



# International Equity Review | Second Quarter 2021

# Composite Performance Summary

As of June 30, 2021

## Performance (% Total Return)

	3 Months	Year to Date	1 Year	3 Years <sup>1</sup>	5 Years <sup>1</sup>	10 Years <sup>1</sup>	Since Inception <sup>1,2</sup>
HL International Equity (Gross)	5.58	6.68	35.18	12.40	13.78	8.92	8.97
HL International Equity (Net)	5.42	6.35	34.33	11.69	13.05	8.26	8.17
MSCI All Country World ex-US Index <sup>3,4</sup>	5.64	9.45	36.29	9.87	11.58	5.92	5.67

■ Up/Down Capture (trailing five years, annualized): 103/93

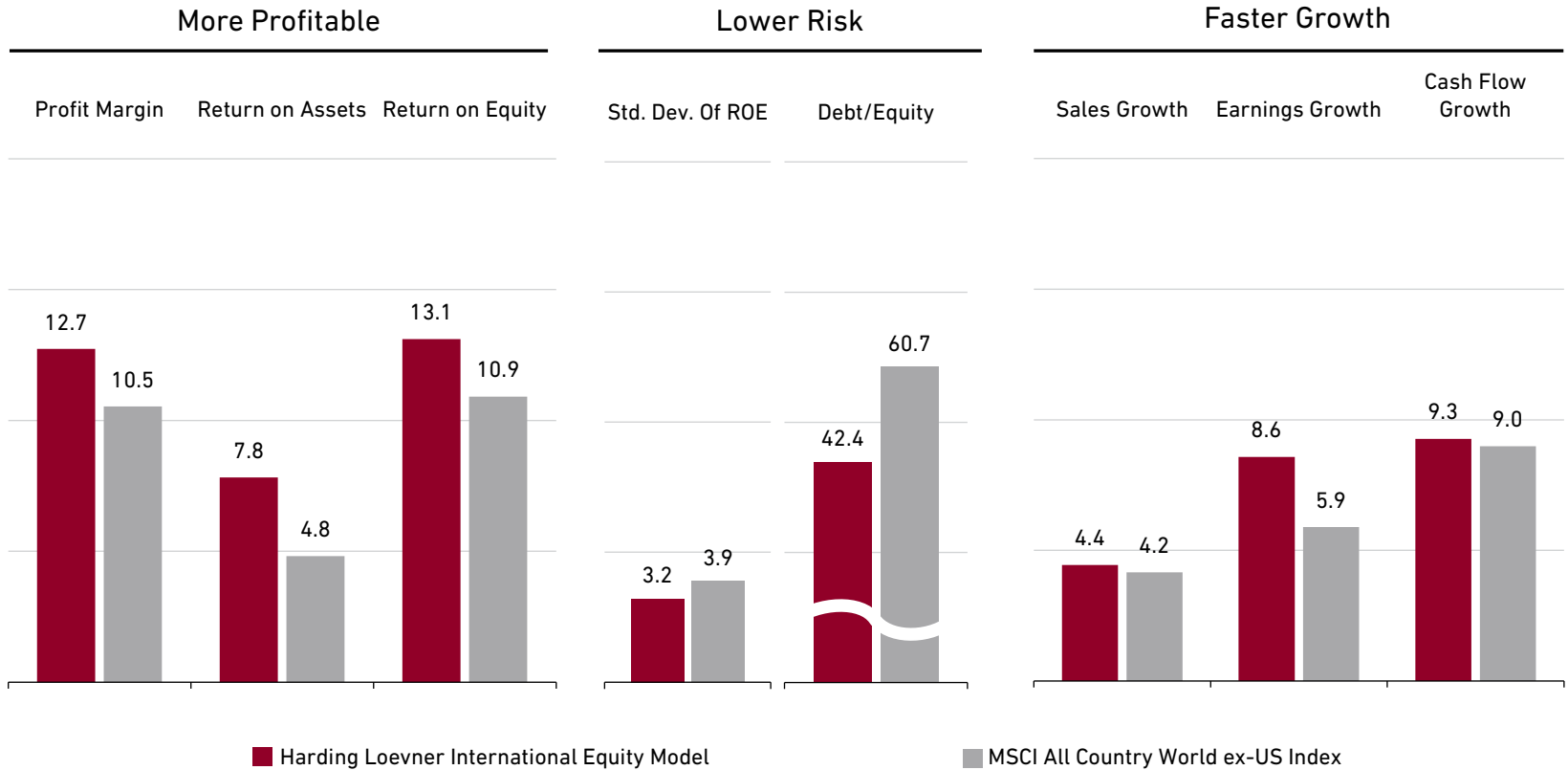
<sup>1</sup>Annualized Returns; <sup>2</sup>Inception date December 31, 1989; <sup>3</sup>The benchmark index; <sup>4</sup>Gross of withholding taxes.

The performance returns shown are preliminary. For comparison purposes the Composite return is measured against the MSCI All Country World ex-US Total Return Index (Gross). Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through March 31, 2021. 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 Composite has had a performance examination for the periods January 1, 1990 through March 31, 2021. The verification and performance examination reports are available upon request. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the International Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://www.hardingloevner.com). The firm maintains a complete list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds, which are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Please read the disclosures on the last page, which are an integral part of this presentation.

# Quality & Growth Investment Philosophy

As of June 30, 2021

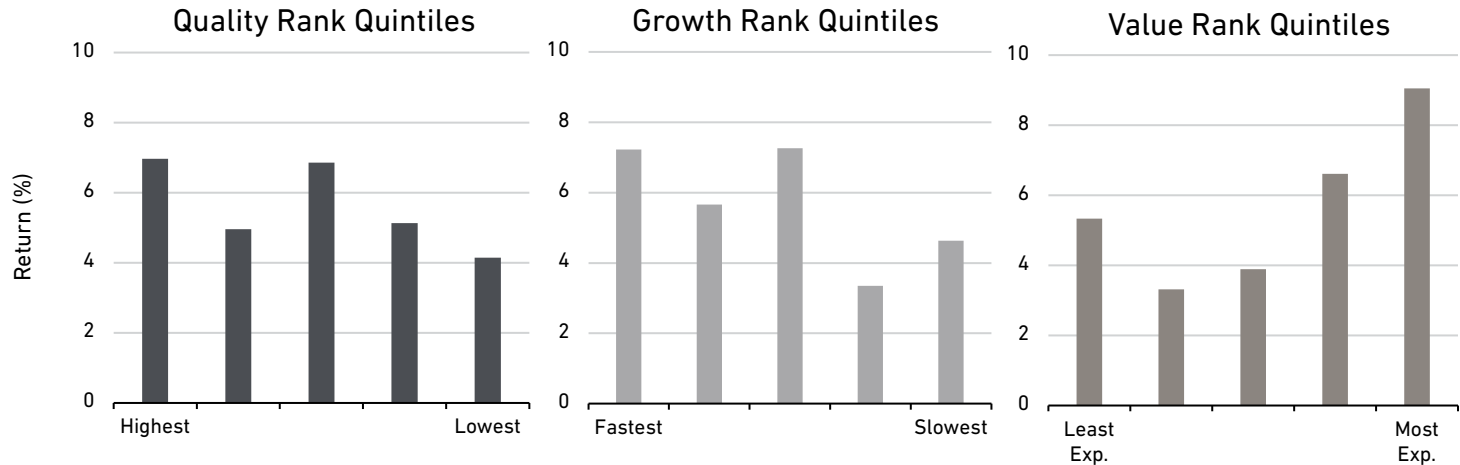


Source: FactSet, MSCI Inc. Data as of June 30, 2021. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are percentages presented as weighted medians. Please read the disclosures on the last page, which are an integral part of this presentation.

# MSCI ACW ex-US Index Total Returns by Quality, Growth, and Value Rank

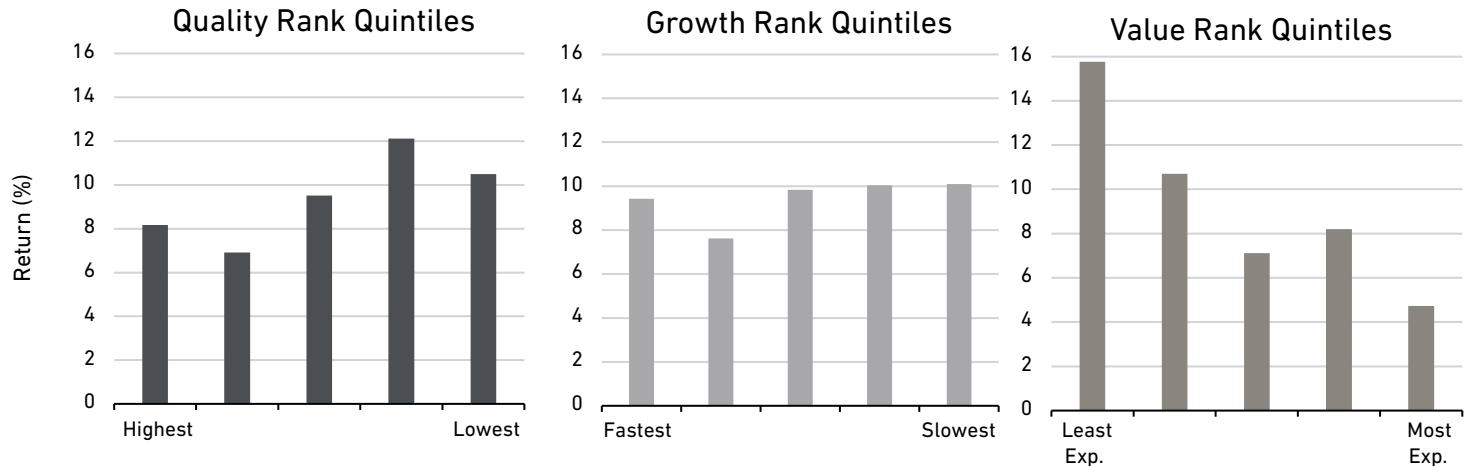
## 2Q21

Faster growing companies and the most expensive stocks outperformed.



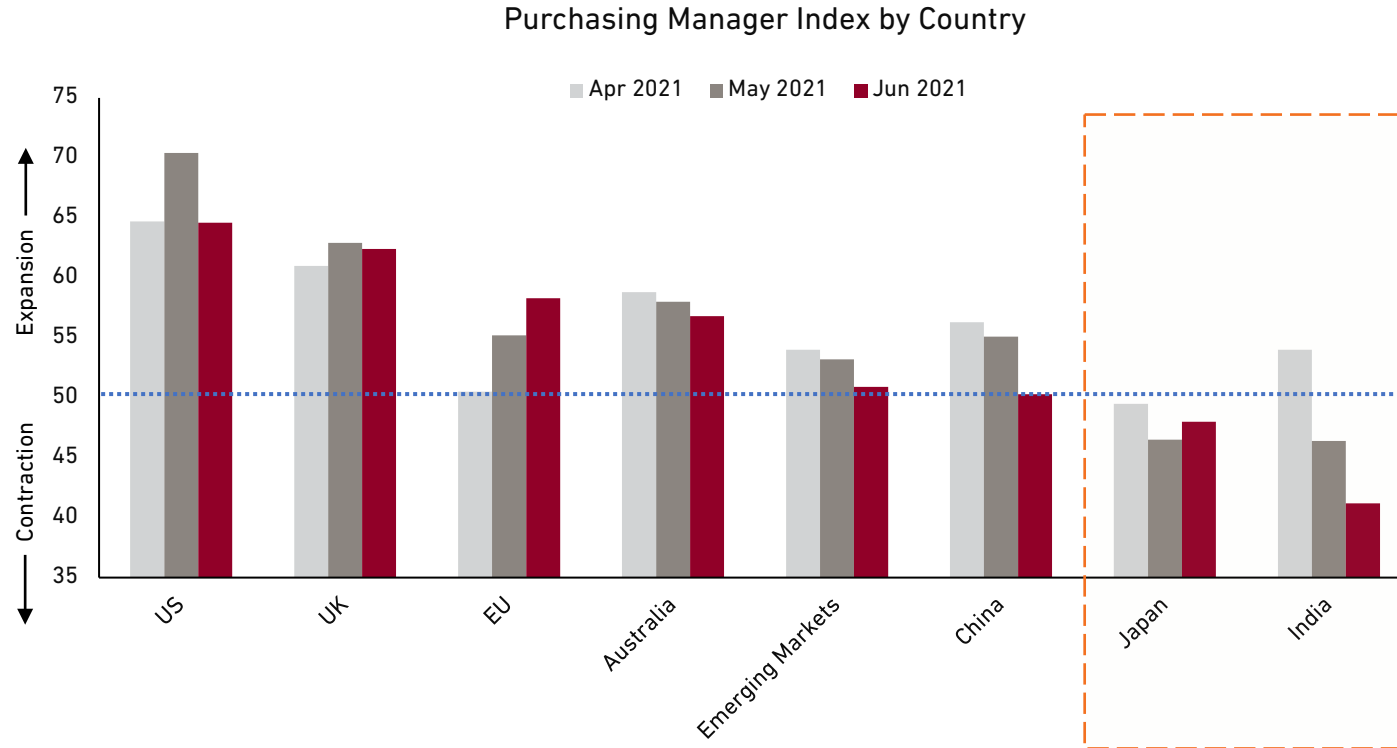
## Year to Date

The least expensive stocks outperformed.



# Ongoing & Uneven Global Recovery

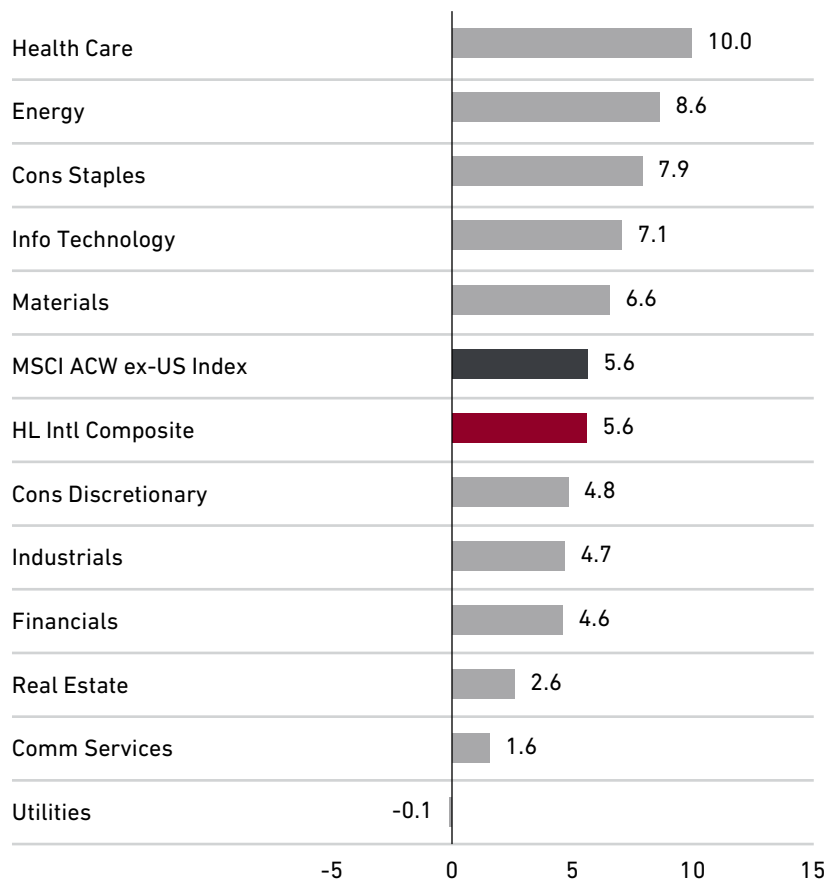
Japan and India are still in contraction.



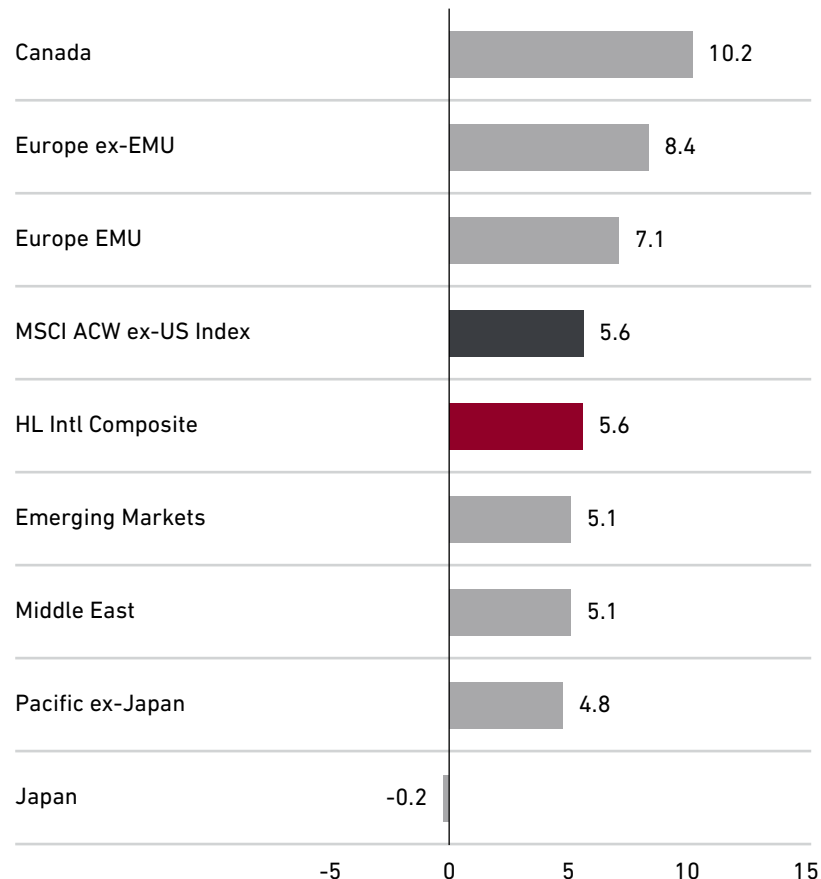
# Benchmark Performance

## Second Quarter

### Sector Total Return (%)

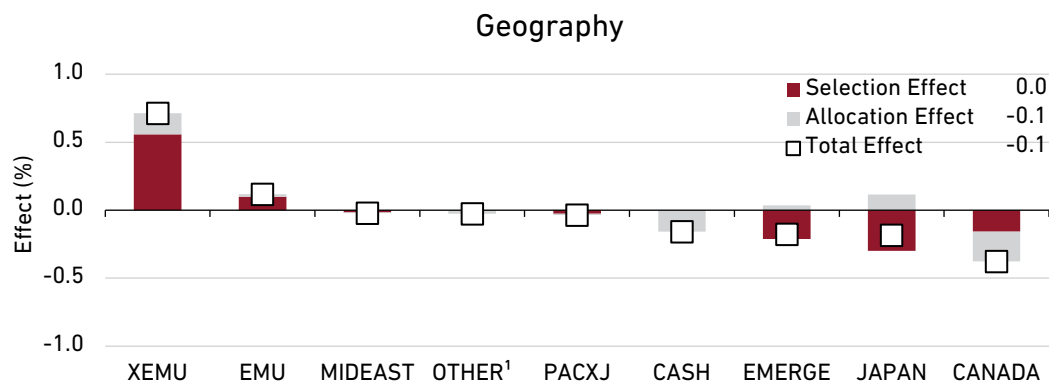
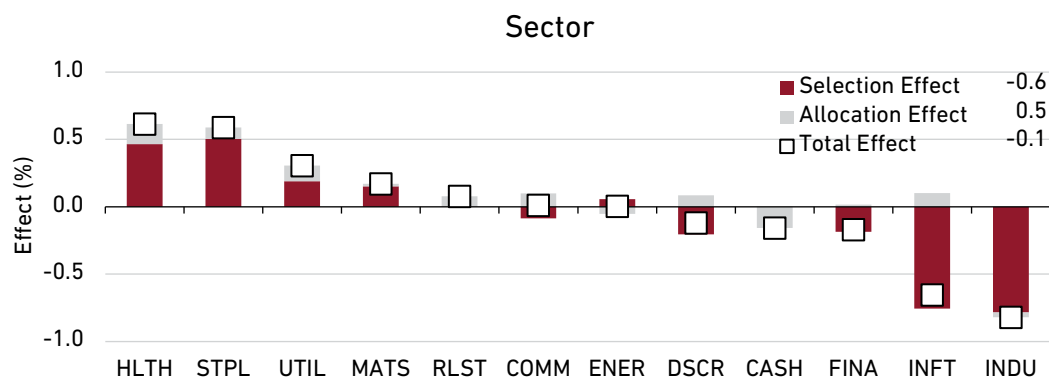


### Geographic Total Return (%)



# Performance Attribution: Composite vs. Benchmark

Second Quarter



## Top 5 Contributors

to Relative Returns	Avg. Wt. %	Effect	
	Port.	Index %	
Sonova Holding	1.5	0.1	0.45
Lonza	1.9	0.2	0.34
L'Oréal	3.3	0.4	0.32
Ambev	1.1	0.1	0.19
Alfa Laval	1.5	0.0	0.18

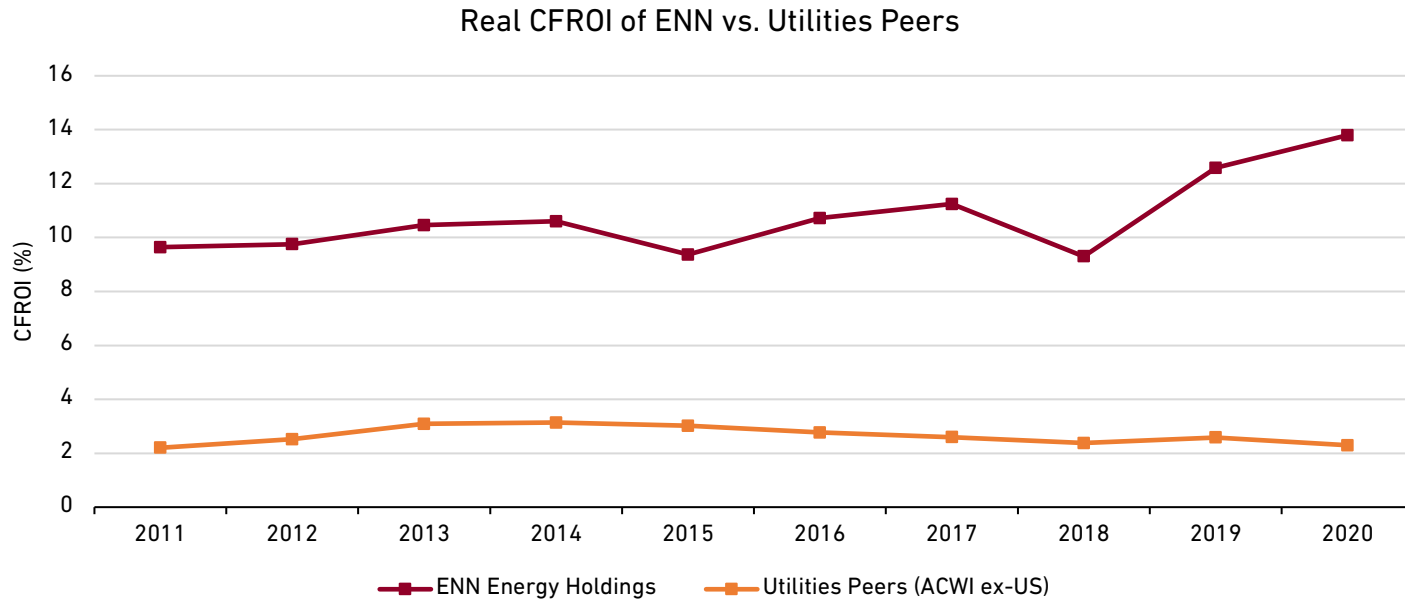
## Top 5 Detractors

from Relative Returns	Avg. Wt. %	Effect	
	Port.	Index %	
Infineon Technologies	4.2	0.2	-0.47
Komatsu	1.4	0.1	-0.35
Ping An Insurance	1.5	0.3	-0.27
Kubota	1.8	0.1	-0.26
Samsung Electronics	3.9	1.5	-0.19

<sup>1</sup>Includes companies classified in countries outside the index.

"Composite": International Equity Composite. "Benchmark": MSCI All Country World ex-US Index. Past performance does not guarantee future results. Sector and Region Attribution and Contributors and Detractors are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. The portfolio holdings identified above do not represent all of the securities held in the portfolio. 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 and (2) a list showing the weight and relative contribution of all holdings during the quarter. Contribution is the contribution to overall relative performance over the period. Contributors and detractors exclude cash and securities in the Composite not held in the Model Portfolio. Quarterly data is not annualized. Please read the disclosures on the last page, which are an integral part of this presentation.

# ENN Energy – Beneficiary of China’s Favorable Environmental Regulation

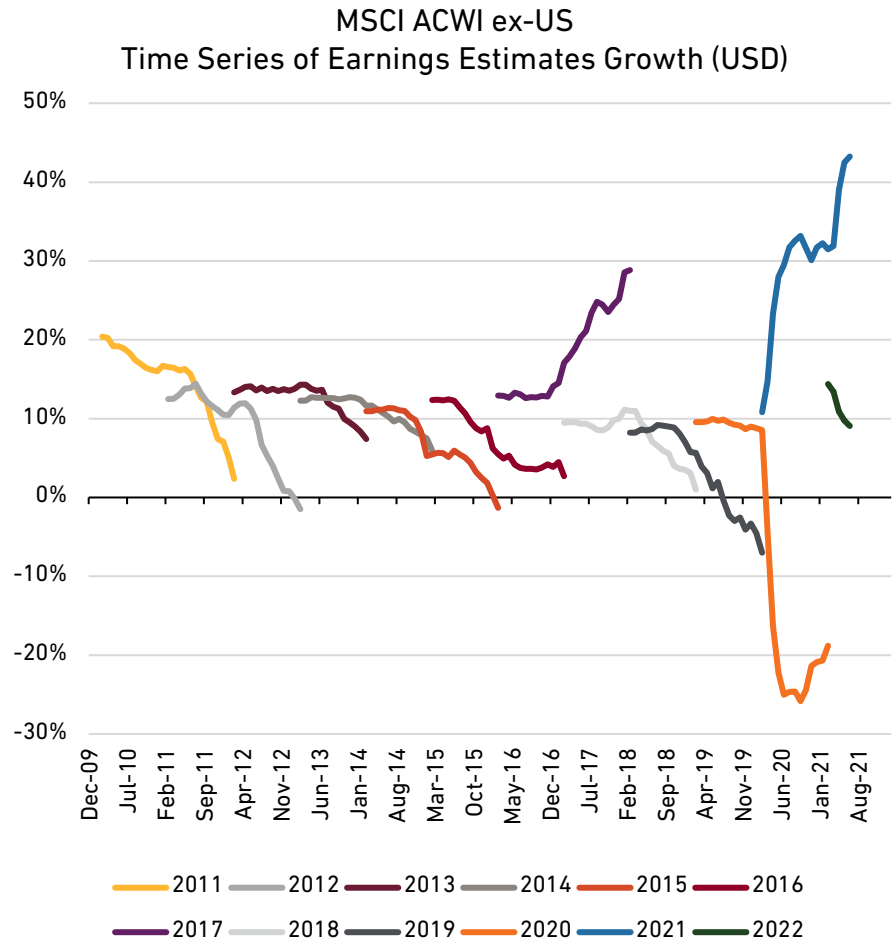
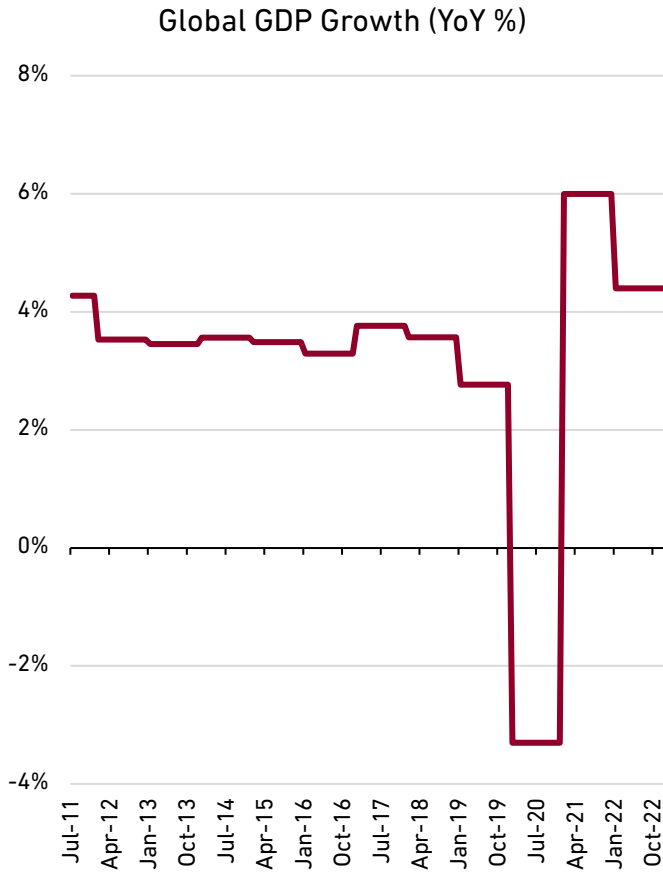


- Operates in oligopolistic market with access to extensive gas distribution network and exclusive agreements with cities
- Long track record of strong profitability and growth
- Well positioned for China's energy transition plans from dirtier coal to natural gas

Source: HOLT as of June 30, 2021. "CFROI" is defined as an approximation of the economic return, or an estimate of the average real internal rate of return, earned by a firm on the portfolio of projects that constitute its operating assets. The metric is real, or inflation-adjusted. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable.



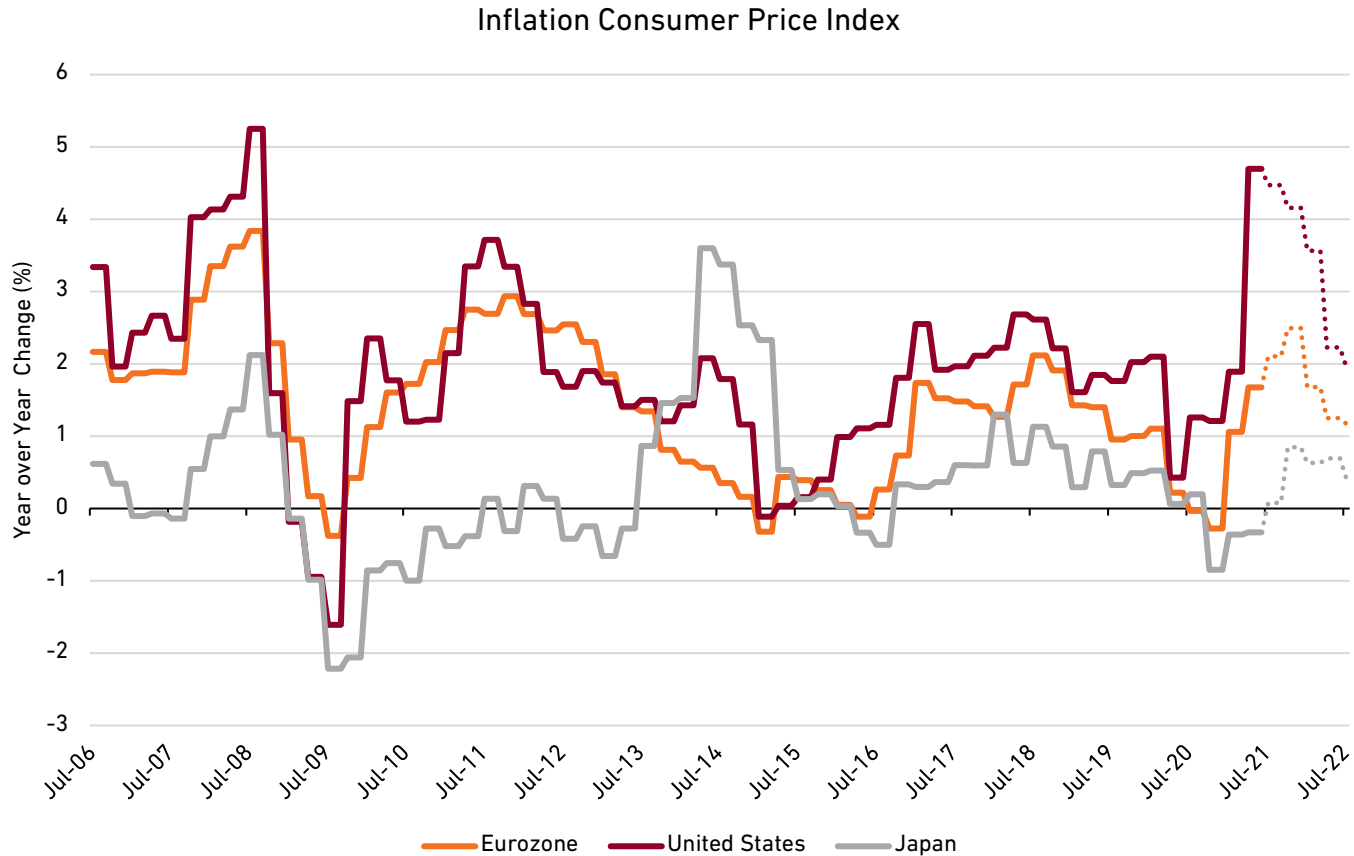
# 2021 Forecasts Point to Rebound



Left Chart – Source: FactSet, IMF as of June 30, 2021. Right Chart – Source MSCI Inc. FactSet as of June 30, 2021.

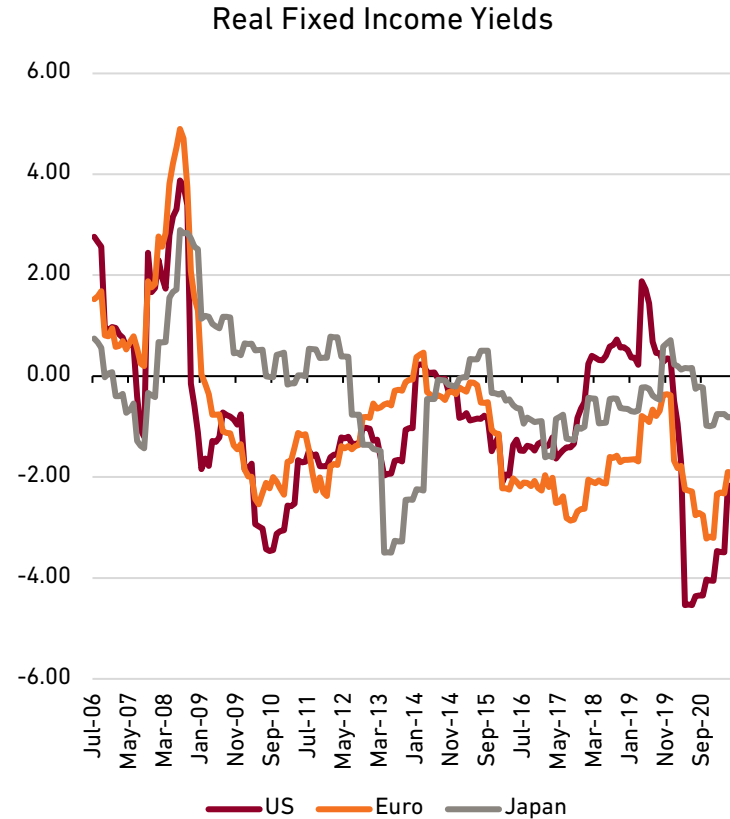
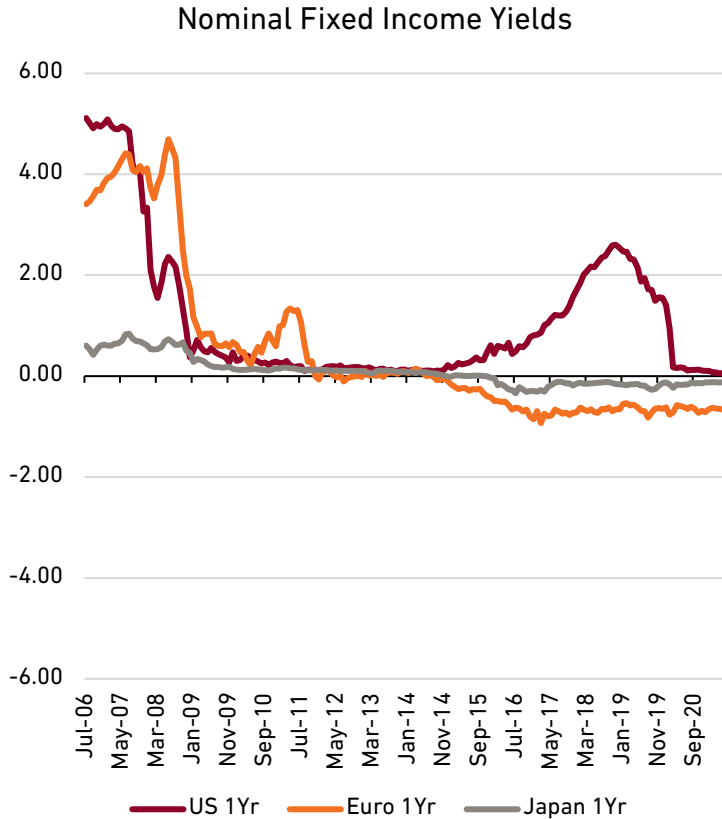
# Inflation

Inflation rose in early 2021 but is currently expected to moderate.



# Yields

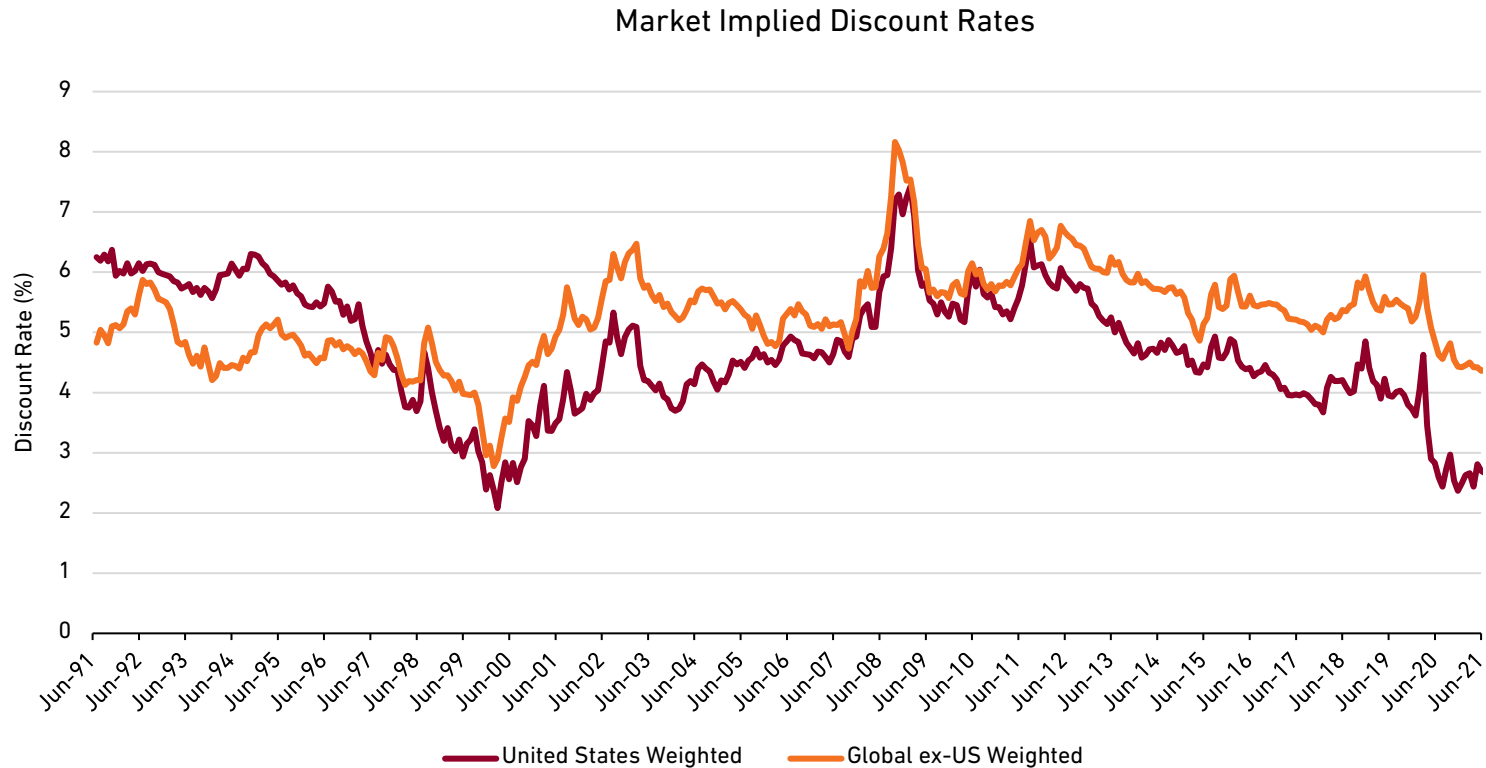
Yields have been low everywhere since 2009, and real yields are mostly negative.



Source: FactSet as of June 30, 2021.

# Market Implied Discount Rates – Equities Offer Positive Real Returns

The MSCI ACWI ex-US discount rate has fluctuated around 5.3%.



# Harding Loevner's Discount Rates

The higher the fundamental country risk, the higher our required real rate of return.



IEF World Rank	23%	51%	34%	65%	43%	70%	79%	86%	66%	88%	88%	90%	97%	97%	85%	96%	89%	92%	95%	99%	98%	100%
World Bank Rank	44%	27%	48%	34%	41%	45%	79%	73%	88%	81%	92%	86%	87%	91%	93%	95%	99%	96%	97%	95%	99%	93%
Lower of S&P or Fitch Credit Rating	BB-	BBB-	BBB-	BBB-	A+	BBB	A-	A+	AA	AA-	A	AA+	AA	AA-	AAA	AA+	AAA	AAA	AAA	AAA	AAA	AAA

## Components Within HL Market Risk Scoring

### World Bank: Worldwide Governance Indicators

- Voice & Accountability
- Regulatory Quality
- Political Stability
- Rule of Law
- Government Effectiveness
- Control of Corruption

### Index of Economic Freedom

- Rule of Law
- Regulatory Efficiency
- Government Size
- Openness of Markets

# Completed Portfolio Transactions

## Second Quarter

### Positions Established

Company	Country	Sector
SE Banken	Sweden	Financials
Telkom Indonesia	Indonesia	Comm Services

### Positions Sold

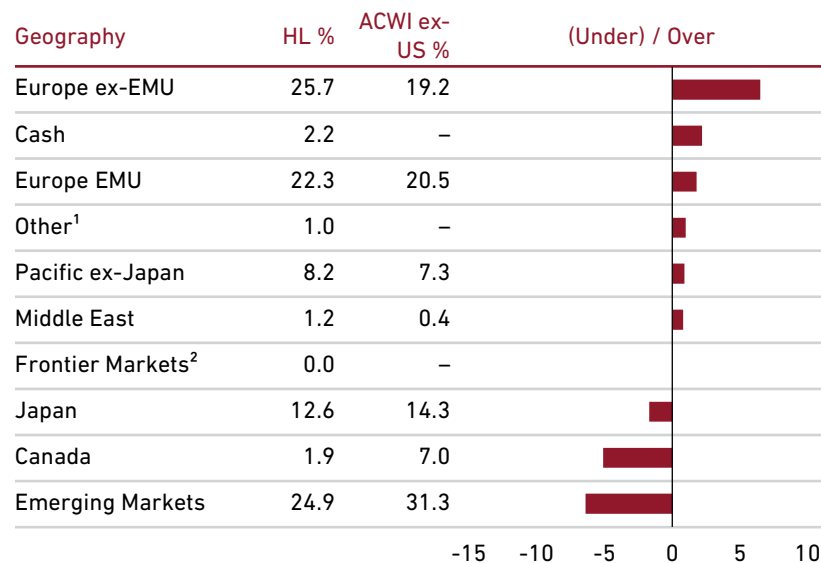
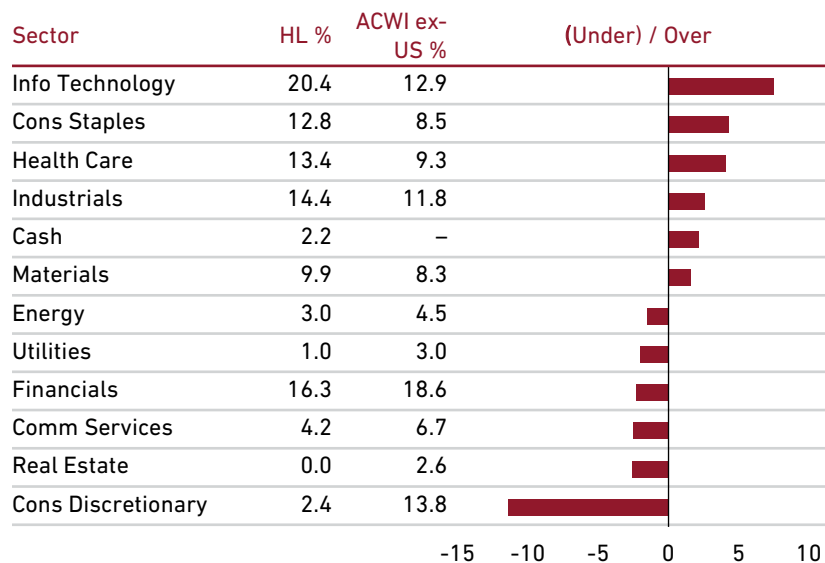
Company	Country	Sector
There were no completed sales this quarter.		

- Portfolio Turnover (5-year annualized average): 14.9%

The portfolio is actively managed therefore holdings shown may not be current. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year, contact Harding Loevner. Holdings are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Portfolio Positioning

As of June 30, 2021



Ten Largest Holdings – Total Weight: 32.5%

Company	Country	Sector	Wt. (%)
Infineon Technologies	Germany	Info Technology	3.9
Samsung Electronics	South Korea	Info Technology	3.8
TSMC	Taiwan	Info Technology	3.7
Atlas Copco	Sweden	Industrials	3.5
L'Oréal	France	Cons Staples	3.4

Company	Country	Sector	Wt. (%)
AIA Group	Hong Kong	Financials	3.0
Adyen	Netherlands	Info Technology	3.0
BHP	Australia	Materials	2.9
Roche	Switzerland	Health Care	2.8
Schneider Electric	France	Industrials	2.5

82% Active Share

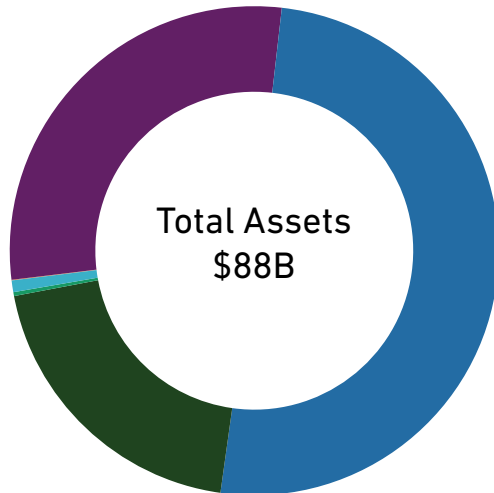
<sup>1</sup>Includes countries classified in countries outside the index; <sup>2</sup>Includes countries with less-developed markets outside the index.

Source: Harding Loevner International Equity Model; MSCI Inc. and S&P. Sector and region end weights, holdings, and active share are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Harding Loevner Profile

As of June 30, 2021

- 46 investment professionals
- International Equity portfolio management team averages 14 years at Harding Loevner



	Strategy Assets	Firm Assets
Global	\$25.2B	29%
International (non-US)	\$44.2B	50%
Emerging Markets	\$17.4B	20%
Frontier Emerging Markets	\$0.2B	<1%
Chinese Equity	<\$0.1B	<1%
Global Small Companies	<\$0.1B	<1%
International Small Companies	\$0.7B	1%
Research Portfolios	<\$0.1B	<1%



# Disclosures

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The information provided in this Presentation should not be considered a recommendation to purchase or sell a particular security. Unless otherwise stated, non-performance based criteria have been used to select the securities listed. The portfolio is actively managed therefore securities shown may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner. A complete list of holdings for the International Equity Model at March 31, 2021 is available on request.

Investing in stocks entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards.

Quality & Growth Characteristics, Investment Statistics, Benchmark Returns, Performance Attribution, Portfolio Exposures and Portfolio Transactions are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation, which is available on request.

*Alpha*: a measure of risk-adjusted return. *Beta*: a measure of the portfolio's sensitivity to the market. *R-Squared*: a measure of how well a portfolio tracks the market. *Standard Deviation*: the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Information Ratio*: a measure of risk-adjusted return calculated by dividing the portfolio active return (i.e., portfolio returns minus benchmark return) by the standard deviation of the active return. *Sharpe Ratio*: the return over the risk free rate per unit of risk. *Up/Down Capture*: a measure of the manager's performance in up/down markets relative to the market itself. *Profit Margin*: relationship of gross profits to net sales. *Return on Assets*: net income for past 12 months divided by total assets. *Return on Equity*: the net income divided by total common equity outstanding, expressed as a percent. *Debt/Equity Ratio*: total long-term debt divided by total shareholder's equity. *Sales Per Share*: the total revenue earned per share over a 12-month period, net of returns, allowances, and discounts. *Earnings Per Share*: portion of a company's profit allocated to each outstanding share of common stock. *Cash Flow*: a measure of the cash generating capability of a company calculated by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. *Turnover*: calculated by dividing the lesser of Purchases or Sales by Average Capital. *Active Share*: the proportion of holdings by weight that differ from holdings of the benchmark index. *Price/Book*: the ratio of a firm's closing stock price & its fiscal year end book value/share. *Price/Cash Flow*: the ratio of a firm's closing stock price & its fiscal year end cash flow/share. *Price/Earnings*: the ratio of a firm's closing stock price & its trailing 12 months' earnings/share.

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 49 developed and emerging market countries. The MSCI US Index is designed to measure the performance of the large and mid cap segments of the US market. With 627 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US. You cannot invest directly in these indexes.

All performance and data shown are in US dollar terms, unless otherwise noted.

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.

The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is preliminary and obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

Source (Benchmark Performance, Performance Attribution, Contributors and Detractors): FactSet, Harding Loevner International Equity Composite; MSCI Inc.

Source (Portfolio Exposures, Portfolio Transactions, Portfolio Allocation Comparison, Quality & Growth Characteristics [Run date: July 5, 2021], based on the latest available data in FactSet on this date.): FactSet; Harding Loevner International Equity Model; MSCI Inc.

Source (Investment Statistics): eVestment Alliance; Harding Loevner International Equity Composite, based on composite returns.

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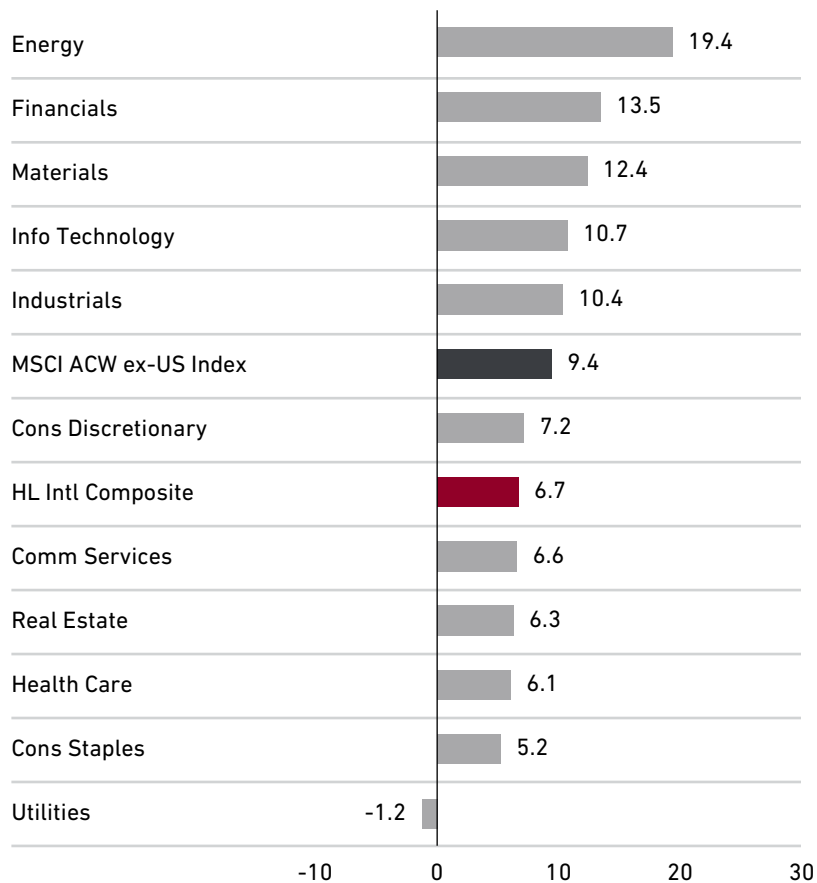
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## Appendix

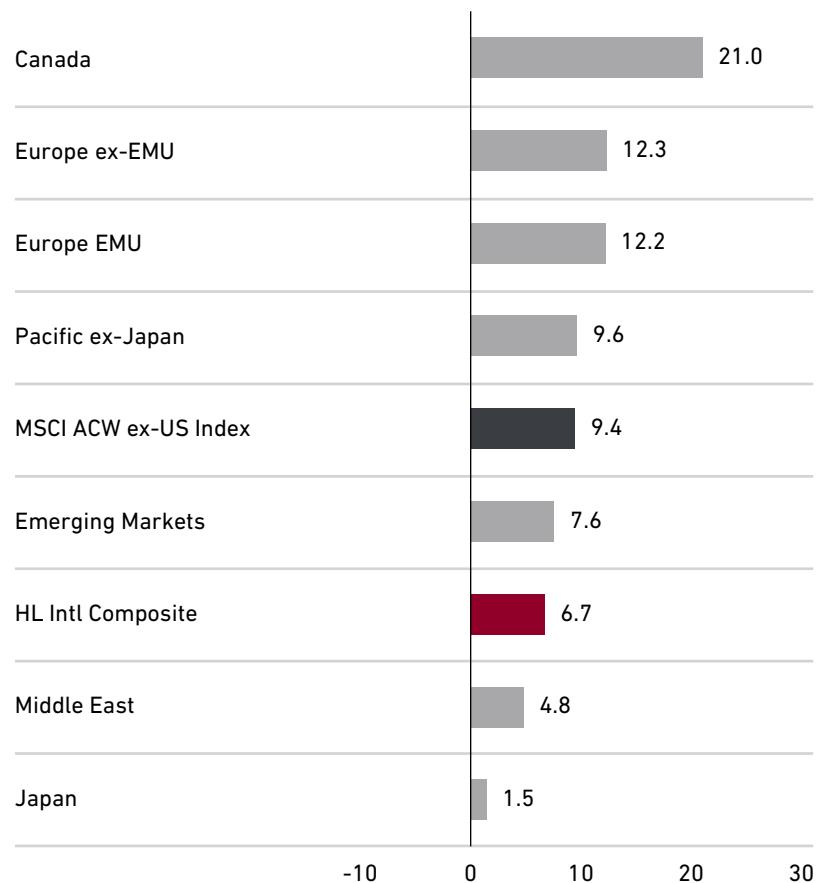
# Benchmark Performance

## Year to Date

Sector Total Return (%)

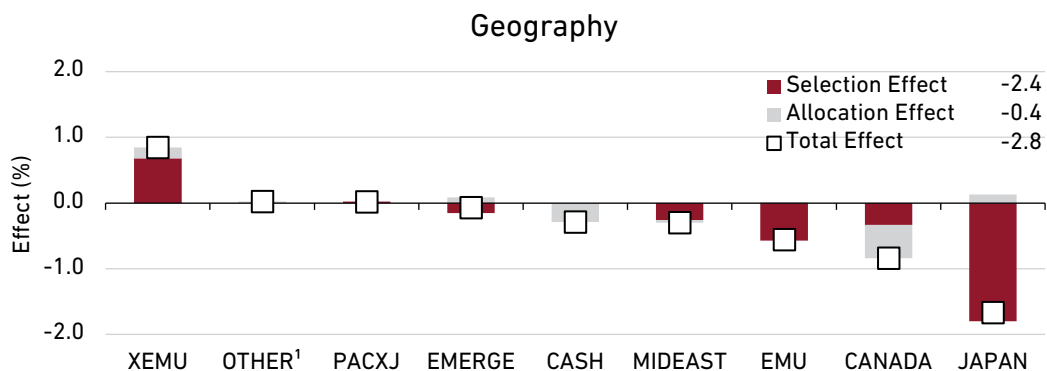
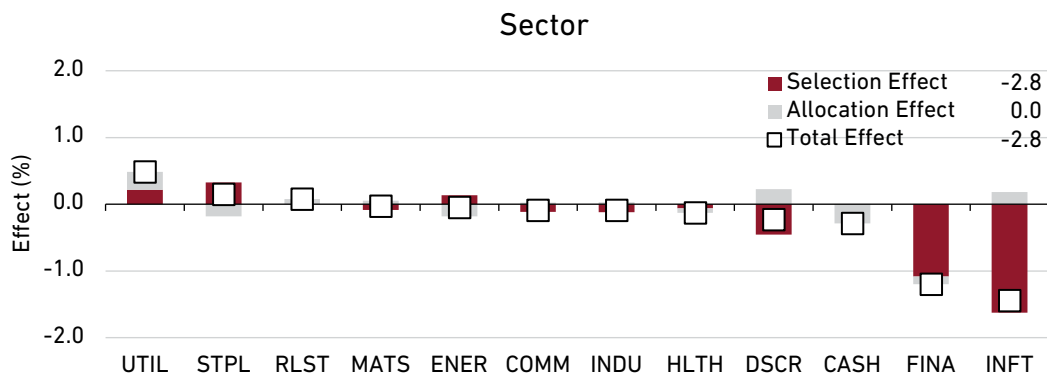


Geographic Total Return (%)



# Performance Attribution: Composite vs. Benchmark

Year to Date



## Top 5 Contributors

to Relative Returns	Avg. Wt. %	Effect Port. Index	Effect %
Sonova Holding	1.4	0.1	0.44
Atlas Copco	3.4	0.2	0.31
Lukoil	1.5	0.1	0.30
Alfa Laval	1.4	0.0	0.27
L'Oréal	3.1	0.4	0.24

## Top 5 Detractors

from Relative Returns	Avg. Wt. %	Effect Port. Index	Effect %
Chugai Pharmaceutical	1.8	0.1	-0.70
Unicharm	2.0	0.1	-0.53
Keyence	2.1	0.4	-0.39
Ping An Insurance	1.5	0.3	-0.36
Samsung Electronics	4.0	1.5	-0.30

<sup>1</sup>Includes companies classified in countries outside the index.

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# Completed Portfolio Transactions

Trailing 12 Months

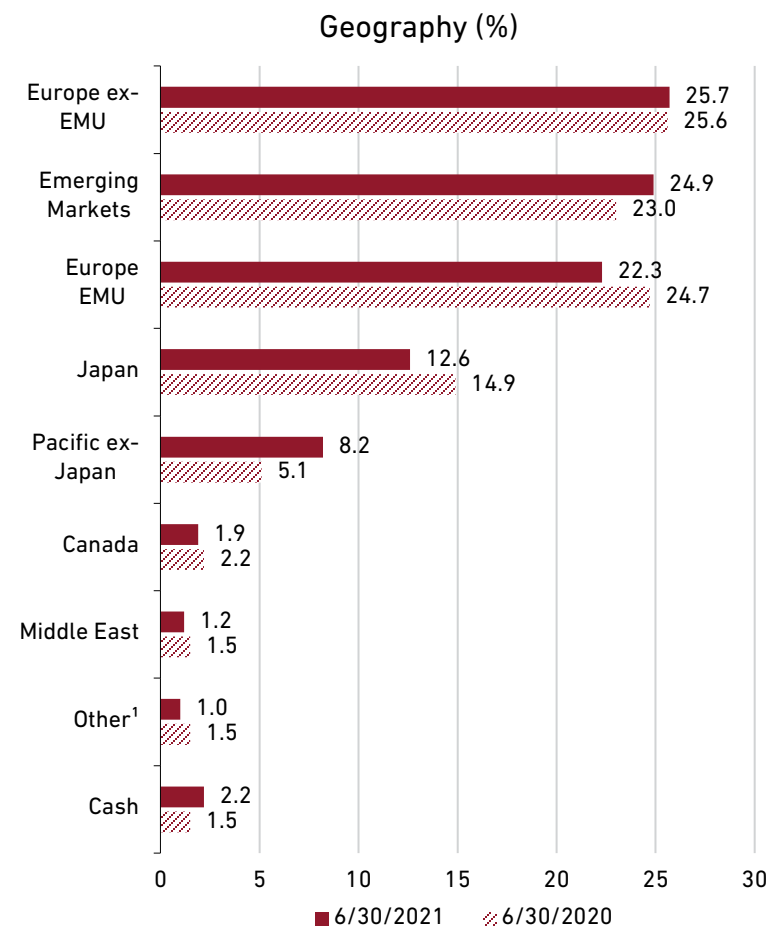
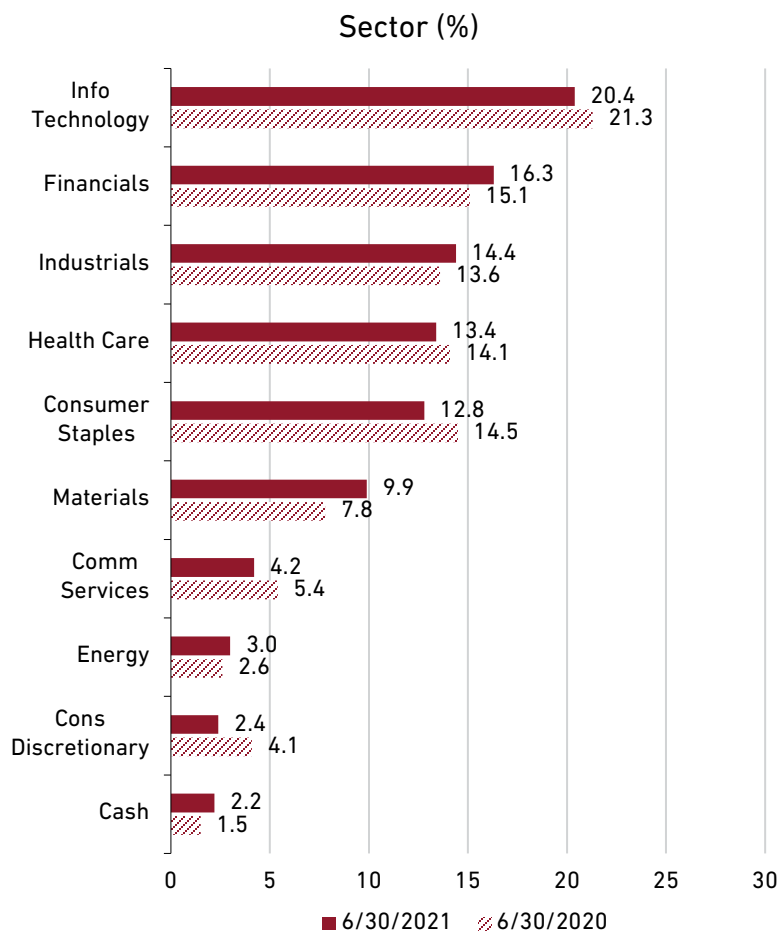
	3Q20	4Q20	1Q21	2Q21
<b>Positions Established</b>	There were no completed purchases this quarter.	There were no completed purchases this quarter.	BHP CSPC Pharmaceutical Group ENN Energy	SE Banken Telkom Indonesia
<b>Positions Sold</b>	There were no completed sales this quarter.	China Mobile	Adidas	There were no completed sales this quarter.

- Portfolio Turnover (5-year annualized average): 14.9%

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# Portfolio Allocation Comparison

June 30, 2021 vs. June 30, 2020

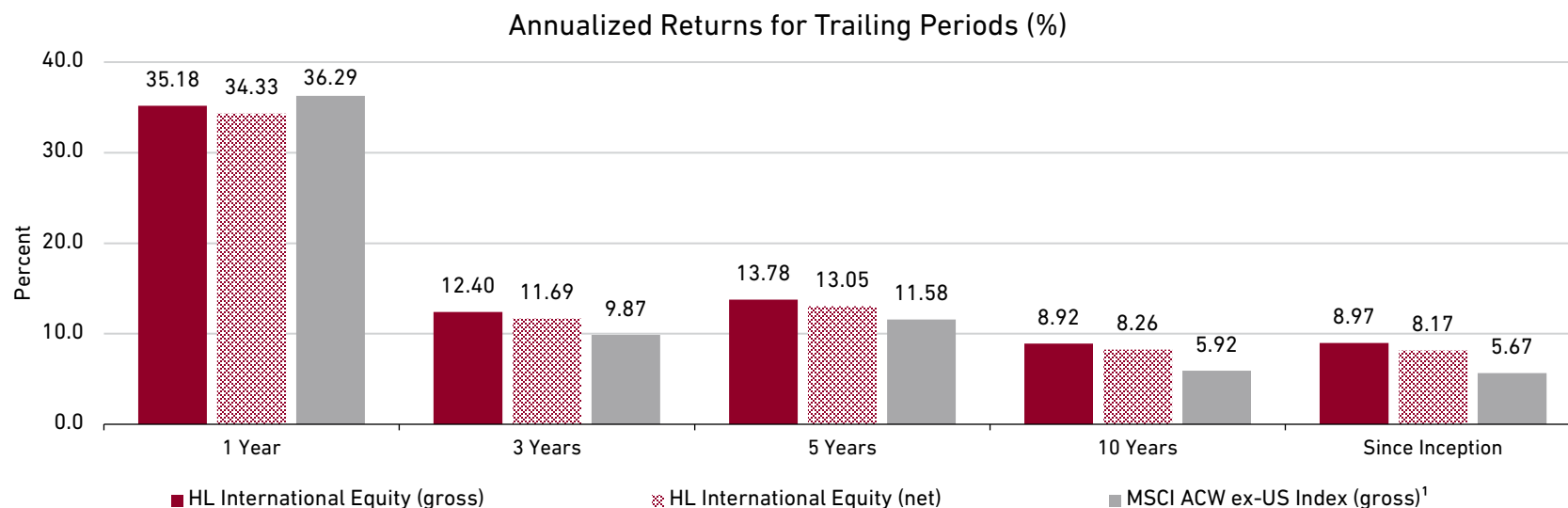


<sup>1</sup>Includes companies classified in countries outside the index.

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# Composite Performance

As of June 30, 2021



	HL Intl Equity	MSCI ACWI ex-US
Alpha (%)	2.45	–
Beta	0.96	–
R-Squared	0.94	–
Standard Deviation (%)	14.36	14.46

	HL Intl Equity	MSCI ACWI ex-US
Information Ratio	0.61	–
Sharpe Ratio	0.88	0.72
Up/Down Capture (%)	103/93	–

<sup>1</sup>The benchmark index, gross of withholding taxes. The 3-year, 5-year, 10-year, and since inception returns are annualized. Inception date of the International Equity Composite: December 31, 1989.

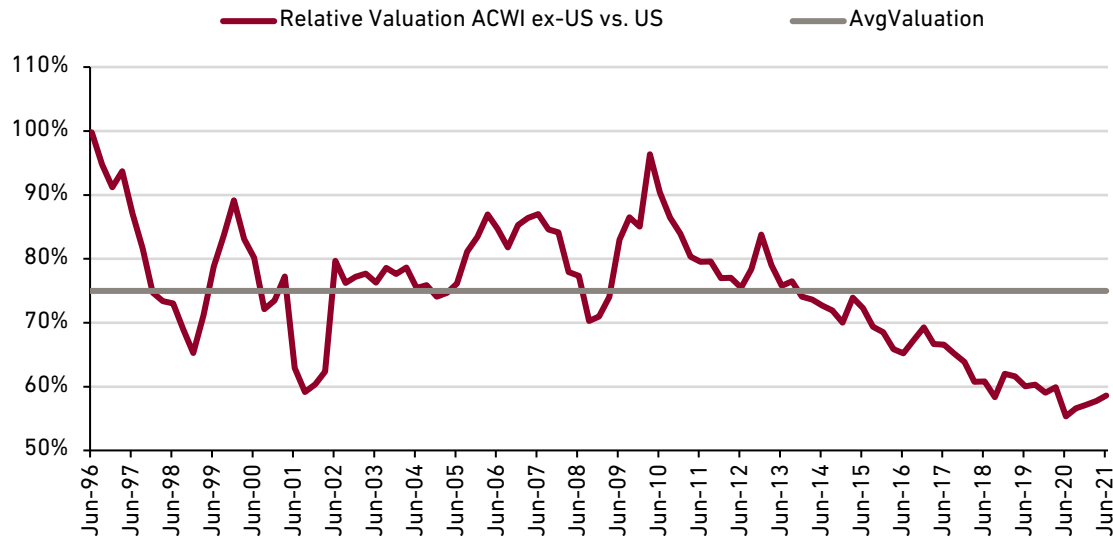
Investment statistics shown are derived from trailing five years' monthly returns. Composite performance shown is preliminary. For comparison purposes the Composite return is measured against the MSCI All Country World ex-US Total Return Index (Gross). Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through March 31, 2021. 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 Composite has had a performance examination for the periods January 1, 1990 through March 31, 2021. The verification and performance examination reports are available upon request. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the International Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://www.hardingloevner.com). The firm maintains a complete list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds, which are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Statistics are supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

# International vs. US Relative Valuation

## International vs. US Relative Valuation

(Equal-weighted composite of relative P/E, P/B, and P/CF multiples, ACWI ex-US vs. US)



Valuation as of June 30, 2021  
(Based on most recent annual data)

	P/E	P/B	P/CF
ACWI ex-US	21.8	2.0	12.2
US	29.7	4.8	19.9
Europe	24.4	2.1	11.9
Japan	21.0	1.5	10.7
EM	18.7	2.1	12.5