granted incentives to build advanced chipmaking plants in the US, with mass production from its first facility in Arizona expected to begin supplying American customers in 2025.

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Imports from China are a contentious issue in the election, but our Chinese investments are largely insulated, as they generate the bulk of sales and profits in their domestic market, rather than through exports to the US. The Chinese company in our portfolio with the highest exposure to the US is appliance maker Haier Smart Home, which derives 29% of sales from the US. However, most of those products are produced at US plants, largely acquired via its 2016 purchase of General Electric's appliance division which has retained its Kentucky headquarters. Earlier in the quarter we reduced our position in Haier, which put our allocation to Chinese stocks at slightly below the benchmark weight. This positioning allowed us to benefit from the extraordinary stock surge at the end of the quarter.

Approximately 16% of our portfolio's revenues are generated in China, despite only 7.0% of our holdings being allocated to Chinese companies. This is because many of our non-Chinese companies also derive significant revenues from China, the world's second-largest economy. Emerging Markets ex China account for roughly 24% of our portfolio's revenue, compared to the 13% of our portfolio holdings in Taiwan, Mexico, India, Indonesia, Brazil, and Peru. This broader exposure reflects that over 85% of our companies are selling into this diverse array of 23 economies whose combined total population exceeds 2.7 billion.

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.

International Equity ADR Holdings (as of September 30, 2024)

Communication Services	Market	End Wt. (%)
Nebius Group (Internet products and services)	Netherlands	0.0
Telkom Indonesia (Telecom services)	Indonesia	1.2
Tencent (Internet and IT services)	China	2.0
Consumer Discretionary		
Haier Smart Home (Consumer appliances mfr.)	China	1.6
MercadoLibre (E-commerce retailer)	US	1.3
Shimano (Bicycle component manufacturer)	Japan	0.8
Sony (Japanese conglomerate)	Japan	2.3
Consumer Staples		
Ambev (Alcoholic beverages manufacturer)	Brazil	1.1
FEMSA (Beverages manufacturer and retail operator)	Mexico	2.4
Haleon (Consumer health products manufacturer)	UK	3.0
L'Oréal (Cosmetics manufacturer)	France	2.8
Nestlé (Foods manufacturer)	Switzerland	2.3
Unicharm (Consumer products manufacturer)	Japan	1.1
Energy		
Lukoil (Oil and gas producer)	Russia	0.0*
Royal Dutch Shell (Oil and gas producer)	UK	2.9
Financials		
Adyen (Payment processing services)	Netherlands	1.4
AIA Group (Insurance provider)	Hong Kong	1.5
Allianz (Financial services and insurance provider)	Germany	4.0
BBVA (Commercial bank)	Spain	2.3
Credicorp (Commercial bank)	Peru	1.1
DBS Group (Commercial bank)	Singapore	4.1
GF Banorte (Commercial bank)	Mexico	0.9
HDFC Bank (Commercial bank)	India	3.0
Manulife (Financial services and insurance provider)	Canada	3.2
Ping An Insurance (Insurance provider)	China	0.7
Health Care		
Alcon (Eye care products manufacturer)	Switzerland	1.8
Chugai Pharmaceutical (Pharma manufacturer)	Japan	3.0
Coloplast (Medical device manufacturer)	Denmark	1.0
Genmab (Oncology drug manufacturer)	Denmark	0.9
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	2.6
Shionogi (Pharma manufacturer)	Japan	0.9
Sonova (Hearing aids manufacturer)	Switzerland	1.1
Sysmex (Clinical laboratory equipment manufacturer)	Japan	2.2

Industrials	Market	End Wt. (%)
Alfa Laval (Industrial equipment manufacturer)	Sweden	1.7
ASSA ABLOY (Security equipment manufacturer)	Sweden	1.3
Atlas Copco (Industrial equipment manufacturer)	Sweden	2.0
Canadian National Railway (Railway operator)	Canada	1.0
Daifuku (Material-handling equipment manufacturer)	Japan	0.8
Epiroc (Industrial equipment manufacturer)	Sweden	1.5
Komatsu (Industrial equipment manufacturer)	Japan	1.3
Schneider Electric (Energy management products)	France	2.8
ZTO Express (Express delivery services)	China	1.2
Information Technology		
Dassault Systèmes (CAD software developer)	France	2.8
Infineon Technologies (Semiconductor manufacturer)	Germany	3.0
SAP (Enterprise software developer)	Germany	2.7
TSMC (Semiconductor manufacturer)	Taiwan	3.7
Materials		
Air Liquide (Industrial gases supplier)	France	1.2
BHP (Mineral miner and processor)	Australia	1.8
Linde (Industrial gases supplier and engineer)	US	1.6
Novonesis (Biotechnology producer)	Denmark	0.9
Rio Tinto (Mineral miner and processor)	UK	1.8
Symrise (Fragrances and flavors manufacturer)	Germany	1.5
Real Estate		
No Holdings		
Utilities		
ENN Energy (Gas pipeline operator)	China	1.5
Cash		3.4

*Since March 7, 2022, we have fair valued our Russian holdings at effectively zero because we cannot trade the securities on their respective markets and we have not identified a reliable alternative fair value.

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.

3Q24 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
Chugai Pharmaceutical	HLTH	2.4	0.1	0.51
Haleon	STPL	2.9	0.1	0.50
Novo Nordisk*	HLTH	–	1.6	0.48
ASML*	INFT	–	1.3	0.43
Samsung Electronics*	INFT	–	1.1	0.34

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
TSMC	INFT	4.1	2.3	1.43
SAP	INFT	3.4	0.7	1.15
Manulife	FINA	2.9	0.2	1.00
Schneider Electric	INDU	2.7	0.5	0.75
Adyen	FINA	1.3	0.1	0.66

3Q24 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
FEMSA	STPL	2.8	0.1	-0.44
Infineon Technologies	INFT	3.2	0.2	-0.42
Royal Dutch Shell	ENER	3.4	0.8	-0.42
ENN Energy	UTIL	1.4	<0.1	-0.28
Alibaba*	DSCR	–	0.6	-0.26

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
FEMSA	STPL	3.3	0.1	-1.10
Genmab	HLTH	1.0	0.1	-0.74
Dassault Systèmes	INFT	3.1	0.1	-0.67
Infineon Technologies	INFT	3.8	0.2	-0.67
Telkom Indonesia	COMM	1.2	<0.1	-0.53

*Company was not held in the portfolio; its absence had an impact on the portfolio's return relative to the index.
"HL": International Equity ADR composite. "Index": MSCI All Country World ex US Index.

Portfolio Characteristics

Quality and Growth	HL	Index
Profit Margin[1] (%)	13.7	11.2
Return on Assets[1] (%)	8.2	5.6
Return on Equity[1] (%)	16.8	14.3
Debt/Equity Ratio[1] (%)	50.2	61.4
Std. Dev. of 5 Year ROE[1] (%)	3.4	4.9
Sales Growth[1,2] (%)	5.7	5.6
Earnings Growth[1,2] (%)	7.7	8.7
Cash Flow Growth[1,2] (%)	6.7	10.4
Dividend Growth[1,2] (%)	7.1	6.3

Size and Turnover	HL	Index
Wtd. Median Mkt. Cap. (US $B)	81.4	53.2
Wtd. Avg. Mkt. Cap. (US $B)	131.6	114.0
Turnover[3] (Annual %)	14.6	–

Risk and Valuation	HL	Index
Alpha[2] (%)	1.01	–
Beta[2]	1.04	–
R-Squared[2]	0.91	–
Active Share[3] (%)	85	–
Standard Deviation[2] (%)	18.61	17.04
Sharpe Ratio[2]	0.37	0.34
Tracking Error[2] (%)	5.5	–
Information Ratio[2]	0.23	–
Up/Down Capture[2]	114/107	–
Price/Earnings[4]	19.1	16.3
Price/Cash Flow[4]	13.7	10.1
Price/Book[4]	2.8	2.0
Dividend Yield[5] (%)	2.4	2.8

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

The following statistics previously reported for the periods ending December 31, 2022, March 31, 2023, and June 30, 2023, were inaccurate: Annualized Alpha, Beta, R-Squared, Standard Deviation, Information Ratio, Sharpe Ratio, Upside Market Capture, and Downside Market Capture. The correct statistic figures for prior periods are available upon request by contacting Harding Loevner LP via email at info@hlmnet.com.

Completed Portfolio Transactions

Positions Established	Market	Sector
There were no completed purchases this quarter.		

Positions Sold	Market	Sector
BioNTech	Germany	HLTH
ICICI Bank	India	FINA
XP	Brazil	FINA

The portfolio is actively managed therefore holdings identified above do not represent all of the securities held in the portfolio and holdings may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the tables above; and (2) a list showing the weight and relative contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the tables above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall relative performance over the period. Performance of contributors and detractors is net of fees, which is calculated by taking the difference between net and gross composite performance for the International Equity ADR strategy prorated by asset weight in the portfolio and subtracted from each security's return. Contributors and detractors exclude cash and securities in the composite not held in the model portfolio. Quarterly data is not annualized. Portfolio attribution and characteristics are supplemental information only and complement the fully compliant 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 September 30, 2024)

	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)
2024 YTD[6]	12.48	11.92	14.70	13.50	18.97	16.10	16.70	N.A.	189	1,222	8,194	41,856
2023	17.26	16.47	16.21	18.85	18.75	16.06	16.60	0.7	211	1,156	7,870	43,924
2022	-19.20	-19.76	-15.57	-14.01	20.80	19.24	19.95	0.3	225	1,069	7,329	47,607
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

[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 24,532 and $12,526 million, respectively, at September 30, 2024, and include both separately managed and advisory-only assets. [6]The 2024 YTD performance returns and assets shown are preliminary. N.A.–Internal dispersion less than a 12-month period. Strategy Advisory Only Assets and 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 June 30, 2024.

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 June 30, 2024. The verification and performance examination report is available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of AMG (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of withholding taxes on dividends, interest income and capital gains for certain portfolios within the composite and net of withholding for others. Additional information is available upon request. Past performance does not guarantee future results. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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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