International Equity ADR

HARDING LOEVNER

Quarterly Report | Year End 2024

What's Inside

Market Review →
For the year, Financials led the market, followed by strong gains in Information Technology. Materials and Consumer Staples declined the most.

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

Perspective and Outlook →
The hazards of sticking to a long-term investment horizon in a world increasingly subject to government policy changes may seem daunting, but we think it's essential.

Portfolio Highlights →
Some of our holdings stand out for their exceptional growth histories and outlooks, achieving what we call a "double-double."

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

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

Get More Online

Insights →
View other reports.

Composite Performance

Total Return (%) — Periods Ended December 31, 2024

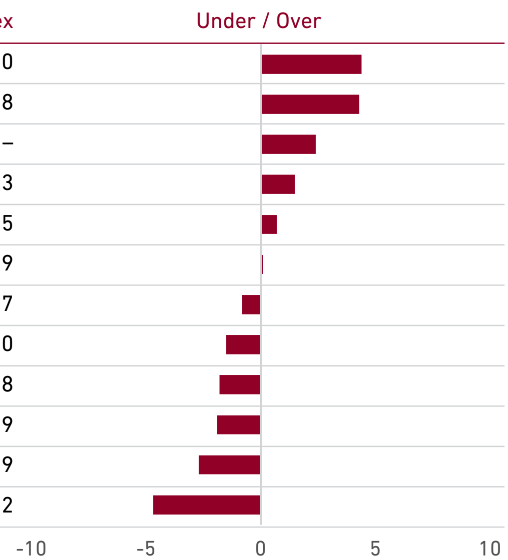
	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
HL International Equity ADR (Gross)	-7.93	3.53	-0.64	5.51	6.52	7.86
HL International Equity ADR (Net)	-8.08	2.84	-1.31	4.80	5.80	7.03
MSCI All Country World ex US Index	-7.50	6.09	1.35	4.60	5.30	5.17
MSCI EAFE Index	-8.06	4.35	2.16	5.23	5.70	4.98

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.

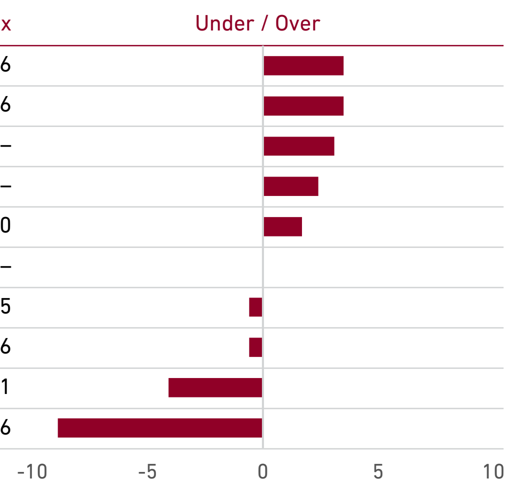
Past performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL	Index
Cons Staples	11.4	7.0
Health Care	13.1	8.8
Cash	2.4	–
Materials	7.8	6.3
Info Technology	14.2	13.5
Industrials	14.0	13.9
Financials	22.9	23.7
Utilities	1.5	3.0
Real Estate	0.0	1.8
Energy	3.0	4.9
Comm Services	3.2	5.9
Cons Discretionary	6.5	11.2



Geography	HL	Index
Europe EMU	24.1	20.6
Europe ex EMU	23.1	19.6
Other	3.1	–
Cash	2.4	–
Pacific ex Japan	8.7	7.0
Frontier Markets	0.0	–
Japan	13.9	14.5
Middle East	0.0	0.6
Canada	4.0	8.1
Emerging Markets	20.7	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.

This page intentionally left blank.

Market Review

International stock markets finished the final quarter of 2024 on a down note, while US stocks significantly outpaced the rest of the world, in both the quarter and the year, boosted by strong returns from growth-oriented index heavyweights and continued enthusiasm for artificial intelligence (AI). In the US, the rising share prices of the so-called "Magnificent Seven"—NVIDIA, Apple, Amazon, Meta, Microsoft, Alphabet, and Tesla, all in some respect seen as leaders in AI—played a pivotal role. While international investors have enjoyed investment opportunities that are key beneficiaries and facilitators of AI's growth, **TSMC** perhaps being the most prominent, such companies represent a smaller weight in the MSCI ACWI ex US Index than the MSCI ACWI index.

Donald Trump's victory in the US presidential election gave US equities a bump during the quarter, as investors looked forward to some business-friendly policies, such as tax cuts and deregulation, while perhaps overlooking the consequences to US companies of some potentially less business-friendly ones. International equity markets took a more cautious view of the incoming administration, as did US bond investors, who sent bond prices lower presumably anticipating further fiscal largesse. The ICE US Treasury Core Bond Index, which maintains exposure to Treasuries ranging from one to thirty-year maturities, fell 4% after peaking in mid-September.

MSCI ACWI ex US Index Performance (USD %)

Sector	4Q 2024	Trailing 12 Months
Communication Services	-6.7	12.8
Consumer Discretionary	-8.1	5.1
Consumer Staples	-12.3	-7.5
Energy	-7.1	-2.0
Financials	-2.7	18.4
Health Care	-13.9	-1.0
Industrials	-7.1	8.0
Information Technology	-1.7	13.7
Materials	-17.1	-12.4
Real Estate	-11.5	-1.2
Utilities	-12.8	-1.4
Geography	**4Q 2024**	**Trailing 12 Months**
Canada	-1.6	12.7
Emerging Markets	-7.8	8.0
Europe EMU	-8.9	3.4
Europe ex EMU	-10.5	1.4
Japan	-3.6	8.7
Middle East	14.3	38.8
Pacific ex Japan	-9.1	4.7
MSCI ACWI ex US Index	-7.5	6.1

Source: FactSet, MSCI Inc. Data as of December 31, 2024.

European yields also rose but to a lesser degree than those in the US, even with significant political upheaval, including loss of confidence votes for the ruling coalitions in Germany and France. Asian bond markets shrugged off political uncertainty as well, as the impeachment of South Korean president Yoon Suk Yeol and election of Japanese Prime Minister Shigeru Ishiba had minimal effect on long-term bond yields.

With subdued inflation providing room for action, the Federal Reserve cut interest rates in both November and December. However, Chairman Powell's language after the December meeting hinted at a potential pause in the current rate cut cycle as inflation stubbornly remains above the Fed's target. This cautious tone spooked bond markets, driving yields higher as investors recalibrated expectations for future monetary policy.

The Bank of England cut its bank rate in November, and in December, the European Central Bank followed suit, cutting its key lending rate for the fourth time in the year as domestic inflation edged down. In contrast the Bank of Japan kept rates unchanged. China continued to grapple with worsening deflationary pressures, as ongoing fiscal and monetary stimulus efforts struggled to counteract the drag from the ailing real estate sector.

Meanwhile, commodities such as oil and gold showed little change in the quarter, while industrial metals such as copper fell as doubts persisted about a Chinese manufacturing recovery and concerns grew over the potential impact of heightened trade frictions with the US.

Major currencies in both developed and emerging markets broadly weakened against the dollar. For the year, much like the quarter, dollar strength was universal. The election also sparked a rally in speculative cryptocurrencies, with Bitcoin surpassing $100,000. This surge was fueled by optimism over a potentially favorable regulatory environment and Trump's campaign promise to establish a government stockpile of digital currency.

Every sector declined in the quarter, but Information Technology (IT) was the best-performing, bolstered by strong performance from Software & Services. Financials, particularly banks, also held up relatively well, supported by steepening yield curves. In contrast, Consumer Staples and Health Care declined. Health Care faced pressure following the nomination of Robert F. Kennedy, Jr. to head the US Department of Health and Human Services, which introduced regulatory uncertainty. Materials also underperformed as persistent concerns over China's subdued demand for key commodities, such as iron ore—which dropped over 15% in price over the year—continued to weigh on the sector.

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, 2024 is available on page 9 of this report.

For the year, Financials led the market, helped by good returns in both banks and insurance, followed by strong gains in Information Technology. Materials and Consumer Staples declined the most.

Every major region declined during the quarter. Canada performed the best, benefiting from its heavy weighting towards Financials. Among major Emerging Markets, only Taiwan posted gains, due to double-digit returns from chipmaker TSMC. For the year, Canada and the Middle East were the top performing regions, while China delivered an impressive 20% annual gain, rebounding from last year's marked underperformance.

> Every sector declined in the quarter, but IT was the best-performing, bolstered by strong performance from Software & Services. Financials, particularly banks, also held up relatively well.

In terms of style, the quarter mirrored the patterns seen in the first half of the year, with shares of faster-growing companies outperforming their slower-growing counterparts. The fastest growing cohort of stocks outperformed the slowest growing by nearly 300 basis points (bps) in the quarter and over 500 bps for the full year. In contrast, investors continued their embrace of cheaply valued stocks this quarter, with the cheapest quintile of stocks besting the overall index by more than 400 bps, and by 800 bps over the full year. High-quality companies—defined as those with lower leverage and more consistent returns—lagged modestly in the quarter, but higher quality was a meaningful drag over the full year. The performance gap between the lowest- and highest-quality quintiles was approximately 600 bps. Similarly, the MSCI ACWI ex US Quality index, which segments companies based on return on equity, earnings growth, and leverage, underperformed the core index by over 500 bps.

Performance and Attribution

For the quarter, the International Equity ADR composite fell 7.9% gross of fees, behind the 7.5% decline of the MSCI ACWI ex US Index. For the full year 2024, the International Equity ADR composite returned 3.5%, also behind the benchmark's 6.1% rise.

Viewed by sector, the portfolio's relative performance suffered in the quarter from its hefty allocations to Consumer Staples and to Health Care, both of which underperformed the index, as did Utilities, (in keeping with those sectors' longstanding correlation with bond prices) amid rising long-term interest rates. Additional pressure came from increasing uncertainty about Chinese demand for Western consumer products, ranging from French cosmetics to Japanese diapers, and from concerns about US health care policies under the incoming Trump administration.

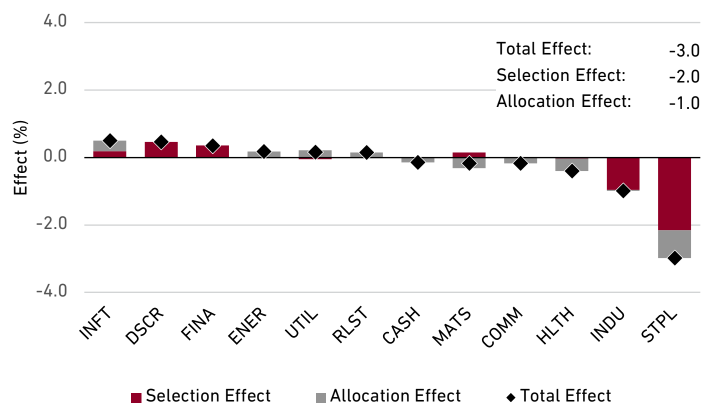
Despite the broader industry trend, our Japanese Health Care stocks performed well, thanks to their lower exposure to the US healthcare market. The portfolio also benefited from the absence of Novo Nordisk, a source of performance headaches earlier in the year. However, our Consumer Staples holdings underperformed their sector peers, especially **L'Oréal**. The company, whose growth has long been underpinned by the Chinese cosmetics market, finally succumbed to the consumer slowdown there that it had previously navigated with more aplomb than its competitors.

We also were hurt by poor stocks in Industrials, especially within capital goods, where several of our Swedish holdings underperformed the industry group. This was, in part, a reversal of the optimism for global cyclicals seen last quarter, buoyed by optimism for the now-challenged Chinese market. Our Materials stocks also struggled, ranging from stable industrial gas companies like **Linde** and **Air Liquide** to our more cyclical iron ore producers such as **BHP** and **Rio Tinto**.

Trailing 12 Months Performance Attribution

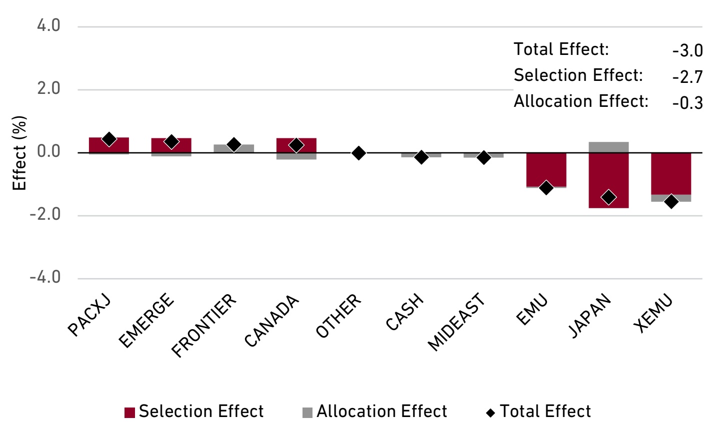
Sector

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 December 31, 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.

By region, performance was dragged down by poor stocks in Europe, both within and outside the eurozone. Poorly performing Consumer Staples holdings from France and Switzerland, along with Swedish capital goods holdings, were key culprits. Emerging Markets holdings contributed, with strong gains from TSMC, the Taiwanese chipmaker. In Latin America, Brazilian brewer **Ambev** and Mexico's **FEMSA** both declined, dragging on our performance in the region. Persistently weak Chinese consumer confidence affected shares of **ZTO Express**, offsetting some of the positive returns from India's **HDFC Bank**.

For the full year, the portfolio faced substantial challenges early on due to three major trends: the deep value rally in Japan (a trend we were unlikely to capture), the surge in Chinese SOEs and banks (a trend we deliberately avoided), and the narrow momentum driven rally in a handful of heavyweight story stocks including Novo Nordisk, LVMH, ASML, and TSMC. Among these we only owned TSMC, but theoretically could have owned all four, as they are "qualified" (researched and rated) by an HL analyst. Of this group, only TSMC outperformed the market in the second half of the year, and, indeed, in the full year.

In the full year, our fast-growing high-quality holdings in Japan detracted 175 bps with the biggest offender being **Unicharm**, the maker of disposable adult diapers and feminine care products, one of the most stable areas of consumer demand, especially in the aging societies of Japan and China, its two largest markets.

> By region, performance was dragged down by poor stocks in Europe, both within and outside the eurozone. Poorly performing Consumer Staples holdings from France and Switzerland, along with Swedish capital goods holdings, were key culprits.

Europe ex EMU subtracted 133 bps, dragged down by declines in shares of **Nestlé** (Switzerland), **Genmab** (Denmark), Rio Tinto (the UK), and **Atlas Copco** (Sweden). Within the eurozone, underperformance from L'Oréal and **Dassault Systèmes** (France), as well as **Infineon Technologies** and BioNTech (Germany), shaved off another 340 bps. While a number of standout holdings partially offset these losses, they were insufficient to close the performance gap, which we had already suffered in the first quarter. The fourth quarter added further to the gap, with no single trend or dynamic clearly responsible for the underperformance.

Writ large, our modest barbell strategy—pairing a full complement of Materials stocks with an overweight in Consumer Staples, hedging against both resurgent inflation on the one hand and an economic downturn on the other—exacerbated the impact of stock selection.

Perspective and Outlook

Last quarter, while assessing our portfolio's exposure to potential US election risks, we noted that our Health Care holdings garnered, on average, about half of their revenues from the US. Initially, we found reassurance in the headline figures, given that almost none of those sales would face tariffs under Trump's pledge to impose broad tariffs on US trade partners.

However, the proposed appointment of Robert F. Kennedy, Jr., as Secretary of Health and Human Services has upended that perspective. Our earlier confidence—rooted in the absence of meaningful discussion around US health care policy during the election campaign—now appears misplaced. The announcement sparked a revival for RFK, Jr's controversial and often scientifically unsubstantiated medical theories, signaling potentially chaotic shifts in policy. Coupled with Trump's separate campaign promises to slash large swaths of Federal government spending, risks are rising for the heretofore large, lucrative, and historically stable US market for medical testing, devices, and treatments under the new administration. From cancer research to vaccine development to Medicaid, threats to funding are implied, but not yet specified. The December murder of a UnitedHealth executive, and the public reaction to it, further underscored the broad resentment toward the US health care system. With its mix of public and private coverage, fragmented care delivery, and high costs, the system is a focal point of consumer discontent. Share prices across the sector, from pharma to life sciences to insurance, have taken a hit as investors increased their weighting of risks.

Health care is merely the most vivid area where risks seem to be increasing. The possibility of volatile policy change in the US will likely now be a consideration for investors. This holds true for us as we invest in successful international companies with significant and profitable US operations but will be even more critical for those investing directly in US-listed companies. While policy shifts may modestly[1] impact the profitability of the US operations of our portfolio companies, such changes could be far more disruptive for companies that derive most of their revenues from the US market.

In prior shifts in political administration—both internationally and in the US—the incoming party's agenda has been laid out and debated for months, giving time for markets to adjust, and even for the policy proponent to digest the feedback of market reactions. In this transition, not even Trump's appointees can seem to agree that his favorite policy pledge—tariffs—is anything more than a bargaining ploy. Beyond tariffs, tax cuts, and deportations, the agenda is unclear. If Trump's first term is any guide, the odds favor abrupt changes of direction.

Even well-telegraphed policies, if implemented as promised during the campaign, will carry both predictable and unintended consequences. While we've prepared for the imposition of broad tariffs, the retaliatory effects and unintended fallout of such measures may yet catch us off guard. For instance, as President Scheinbaum of Mexico reminded the President-elect, the US auto industry relies heavily on extensive cross-border supply chains

1. Recall from our third quarter letter of 2024, only about 20% of portfolio company revenues, on average, come from the US.

for parts and components. Disrupting these with significant tariffs risks crippling assembly lines and jeopardizing jobs in the very industries the incoming administration seeks to protect.

Likewise, the repeated pledge to deport millions of immigrants—undocumented or otherwise—could leave entire industries struggling with severe labor shortages. With the US labor market already near full employment, finding replacement workers may prove impossible even at significantly higher wages. Many citizens are neither willing nor able to take on these jobs at the price or productivity level demanded by employers. At any rate, rising wages would further entrench inflation, with food prices—the Achilles heel of the failed Democratic presidential campaign—most susceptible to labor shortages. Targeting immigrant labor is implicitly inflationary.

> The possibility of volatile policy change in the US will likely now be a consideration for investors. This holds true for us as we invest in successful international companies with significant and profitable US operations.

Hopes for US corporate profits have been buoyed by expectations of lower interest rates, reduced taxes, and diminished foreign competition due to tariffs. But the bond market has already reacted negatively to the implied fiscal largesse, signaling concern about ballooning deficits. Upward price pressures—enabled by weaker competition and necessitated by higher wages—make it unlikely that the Federal Reserve will deliver meaningful monetary easing.

Given the post-COVID federal deficit, which includes more than US$3 trillion of net effects from the Biden Administration recovery and industrial/"green" infrastructure programs, additional fiscal indiscipline seems poised to further unsettle bond investors. Higher long-term rates would hinder economic growth, limiting tax revenues and deepening fiscal constraints. The US is edging closer to the scenario, long predicted by fiscal conservatives, where its financial flexibility is dictated by the preferences of its creditors.

Such constraints are familiar to investors in emerging markets, where market valuations remain deeply discounted despite faster economic growth on average. Another concerning—and distinctly emerging market-like—feature of the incoming administration is Trump's preference for personal relationships and acts of loyalty over institutional rules and regulations. Corporate leaders have taken note, rapidly recalibrating their political stances and reallocating their political donations to align with the new power dynamic. We are not trying to make a partisan point here, but rather a point about governance and the societal benefits of the rule of law. If there exists a spectrum from transparently disclosed lobbying (free speech by companies to defend their interests) to "personalist politics" as seen in Erdogan's Turkey, or even to "government capture" as seen in the Zuma presidency in South Africa (2009–2018), the US seems poised to take a step away from the former.

This tilting of the playing field, combined with the unpredictable consequences of policies that will be (or, abruptly, may not be) carried out by the Trump administration, creates rising uncertainty that should give global investors pause. Years of better earnings growth and sustained profitability, enabled by fertile innovation and a stable legal and institutional backdrop, has led to very rich stock market valuations (or low equity discount rates) in the US equity market. Those potent building blocks are developing cracks. The premium valuation afforded US equities relative to other markets seems set to wane.

For international investors, the prospect of political change in 2025 across Germany, France, Canada, and South Korea, following the wave of elections in 2024, may keep some businesses on the sidelines rather than making bold investments. But we remind ourselves that election cycles and even political crises had little correlation (other than temporarily) to stock market results in 2024: stable Sweden performed not much differently from politically stressed-out France. Germany, where the government lost a no-confidence motion last month was one of the best-performing markets in Europe in 2024. Meanwhile, China's ongoing struggles to manage its slow-motion property bust and prevent a slide into Japan-style deflation continues to hamper investment appetite there. Nevertheless, with shares deeply out of favor, a small change of sentiment sparked an enormous rally, leaving Chinese shares, even after retracing some of the gains, among the best-performing in the year with a 20% return.

> Election cycles and even political crises had little correlation (other than temporarily) to stock market results in 2024: stable Sweden performed not much differently from politically stressed-out France.

In such an environment, the hazards of sticking to a long-term investment horizon in a world increasingly subject to government policy changes may seem daunting. However, we believe that now, more than ever, agile and capable management teams are invaluable. Equally critical is the financial strength that enables companies to implement their strategies without reliance on fickle capital markets. Clear-headed investment by companies to bolster or augment competitive advantages will often yield its best results in time of great uncertainty. We intend, as ever, to identify companies that are focused on executing exactly that, pursuing growth opportunities wherever they may find them.

Portfolio Highlights

One feature of our portfolio is that it has consistently focused on companies with above-average growth prospects while typically exhibiting superior trailing growth as well. Since 2011, the weighted median five-year historical earnings per share (EPS) growth rate of our holdings has hovered around 9%, with fluctuations from 6% to 14% caused by passing economic cycles and portfolio adjustments. In contrast, our benchmark index has averaged a lower 7% EPS growth rate over the same period, ranging from 2% to 11%. Currently the index's current trailing five-year growth rate stands at 9.0%, above its historical average, while our portfolio's rate is 7.3%, anomalously below the that of the index currently and our own historical average.

While historical growth can offer a rough proxy for the future, like driving while looking through the rear-view mirror, it is often an unreliable indicator. As fundamental investors, our primary view is forward looking—identifying companies capable of delivering sustainable growth in the years ahead. Over the past year we have added several companies with exceptional growth potential to the portfolio, while selling holdings where strong historical growth is unlikely to persist. We currently forecast a weighted median 11% annualized growth rate for our portfolio's holdings over the next five years, exceeding both our historical average, and what we would expect the broader index to achieve.

There are several reasons for the portfolio's lower trailing growth rate. Within the index some significant holdings—such as in automakers and luxury goods— experienced exceptional growth from 2018 to 2023 and have already begun to fade. Conversely, some of our holdings are dragging down our historical growth rate due to weak 2023 earnings, despite our expectation of double-digit growth over the next five years. Notable examples of these under-achievers include **Symrise** and **SAP**, whose recent challenges belie their future growth potential.

> While historical growth can offer a rough proxy for the future, like driving while looking through the rear-view mirror, it is often an unreliable indicator. As fundamental investors, our primary view is forward looking.

Our overweight position in Consumer Staples sector has also been a drag on our portfolio's median growth rate. We've been overweight this sector for more than five years, and at 11.4% of the portfolio, it sits near the midpoint of our historical range. However, our active weight has risen as the sector's overall benchmark weight has declined. Our Staples holdings span the world and cover numerous industries from packaged food, beverages, convenience store operators, household, and personal care products. What unites these companies is strong brand recognition and consumer trust, traits that contribute to the sector's historically above-average returns on invested capital.

Within our Consumer Staples holdings we forecast for the next five years annualized weighted median growth of 7%—respectable, though below our portfolio's overall weighted median of 11%. While rapid growth within Staples is rare, Mexican convenience store operator FEMSA is an exception. We expect FEMSA to double its EPS by 2028 by expanding its retail footprint in Latin America and continuing to gain market share from smaller competitors.

However, many of our large global Consumer Staples holdings, including Nestlé and L'Oréal are likely to grow at a steady mid-single digit pace. While this level of growth may underwhelm during good economic times, the growth at these types of companies tends to hold up better than most during economic downturns, offering a measure of stability to the portfolio. Nor do these companies seem particularly vulnerable to technological disruption. At the right valuation, we are comfortable allocating funds to moderately-growing businesses while remaining vigilant for faster-growing opportunities.

The flipside is that some of our holdings stand out for their exceptional growth histories and outlooks. These companies have doubled their earnings over the past five years—achieving a compound annual growth rate of 15% or more—and are projected to double their earnings again in the next five years. We currently own five such "double-double" companies: TSMC, **Disco Corp**, **Adyen**, Genmab, and **MercadoLibre).**

In the fourth quarter, we took advantage of a steep selloff in semiconductor-related stocks to purchase Disco Corp at an attractive valuation. No maker of mirrored balls, Japan's Disco is the world's largest manufacturer of equipment used by semiconductor makers to cut, grind, and polish chips, in which we estimate they have over 70% market share. Over the past five years, the company has grown earnings at an annualized rate exceeding 20%, a pace we expect to continue over the next five. Disco's growth is powered by a key industry trend: the increasing number of separate dies integrated into advanced chips. A "die" refers to one of the many square circuits manufactured into and then cut from the larger round silicon "wafer." As shrinking more circuits into a single die becomes increasingly complex and costly, chipmakers are turning to packages that combine multiple, more-economical dies into a single powerful unit—an approach particularly critical for making high-performance chips used in AI applications.

> The flipside is that some of our holdings stand out for their exceptional growth histories and outlooks. These companies have doubled their earnings over the past five years and are projected to double their earnings again in the next five years.

This shift requires a significant increase in die production volume, along with heightened precision in the grinding, dicing, and polishing processes. As a result, Disco's expertise and product leadership in die processing equipment place it at the forefront of an essential and rapidly growing segment of the semiconductor manufacturing equipment industry.

Disco's historical and prospective growth pace even surpasses that of TSMC, one of its key customers and a longstanding holding in our portfolio. As the world's leading producer of advanced semiconductors, TSMC achieved a 19% annualized earnings growth rate over the past five years, and we expect a similar pace over the next five. This growth should be enhanced by TSMC's dominance in producing chips used for AI, a fast-expanding segment, and the strong margins associated with these high-performance chips.

Rapid growth opportunities exist beyond the IT sector. One of our Health Care companies is also on track to achieve a "double-double." Danish pharmaceutical company Genmab achieved a 20% annualized earnings growth rate over the past five years, largely due to the success Darzalex, its blockbuster monoclonal antibody treatment for multiple myeloma, a type of blood cancer. We anticipate this groundbreaking drug will continue to fuel strong performance, supporting a doubling of profits over the next five years. While the royalites from Darzalex are expected to decline beyond 2031, we except some of that decline will be offset by other, newer products from the company's development pipeline.

Within Consumer Discretionary, MercadoLibre stands out as our fastest growing company. As Latin America's largest e-commerce platform, it moved from poor profitability five years ago—investing heavily in delivery and fintech capabilities—into a dominant market leader in its largest markets of Mexico, Brazil, and Argentina, earning nearly US$1 billion net profit in 2023. Looking ahead, we expect rising e-commerce penetration, continued market share gains, advertising business expansion, and growth in its lending operations to push profits beyond US$5 billion in 2028.

In the Financials sector, Dutch fintech provider Adyen is on track to also achieve a "double-double." Over the past five years Adyen's earnings grew at a blistering 38% annualized rate. This growth was fueled by its single technology platform, which supports online and offline payment processing globally, allowing it to capture market share. With only single-digit share in its key geographies, we anticipate Adyen will continue gaining ground at the expense of less technologically advanced competitors, doubling its earnings over the next five years.

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 December 31, 2024)

Communication Services	Market	End Wt. (%)
Telkom Indonesia (Telecom services)	Indonesia	1.0
Tencent (Internet and IT services)	China	2.1
Consumer Discretionary		
Haier Smart Home (Consumer appliances mfr.)	China	1.5
MercadoLibre (E-commerce retailer)	US	1.6
Shimano (Bicycle component manufacturer)	Japan	0.7
Sony (Japanese conglomerate)	Japan	2.7
Consumer Staples		
Ambev (Alcoholic beverages manufacturer)	Brazil	1.0
FEMSA (Beverages manufacturer and retail operator)	Mexico	2.3
Haleon (Consumer health products manufacturer)	UK	3.0
L'Oréal (Cosmetics manufacturer)	France	2.4
Nestlé (Foods manufacturer)	Switzerland	2.0
Unicharm (Consumer products manufacturer)	Japan	0.8
Energy		
Royal Dutch Shell (Oil and gas producer)	UK	2.9
Financials		
Adyen (Payment processing services)	Netherlands	1.5
AIA Group (Insurance provider)	Hong Kong	1.3
Allianz (Financial services and insurance provider)	Germany	4.0
BBVA (Commercial bank)	Spain	2.2
Credicorp (Commercial bank)	Peru	1.2
DBS Group (Commercial bank)	Singapore	4.8
GF Banorte (Commercial bank)	Mexico	0.9
HDFC Bank (Commercial bank)	India	3.3
Manulife (Financial services and insurance provider)	Canada	3.1
Ping An Insurance (Insurance provider)	China	0.7
Health Care		
Alcon (Eye care products manufacturer)	Switzerland	1.6
Chugai Pharmaceutical (Pharma manufacturer)	Japan	3.0
Coloplast (Medical device manufacturer)	Denmark	0.9
Genmab (Oncology drug manufacturer)	Denmark	0.8
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	2.5
Shionogi (Pharma manufacturer)	Japan	1.0
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	1.6
ASSA ABLOY (Security equipment manufacturer)	Sweden	1.2
Atlas Copco (Industrial equipment manufacturer)	Sweden	1.7
Canadian National Railway (Railway operator)	Canada	0.9
Daifuku (Material-handling equipment manufacturer)	Japan	0.9
Epiroc (Industrial equipment manufacturer)	Sweden	1.3
Komatsu (Industrial equipment manufacturer)	Japan	1.4
Schneider Electric (Energy management products)	France	2.8
Techtronic Industries (Power tools manufacturer)	Hong Kong	1.0
ZTO Express (Express delivery services)	China	1.1
Information Technology		
Dassault Systèmes (CAD software developer)	France	2.6
Disco Corp (Precision tool manufacturer)	Japan	1.3
Infineon Technologies (Semiconductor manufacturer)	Germany	3.0
SAP (Enterprise software developer)	Germany	3.2
TSMC (Semiconductor manufacturer)	Taiwan	4.2
Materials		
Air Liquide (Industrial gases supplier)	France	1.1
BHP (Mineral miner and processor)	Australia	1.5
Linde (Industrial gases supplier and engineer)	US	1.5
Novonesis (Biotechnology producer)	Denmark	0.8
Rio Tinto (Mineral miner and processor)	UK	1.6
Symrise (Fragrances and flavors manufacturer)	Germany	1.3
Real Estate		
No Holdings		
Utilities		
ENN Energy (Gas pipeline operator)	China	1.5
Cash		2.4

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.

4Q24 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
DBS Group	FINA	4.5	0.2	0.67
TSMC	INFT	4.0	3.0	0.36
Manulife	FINA	3.1	0.2	0.33
Sony	DSCR	2.4	0.5	0.31
SAP	INFT	3.0	0.9	0.28

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
DBS Group	FINA	4.3	0.2	1.42
TSMC	INFT	4.1	2.6	1.38
SAP	INFT	3.4	0.8	1.05
Manulife	FINA	3.0	0.2	0.91
Samsung Electronics*	INFT	–	1.1	0.58

4Q24 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
Unicharm	STPL	1.3	<0.1	-0.37
L'Oréal	STPL	2.4	0.3	-0.35
Symrise	MATS	1.4	0.1	-0.25
Atlas Copco	INDU	1.8	0.3	-0.25
Shimano	DSCR	0.8	<0.1	-0.18

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
FEMSA	STPL	3.0	0.1	-1.35
Dassault Systèmes	INFT	2.9	0.1	-1.26
Infineon Technologies	INFT	3.5	0.2	-1.14
L'Oréal	STPL	3.0	0.4	-1.05
Unicharm	STPL	1.4	<0.1	-0.64

*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] (%)	12.1	11.2
Return on Assets[1] (%)	7.8	5.5
Return on Equity[1] (%)	16.6	14.0
Debt/Equity Ratio[1] (%)	40.8	60.2
Std. Dev. of 5 Year ROE[1] (%)	3.5	4.6
Sales Growth[1,2] (%)	5.9	5.8
Earnings Growth[1,2] (%)	7.3	9.0
Cash Flow Growth[1,2] (%)	8.3	10.2
Dividend Growth[1,2] (%)	7.1	6.3
Size and Turnover	**HL**	**Index**
Wtd. Median Mkt. Cap. (US $B)	74.1	51.0
Wtd. Avg. Mkt. Cap. (US $B)	128.9	110.6
Turnover[3] (Annual %)	13.2	–

Risk and Valuation	HL	Index
Alpha[2] (%)	0.87	–
Beta[2]	1.04	–
R-Squared[2]	0.92	–
Active Share[3] (%)	85	–
Standard Deviation[2] (%)	18.72	17.14
Sharpe Ratio[2]	0.16	0.12
Tracking Error[2] (%)	5.5	–
Information Ratio[2]	0.17	–
Up/Down Capture[2]	114/107	–
Price/Earnings[4]	18.5	15.8
Price/Cash Flow[4]	13.2	9.8
Price/Book[4]	2.8	1.9
Dividend Yield[5] (%)	2.5	2.9

[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: January 6, 2025) 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
Disco Corp	Japan	INFT
Techtronic Industries	Hong Kong	INDU

Positions Sold	Market	Sector
Yandex	Russia	COMM

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 December 31, 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[6]	3.53	2.84	6.09	4.35	18.80	16.01	16.61	0.3	187	1,087	7,361	35,471
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 24,120 and $11,205 million, respectively, at December 31, 2024 , and include both separately managed and advisory-only assets. [6]The 2024 performance returns and assets shown are preliminary. 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 September 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 September 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.

This page intentionally left blank.