International Equity

Quarterly Report | Third Quarter 2023

HARDING LOEVNER

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Composite Performance

Total Return (%) — Periods Ended September 30, 2023

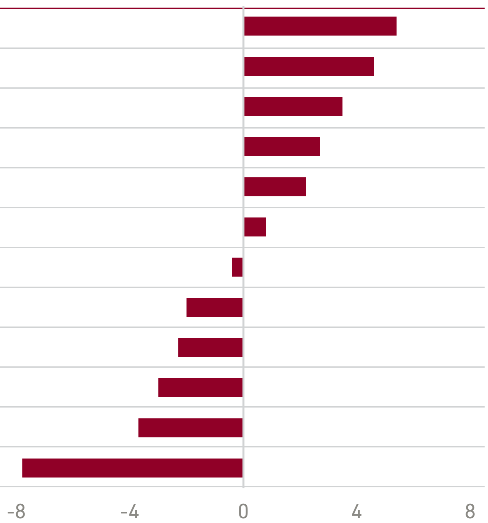
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
HL International Equity (Gross)	-6.97	3.67	18.31	2.02	3.57	5.80	7.85
HL International Equity (Net)	-7.11	3.18	17.57	1.38	2.91	5.14	7.06
MSCI All Country World ex US Index	-3.68	5.82	21.02	4.24	3.07	3.83	4.89
MSCI EAFE Index	-4.05	7.59	26.31	6.28	3.74	4.32	4.73

The composite performance returns shown are preliminary. Returns are annualized for periods greater than one year. International Equity 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.

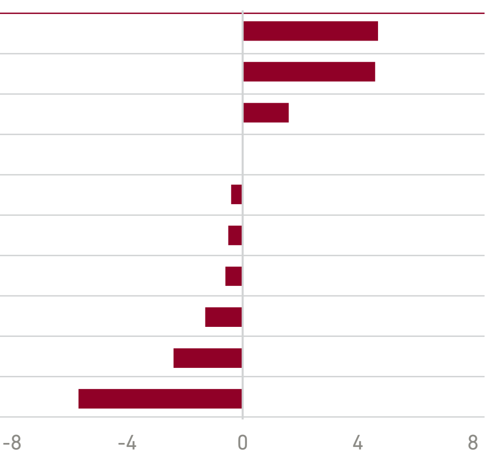
Past Performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL	Index	Under / Over
Cons Staples	13.8	8.4	
Cash	4.6	–	
Health Care	13.1	9.6	
Info Technology	14.0	11.3	
Industrials	15.3	13.1	
Materials	8.7	7.9	
Financials	20.8	21.2	
Real Estate	0.0	2.0	
Utilities	0.8	3.1	
Comm Services	2.5	5.5	
Energy	2.3	6.0	
Cons Discretionary	4.1	11.9	



Geography	HL	Index	Under / Over
Europe ex EMU	25.3	20.6	
Cash	4.6	–	
Other	1.6	–	
Frontier Markets	0.0	–	
Middle East	0.0	0.4	
Pacific ex Japan	6.8	7.3	
Europe EMU	20.5	21.1	
Japan	13.4	14.7	
Canada	5.2	7.6	
Emerging Markets	22.6	28.3	



"Frontier Markets": Includes countries with less-developed markets outside the index. "Other": Includes companies classified in countries outside the index.

"HL": International Equity model portfolio. "Index": MSCI All Country World ex US Index. Sector and geographic allocations are supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Source: Harding Loevner International Equity model, FactSet, MSCI Inc. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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Market Review

After gaining 9.9% in the first half of 2023, international stocks, as gauged by the MSCI ACWI ex US Index, pulled back 3.7% in the third quarter. This leaves the index with a gain of 5.8% for the year to date.

Share prices peaked globally just after the US Federal Reserve's 11th short-term interest-rate hike of the current cycle in late July to 5.5%. The Bank of England hiked rates in August and Sweden's Riksbank hiked in September. The European Central Bank (ECB) followed in mid-September with its own rate hike to 4%, the highest level in its 25-year history, despite lowering its growth forecast for the eurozone. Both the ECB and the Fed used their September meeting communications to stress that rates, although not going higher in the short term, might stay high for longer than anticipated to bring inflation back to target. Bond investors reacted negatively and sold longer-maturity bonds heavily. Equities resumed their decline from August peaks, reflecting the receding prospect of a return to easier monetary policy due to stubborn inflation.

Nearly all developed country indexes wrapped up the quarter in the red. Japan fell the least among the regions, maintaining its status as one of the year's strongest performers. The Tokyo Stock Exchange's January push for capital allocation reforms at companies with lowly valued shares continued to capture both investor and management attention. Activist investor and bargain-hunting activity, combined with a positive view that a dose of global inflation could end Japan's long battle with deflation (and along with it the long-standing zero interest policy, hinted at by the Bank of Japan's new governor), fueled a rally in the Financials sector.

European markets had a challenging quarter, reacting to the prospects of slower growth but higher interest rates. Returns in the European Monetary Union (EMU) were hardest hit, led by weak stocks in Consumer Discretionary and Information Technology (IT) sectors. Emerging Markets (EM) displayed a wide dispersion among countries, with the overall index pulled down by declines in Brazil and Mexico, two of the biggest gainers in the first half of the year. In contrast, China, EM's largest constituent and significant first-half underperformer, slowed its downward trajectory, falling less than broader emerging or developed market indexes.

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After a surge of nearly 25% in the first half of the year, the IT sector cooled. In our previous commentary, we highlighted the disproportionate gains accruing to a select group of US stocks, colloquially dubbed the "Magnificent Seven." This quarter, many from that group were on the forefront of market declines—a reminder, perhaps, that the classic namesake movie doesn't end happily for all seven. News of regulatory actions—such as China's ban on Apple devices for state employees—and signs of slowing growth, such as Microsoft's revenue guidance that fell short of expectations, shifted investor focus from a long-term AI-optimistic narrative to immediate earnings concerns. Stocks outside the US also suffered from this new focus and concern, including two owned stocks that had previously benefited from AI investment enthusiasm, **TSMC** and **Samsung Electronics.**

Defying broader market trends, the Energy sector thrived. Oil prices jumped, reaching as much as $95 a barrel, up from about $75 on June 30, on the back of Saudi Arabian production cuts. Oil demand also reached record highs, boosted by strong summer air travel, and an uptick in Chinese petrochemical production to rebuild inventories. Consequently, it was the only sector to register a gain for the quarter.

Stubborn inflation, rising interest rates, flattening yield curves, and disparate growth outlooks have caused confusing crosswinds in style factors. The rip-roaring US embrace of growth stocks abated in the quarter, but the MSCI USA Growth Index still leads

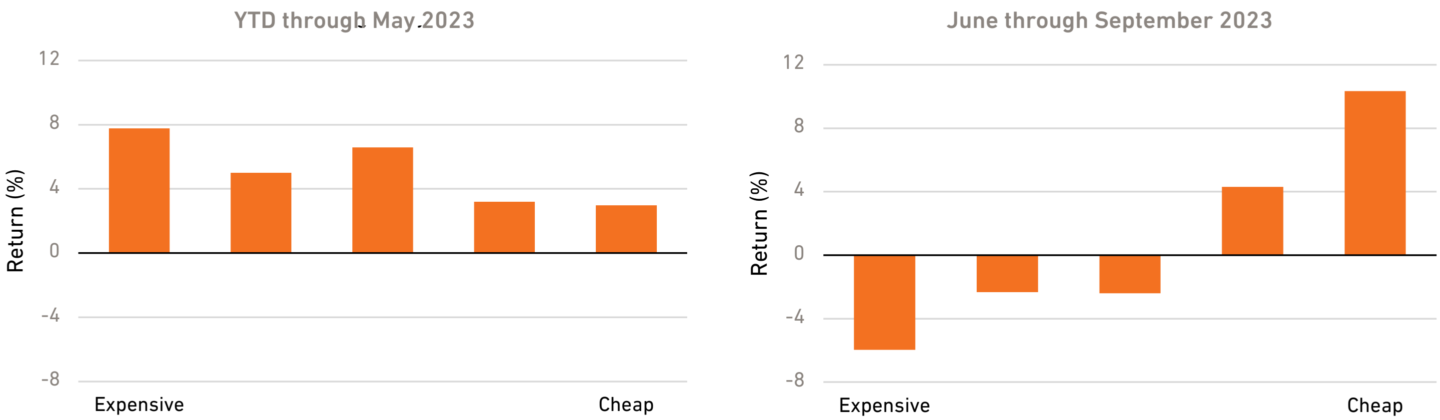
MSCI ACWI ex US Index Performance (USD %)

Sector	3Q 2023	Trailing 12 Months
Communication Services	-4.8	13.7
Consumer Discretionary	-5.5	23.1
Consumer Staples	-6.3	9.4
Energy	9.2	28.3
Financials	-0.6	23.0
Health Care	-2.8	17.7
Industrials	-5.6	28.8
Information Technology	-8.6	29.9
Materials	-3.3	16.6
Real Estate	-1.0	5.1
Utilities	-7.7	12.3
Geography	**3Q 2023**	**Trailing 12 Months**
Canada	-3.8	12.5
Emerging Markets	-2.8	12.2
Europe EMU	-7.1	35.4
Europe ex EMU	-2.6	24.4
Japan	-1.4	26.4
Middle East	5.1	2.7
Pacific ex Japan	-4.7	10.7
MSCI ACWI ex US Index	-3.7	21.0

Source: FactSet, MSCI Inc. Data as of September 30, 2023.

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, 2023 is available on page 9 of this report.

MSCI ACWI ex US Returns by Value Quintile



Source: FactSet, MSCI Inc.

its value counterpart in the year to date by a staggering 28 percentage points. Meanwhile, in Japan, the revived interest in slower growing, lower-profitability, cheaply priced companies caused its growth index to lag its value index by 14 percentage points in the third quarter alone. The eurozone growth index lagged its value counterpart by nearly nine percentage points in the quarter. There were sudden temporal reversals as well. Stocks of the cheapest international companies lagged earlier in the year, but since the end of May, value has strongly outperformed as shown in the charts above.

Performance and Attribution

The International Equity composite fell 7.0% gross of fees in the third quarter, trailing the 3.7% decline of the MSCI All-Country ex US Index. In the year to date, the composite has returned 3.7% gross of fees, trailing the 5.8% return of the index.

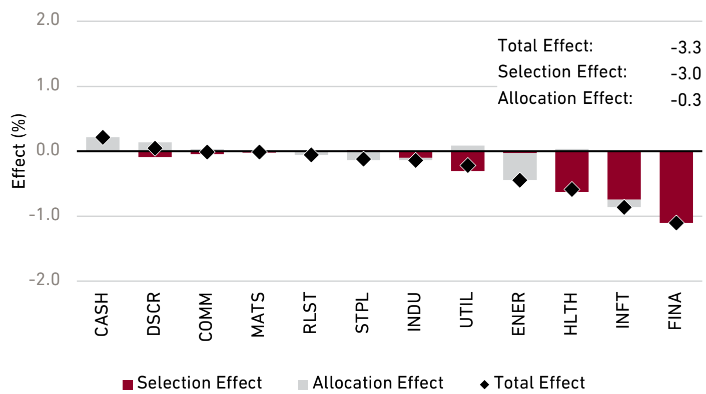
One cause of this quarter's poor relative returns was the strong headwinds facing richly valued stocks of high-quality growth companies. Adding insult to injury was sharp sell-offs among some of our larger holdings. Regionally, our stocks trailed the index across the board except in Canada and Pacific ex Japan, a pattern indicative of a widespread style effect.

In Japan, the best-performing benchmark region, our holdings in **Fanuc**, **Keyence**, **Shiseido**, and **Sysmex**—each with significant Chinese revenues—suffered from negative sentiment tied to China's faltering economy and lagged the market significantly. We had no holdings in Japanese Financials or Materials, two of the cheaply valued sectors that have this year captured investor interest. In Emerging Markets, our China holdings were poor performers, especially gas utility **ENN Energy**, which warned that declining gas volumes for industrial customers would lead to lower earnings this year, and **LONGi**, which was burdened by both stronger local competition and the potential of tighter export restrictions to the US.

Third Quarter 2023 Performance Attribution

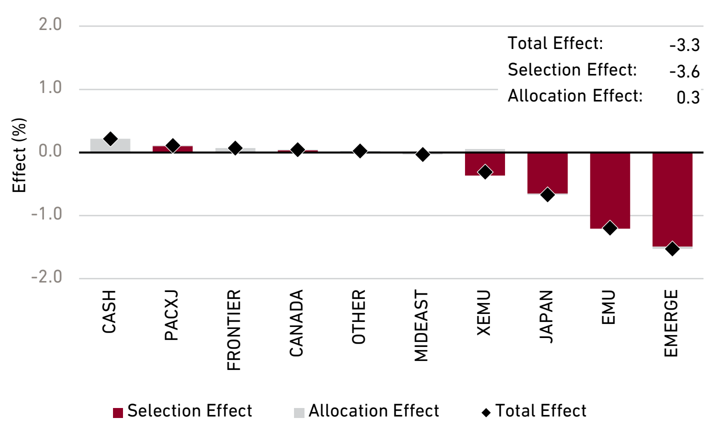
Sector

International Equity Composite vs. MSCI ACWI ex US Index



Geography

International Equity Composite vs. MSCI ACWI ex US Index



"FRONTIER": Includes countries with less-developed markets outside the index.
"OTHER": Includes companies classified in countries outside the index.

Source: Harding Loevner International Equity composite, FactSet, MSCI Inc. The total effect shown here may differ from the variance of the composite performance and benchmark performance shown on the first page of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS Presentation.

In Europe, the contributors to underperformance were more diffuse. Shares of **Adyen** plummeted on warnings that increased competition was eroding margins and slowing revenue growth. **Infineon Technologies** grappled with potential European import restrictions that could dampen sales to Chinese electric vehicle manufacturers, and the threat of the US auto workers strike affecting its broader power management chip sales. **Dassault Systèmes** saw its high-priced shares decline due to sluggish growth in its Medidata subsidiary that aims to provide modeling software to the life-science industry that is suffering from reduced venture capital funding. **Lonza** continued to feel the effects from slowing demand for its drug-manufacturing services, and shares fell further on the announcement that the board had fired the CEO.

Stepping back to examine performance in the year to date reveals a more complicated backdrop for parsing relative performance, as style factors suddenly shifted from tailwinds for quality and growth in the first five months of the year to the strong performance headwinds for high quality and rich valuations of the past four months. Slower-growing and value-focused stocks have been the better performers overall in the year so far. A more-illuminating angle for us, however, is that a majority of our negative selection effect can be traced back to poor stocks in China, Hong Kong, and Japan, while the selection effect for the rest of the portfolio—three-quarters of the whole—on balance was roughly flat.

In Japan, the same China-exposed companies that detracted for the quarter also detracted for the year-to-date period. Their prior successes in China have left them more exposed to Chinese headwinds this year, as discussed in more detail in the Portfolio Highlights section. Similarly, in China, two of our domestically focused holdings in noncyclical sectors—ENN Energy and CSPC Pharmaceutical—along with LONGi have been detrimental to returns.

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On a brighter note, a number of holdings in Emerging Markets, including Mexico's **FEMSA**, Brazil's **XP**, South Korea's Samsung Electronics, and TSMC have performed well, balancing out the Chinese stock picks and yielding a neutral impact from EMs on the year-to-date returns. In the eurozone, our stocks were a mixed bag. While there were some positive surprises in the first half, the style headwinds and a few specific disappointments, including Adyen in the third quarter, left their overall impact on relative performance largely neutral.

Perspective and Outlook

The prevailing sentiment on China has undergone a dramatic transformation over the past two years. Once viewed with widespread awe, China's economic potency is now being viewed with increasing skepticism. Analysts diverge on the cause of its current sluggishness: some argue that China's authoritarian tendencies are stifling its private sector, while others believe that the country's former growth strategy has reached its limits, and ingrained power dynamics are obstructing necessary shifts in policies to support growth. What's unequivocal though is that China's economy is facing increasing challenges as it confronts the fallout from its real estate crisis and looming demographic hurdles.

The unfolding slow-motion crisis in China's property market has inevitably drawn comparisons to Japan's prolonged economic quagmire following the collapse of its own real estate bubble in the late 1980s. Richard Koo, Nomura Research Institute's chief economist, coined the term "balance sheet recession" to characterize Japan's ensuing economic malaise.

According to Koo's framework, the bursting of a debt-fueled asset bubble often leaves corporations and households with depleted equity. As a result, the focus turns toward balance sheet repair and deleveraging—using available cash flow to pay down debt or accumulate savings rather than investing in capital or consumer goods. This pivot to financial conservatism is immune to monetary easing and stymies economic growth, trapping the economy in a low-growth state for an extended period.

China today does exhibit some economic parallels with the Japan of yesteryear, most importantly the long rise in property prices to levels disconnected to their use or rental value, fueled by debt and unattractive alternatives as a store of value. In Shanghai, house prices are a staggering 50 times the median annual income—a ratio that dwarfs comparable metrics in notoriously expensive cities such as San Francisco or New York by a factor of five.

According to data from the Bank for International Settlements, China's total nonfinancial sector debt has skyrocketed to over 300% of GDP, up from around 200% a decade earlier. This ascent is reminiscent of Japan's financial trajectory leading up to its lost decade of the 1990s. When factoring in debts incurred by local government financing vehicles, China's fiscal leeway appears increasingly constrained, complicating matters for policymakers.

It's not just the wealth stored in property by the well-off that is imperiled by the poor housing affordability and overall indebtedness. The stakes are high for employment as well. With real estate and construction activities constituting upwards of a fifth of China's economic output, any missteps in managing the slowly deflating real estate bubble could have wide-ranging implications.

China's dominant role in global export markets, much like Japan's in the past, has already triggered a backlash from its trading partners, not least the US, making it unlikely that a further increase in industrial exports can counterbalance the decline in housing. However, perhaps the most inescapable parallel between the two countries is their rapidly aging populations. While Japan began to experience a population decline approximately fully two decades into its economic stagnation, China's population contracted last year for the first time since the policy-induced famine of the Great Leap Forward more than 60 years ago.

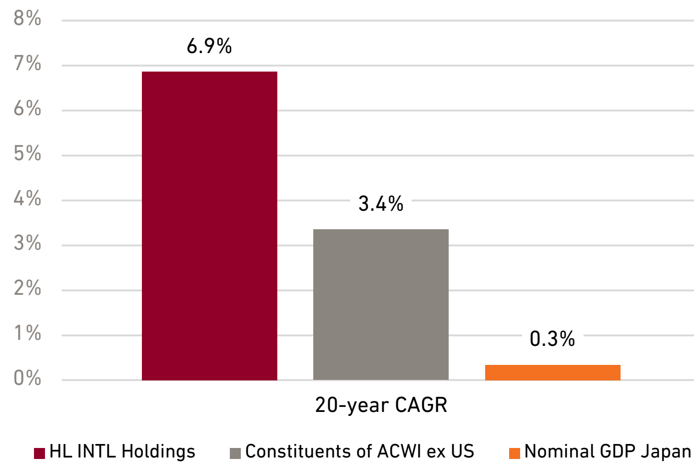
By 2050, the proportion of people over 65 will rise sharply, with the working-age population projected to contract by almost a quarter. These are the long-term repercussions of China's draconian "one-child policy" which restricted family size from 1979 to 2015. The aging and shrinking population will put pressure on the total size of the labor force, thereby hampering the economy's overall productivity as well as straining the current pension system.

But China also boasts an impressive set of economic assets that could enable it to navigate these challenges. Its massive domestic market and significant sway over diverse global supply chains—ranging from electronics to pharmaceuticals and metals—endow it with considerable influence on global prices and product availability. The annual graduation of over a million engineers speaks to its vast human capital and potential for technological innovation. The world's busiest patent office underscores its commitment to research and development, fostering an environment conducive to groundbreaking inventions. China's highly entrepreneurial population not only powers many domestic businesses but also positions the country's innovative private sector as a global economic force. Notably, its leadership in electric vehicles and renewable energy infrastructure signifies its capacity to adapt to and dominate emerging industries. These strengths, if unleashed, could play a pivotal role in rejuvenating China's economic vitality, or at least support the growth of its most globally competitive industries.

We claim no expertise in macroeconomic forecasting, but delve into this debate primarily for context and understanding rather than predictive utility. Our long experience investing in Japan has taught us that even if China enters a period of subdued economic growth, it's essential to separate the prospects of individual companies from the country's overall macroeconomic outlook. Slow-growing economies can still harbor sectors or niches that are dynamic and prosperous. Companies that pioneer new products, penetrate new markets, or simply consolidate their industry can find avenues for growth that are largely independent of broader economic trends.

The idea that China should be viewed as uninvestable due to a top-down outlook on its future GDP growth is belied by the many successful Japanese companies we've uncovered over the years. Over the past twenty years, a period that includes the recession that followed the financial crisis, our current holdings in Japan have grown revenues substantially faster than both the average Japanese company and the Japanese economy, as measured by nominal GDP.

Median Long-Term Sales Growth of Japanese Companies



Source: FactSet, Harding Loevner

The demographic challenges mentioned above provide a case in point. Demographic trends, unlike macroeconomic conditions, are highly reliable and long-lasting, and in Japan, at least, have presented a valuable lens though which to identify secular growth opportunities, notably in the field of industrial automation. The country's manufacturing efficiency ascendance combined with looming labor shortages helped turbocharge the growth of the automation industry. Today, robots are used in myriad applications, from the small collaborative robots, known as "cobots," utilized to improve human efficiency for quality testing and inspection, to large welding robots employed in automotive manufacturing.

> It's essential to separate the prospects of individual companies from the country's overall macroeconomic outlook. Slow-growing economies can still harbor sectors or niches that are dynamic and prosperous.

Take, for example, Fanuc. The Oshino-based robotics manufacturer turned its domestic expertise into a calling card in China's rapid but subsequent adoption of robots; its revenues and share price have both increased by a factor of five over the last three decades, in stark contrast to the broader Japanese index and national GDP, which has remained largely stagnant. Similarly, Keyence, known for its wide range of optical sensors, code readers, and laser markers has seen a 10-fold surge in sales over the past two decades. This is particularly noteworthy given that Japan's nominal GDP has grown at an average rate of less than 1%. And just as you'd expect, Keyence's stock performance has mirrored its robust business growth.

The rapid aging of Japan's population has led to an almost twofold increase in health care expenditures as a percentage of GDP since 1990. One innovative firm (and prior holding), M3, seized this opportunity, creating a digital platform that streamlines everything from drug distribution to career placements to clinical trial enrollments. The result: M3 shares rose 20-fold in the decade prior to the onset of the COVID-19 pandemic, whereupon its expertise in tele-health spurred a further trebling in its shares.

As China navigates its own demographic and economic challenges, we're scrutinizing potential investment opportunities that could similarly flourish. However, we remain pragmatic, recognizing that not every investment we make in this burgeoning sector will prove equally fruitful, as detailed below in Portfolio Highlights.

Portfolio Highlights

Given that China accounted for 18% of global GDP in 2022—a substantial increase from 10% in 2006, and 5% in 1994[1]—and is both a crucial link in global supply chains and a growing source of end consumer demand, it's virtually impossible to avoid investment ties to China, whether directly or indirectly.

We have no direct exposure to the Chinese property market, the main locus of current concern, but that does not mean our holdings are immune to the ups and downs of the Chinese economy. Nevertheless, we believe our holdings have a diverse set of growth drivers that should sustain their expansion well beyond headline growth rates in the foreseeable future. Despite the overall slowdown in China's economy, five of our six Chinese holdings are experiencing robust sales and earnings growth. ENN Energy is the exception, forecasting a slight 5% earnings dip this year with growth expected to resume next year. Three of our Chinese holdings—**Ping An Insurance**, natural gas utility ENN Energy, and online games and social media platform provider **Tencent**—are primarily focused on the domestic Chinese market, garnering the lion's share of their sales locally. On the other hand, home appliance maker **Haier Smart Home**, solar energy equipment manufacturer LONGi, and thermal management components maker **Sanhua Intelligent Controls** generate roughly half of their sales outside of China, insulating them partially from domestic woes.

Ping An is capitalizing on unique growth opportunities, due in part to China's evolving demographics and shifting attitudes of Chinese households toward savings. Traditionally, the Chinese have favored allocating the bulk of their savings to residential real estate. However, the current uncertainty in that sector is leading to a rethink. Recent discussions with Ping An's management indicate that declining consumer confidence is pushing people toward insurance-based savings products that also offer life protection benefits. These policies are increasingly viewed as safer alternatives to the "wealth management products" offered by banks and trusts, some of which have delivered substantial losses to investors. Furthermore, the aging population in China dovetails with Ping An's strategic initiatives, allowing them to offer a suite of related financial, health care, and senior care services. Their senior care offerings, in particular, are seen as a differentiating factor that can bolster customer loyalty over the long term.

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ENN, the natural gas utility, has shown resilience with consistent revenue and profit growth in prior slowdowns underpinned by long-term urbanization trends and the industrial shift from coal to cleaner natural gas. Although the company expects a shallow decline in profits this year due to reduced demand from industrial sectors linked to real estate—such as building materials, glass and ceramics—it continues to expand its residential gas connections. The utility anticipates adding 1.8 million to 2.0 million new residential connections in 2023. Despite the broader economic slowdown in China, the longer-term trends of urban growth and industrial transition from coal to cleaner fuel sources such as natural gas are expected to sustain ENN's business in the long run.

Tencent, known for its video games as well as its ubiquitous WeChat communications app and TenPay digital payments platform, is experiencing revenue growth driven by increased advertising and digital payments. Haier Smart Home reported an 8% increase in revenues and a 15% profit hike in the first half of the year, buoyed by strong sales of home appliances both domestically and abroad. The company's management remains optimistic about maintaining similar growth rates for the full year, a resilient performance underpinned by their focus on premium products.

LONGi, a manufacturer specializing in solar power equipment, reported impressive first half 2023 results with a 28% increase in revenue and a 42% boost in profits year-over-year, fueled by strong demand for solar installations. Similarly, Sanhua Intelligent Controls witnessed a 23% jump in first-half sales and a 39% growth in profits year over year. The company's auto parts business experienced a particularly significant increase, with sales surging nearly 51% largely due to strong demand for its electric vehicle thermal management systems.

Concerns over China's economy have also impacted some of our poorly performing Japanese stocks this quarter, especially those with exposure to China. On average, our 11 Japanese holdings derive only 13% of their sales from China—a surprisingly low figure given China's economic significance and geographical proximity to Japan. Three of these Japanese companies have over 20% sales to China, a market that has propelled their growth over the past decade.

[1]statista.com/statistics/270439/chinas-share-of-global-gross-domestic-product-gdp/ sourcing IMF WEO Database of April 2023

Fanuc, the factory automation specialist discussed earlier, has felt China's economic pinch sharply as it derives about 29% of its sales from China, up from 15% in 2017. Despite benefiting from the long-term trend of factory automation there, Fanuc's sales are currently strained by the slowdown in capital expenditures by Chinese factories.

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Sysmex, a leader in hematology systems, has also been affected. About 24% of its sales come from China, up from 10% of in 2010, as hospital modernization increased demand for Sysmex's machines that help spot illnesses quickly via blood analysis. But its Chinese sales fell last year due to COVID restrictions, changes in healthcare capital spending, and an inventory problem at one of the company's distributors. While Sysmex has faced challenges from local competitors and "buy local" rules, it's working to mitigate this by expanding its range of locally assembled products.

Shiseido, a high-end cosmetics brand, has fared better. Although its Chinese sales fell in 2022 due to COVID restrictions, they rebounded by 10% year over year in the first half of 2023 in part due to market share gains. With 33% of its global sales coming from China, Shiseido has the highest Chinese exposure among our Japanese holdings.

Among our other holdings, mining giants **BHP** and **Rio Tinto** have the highest exposure to China, with approximately over 50% of their global revenue tied to China. These companies both benefit from low-cost and high-grade open-pit mines in Australia, facilitating inexpensive sea shipments to China, the world's leading steel producer by volume. Because a substantial portion of this Chinese steel is used in construction, including residential projects, both mining companies are indirectly exposed to China's real estate sector. Despite these concerns, China's steel output has actually increased in 2023, keeping iron ore prices resilient at over US$100 per ton.

Our decision to divest this quarter from Chinese drugmaker CSPC Pharmaceutical wasn't primarily influenced by the broader Chinese economic landscape. Rather, we grew increasingly skeptical about the company's growth potential and margin outlook. We've noted that regulatory pressures are squeezing drug prices, and a more stringent approval process is lowering the expected profitability of upcoming drugs. Additionally, the impending patent expiration for CSPC's flagship drug is set to introduce further pricing pressures from generic alternatives.

Similarly, our divestment from agricultural machinery manufacturer Kubota wasn't motivated by its limited exposure to China. Instead, our concern centered around its largest market: the United States. We observed indications of declining demand for Kubota's compact construction equipment, used largely by households, as well as an unusually high inventory for its small residential tractors. These factors collectively signaled a potential slowdown in growth in the US market, coinciding with the company's push to expand in larger machinery categories there—a combination that could hurt profitability.

Our newest holding, **ASSA ABLOY**, generates just 3% of its global revenue in China, even though it is the industry leader in a roughly US$50 billion global access solutions market. This market encompasses doors, mechanical and electromechanical locks, automated entrances, as well as security solutions for hotels and offices. ASSA ABLOY operates in a sector marked by strong barriers to entry (pun intended) such as R&D investment, local regulatory compliance, brand strength, and global reach. The company is poised for growth as it leverages its advantages in each of these areas. We anticipate revenue expansion as the industry transitions toward electromechanical locks and more sophisticated access security systems, and as the company continues to expand further into emerging markets and gain market share at the expense of smaller competitors.

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 Holdings (as of September 30, 2023)

Communication Services	Market	End Wt. (%)
Telkom Indonesia (Telecom services)	Indonesia	1.3
Tencent (Internet and IT services)	China	1.3
Yandex (Internet products and services)	Russia	0.0*
Consumer Discretionary		
Haier Smart Home (Consumer appliances mfr.)	China	1.3
Kering (Luxury goods manufacturer)	France	1.0
NITORI (Home-furnishings retailer)	Japan	1.0
Shimano (Bicycle component manufacturer)	Japan	0.8
Consumer Staples		
Ambev (Alcoholic beverages manufacturer)	Brazil	1.1
Couche-Tard (Convenience stores operator)	Canada	1.6
FEMSA (Beverages manufacturer and retail operator)	Mexico	2.6
Haleon (Consumer health products manufacturer)	UK	2.5
L'Oréal (Cosmetics manufacturer)	France	2.5
Nestlé (Foods manufacturer)	Switzerland	1.3
Shiseido (Personal care products manufacturer)	Japan	0.8
Unicharm (Consumer products manufacturer)	Japan	1.4
Energy		
Lukoil (Oil and gas producer)	Russia	0.0*
Royal Dutch Shell (Oil and gas producer)	UK	2.3
Financials		
Adyen (Payment processing services)	Netherlands	0.9
AIA Group (Insurance provider)	Hong Kong	1.8
Allianz (Financial services and insurance provider)	Germany	2.7
BBVA (Commercial bank)	Spain	2.2
Credicorp (Commercial bank)	Peru	1.0
DBS Group (Commercial bank)	Singapore	3.0
HDFC Bank (Commercial bank)	India	1.2
ICICI Bank (Commercial bank)	India	1.3
Manulife (Financial services and insurance provider)	Canada	2.5
Ping An Insurance (Insurance provider)	China	0.8
SE Banken (Commercial bank)	Sweden	2.6
XP (Broker dealer and financial services)	Brazil	0.9
Health Care		
Alcon (Eye care products manufacturer)	Switzerland	1.8
Chugai Pharmaceutical (Pharma manufacturer)	Japan	3.2
Genmab (Oncology drug manufacturer)	Denmark	1.6
Lonza (Life science products manufacturer)	Switzerland	1.7
Roche (Pharma and diagnostic equipment manufacturer)	Switzerland	1.9
Shionogi (Pharma manufacturer)	Japan	1.2
Sonova (Hearing aids manufacturer)	Switzerland	0.9
Sysmex (Clinical laboratory equipment manufacturer)	Japan	0.8

Industrials	Market	End Wt. (%)
Alfa Laval (Industrial equipment manufacturer)	Sweden	1.8
ASSA ABLOY (Security equipment manufacturer)	Sweden	1.0
Atlas Copco (Industrial equipment manufacturer)	Sweden	1.8
Canadian National Railway (Railway operator)	Canada	1.1
Daifuku (Material-handling equipment manufacturer)	Japan	1.0
Epiroc (Industrial equipment manufacturer)	Sweden	1.5
Fanuc (Industrial robot manufacturer)	Japan	0.6
Komatsu (Industrial equipment manufacturer)	Japan	1.5
Sanhua Intelligent Controls (HVAC and R parts mfr.)	China	1.9
Schneider Electric (Energy management products)	France	3.1
Information Technology		
Dassault Systèmes (CAD software developer)	France	1.2
Infineon Technologies (Semiconductor manufacturer)	Germany	2.9
Keyence (Sensor and measurement eqpt. mfr.)	Japan	1.1
LONGi (Solar power equipment manufacturer)	China	1.2
Samsung Electronics (Electronics manufacturer)	South Korea	3.6
SAP (Enterprise software developer)	Germany	1.6
TSMC (Semiconductor manufacturer)	Taiwan	2.3
Materials		
Air Liquide (Industrial gases supplier)	France	1.2
BHP (Mineral miner and processor)	Australia	2.0
Linde (Industrial gases supplier and engineer)	US	1.6
Novozymes (Biotechnology producer)	Denmark	0.6
Rio Tinto (Mineral miner and processor)	UK	2.0
Symrise (Fragrances and flavors manufacturer)	Germany	1.2
Real Estate		
No Holdings		
Utilities		
ENN Energy (Gas pipeline operator)	China	0.8
Cash		4.6

*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.

3Q23 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
Chugai Pharmaceutical	HLTH	2.9	0.1	0.35
DBS Group	FINA	2.9	0.2	0.27
SE Banken	FINA	2.4	0.1	0.27
BBVA	FINA	2.0	0.2	0.17
ASML*	INFT	–	1.1	0.17

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
FEMSA	STPL	2.2	0.1	0.95
BBVA	FINA	1.8	0.2	0.87
Atlas Copco	INDU	3.0	0.2	0.69
Allianz	FINA	2.5	0.4	0.65
Infineon Technologies	INFT	3.1	0.2	0.62

3Q23 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
Adyen	FINA	1.4	0.1	-0.90
Infineon Technologies	INFT	3.2	0.2	-0.51
ENN Energy	UTIL	1.0	<0.1	-0.34
Lonza	HLTH	1.9	0.2	-0.33
Sysmex	HLTH	0.9	<0.1	-0.25

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
LONGi	INFT	0.8	<0.1	-1.14
Adyen	FINA	1.6	0.1	-1.01
ENN Energy	UTIL	1.3	<0.1	-0.87
Roche	HLTH	2.4	1.0	-0.73
Telkom Indonesia	COMM	1.4	0.1	-0.62

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

Portfolio Characteristics

Quality and Growth	HL	Index
Profit Margin[1] (%)	15.4	11.4
Return on Assets[1] (%)	8.0	5.7
Return on Equity[1] (%)	17.0	14.0
Debt/Equity Ratio[1] (%)	46.1	61.5
Std. Dev. of 5 Year ROE[1] (%)	3.3	4.6
Sales Growth[1,2] (%)	6.0	5.7
Earnings Growth[1,2] (%)	10.6	8.5
Cash Flow Growth[1,2] (%)	6.0	8.4
Dividend Growth[1,2] (%)	6.0	5.3
Size and Turnover	**HL**	**Index**
Wtd. Median Mkt. Cap. (US $B)	49.3	42.3
Wtd. Avg. Mkt. Cap. (US $B)	91.9	85.9
Turnover[3] (Annual %)	16.0	–

Risk and Valuation	HL	Index
Alpha[2] (%)	0.56	–
Beta[2]	1.00	–
R-Squared[2]	0.93	–
Active Share[3] (%)	84	–
Standard Deviation[2] (%)	18.23	17.56
Sharpe Ratio[2]	0.10	0.08
Tracking Error[2] (%)	4.7	–
Information Ratio[2]	0.10	–
Up/Down Capture[2]	105/102	–
Price/Earnings[4]	15.6	12.7
Price/Cash Flow[4]	12.2	8.8
Price/Book[4]	2.5	1.7
Dividend Yield[5] (%)	2.5	3.2

[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 composite based on the composite returns, gross of fees, eVestment Alliance LLC, MSCI Inc. Source: (other characteristics): Harding Loevner International Equity model based on the underlying holdings, FactSet (Run Date: October 4, 2023) based on the latest available data in FactSet on this date.), MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
ASSA ABLOY	Sweden	INDU

Positions Sold	Market	Sector
CSPC Pharmaceutical Group	China	HLTH
Kubota	Japan	INDU
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 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 composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

International Equity Composite Performance (as of September 30, 2023)

	HL Intl. Equity Gross (%)	HL Intl. Equity Net (%)	MSCI ACWI ex US[1] (%)	MSCI EAFE[2] (%)	HL Intl. Equity 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	Composite Assets ($M)	Firm Assets ($M)
2023 YTD[5]	3.67	3.18	5.82	7.59	18.32	16.94	17.96	N.A.	33	19,542	40,633
2022	-19.62	-20.13	-15.57	-14.01	19.72	19.24	19.95	0.5	33	20,472	47,607
2021	9.43	8.74	8.29	11.78	16.13	16.77	16.89	0.3	35	28,608	75,084
2020	21.58	20.81	11.13	8.28	17.55	17.92	17.87	0.2	37	26,325	74,496
2019	26.29	25.49	22.13	22.66	12.00	11.33	10.80	0.2	37	22,085	64,306
2018	-13.26	-13.82	-13.78	-13.36	11.79	11.40	11.27	0.2	39	16,908	49,892
2017	30.86	30.00	27.77	25.62	12.45	11.88	11.85	0.2	36	15,777	54,003
2016	6.18	5.49	5.01	1.51	13.28	12.53	12.48	0.1	40	10,316	38,996
2015	-0.46	-1.06	-5.25	-0.39	12.83	12.13	12.47	0.1	41	8,115	33,296
2014	-0.12	-0.68	-3.44	-4.48	11.98	12.78	12.99	0.2	43	9,495	35,005
2013	15.99	15.35	15.78	23.29	14.91	16.20	16.22	0.4	44	9,504	33,142

[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]The 2023 YTD performance returns and assets shown are preliminary. N.A.–Internal dispersion less than a 12-month period.

The International Equity composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities and cash reserves and is measured against the MSCI All Country World ex US Total Return Index (Gross) for comparison purposes. Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the composite is Bloomberg. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI All Country World 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, 2023.

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 June 30, 2023. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. 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 accounts is 1.00% annually of the market value for the first $20 million; 0.50% for the next $80 million; 0.45% for the next $150 million; 0.40% for the next $250 million; above $500 million upon request. The management fee schedule and total expense ratio for the International Equity Collective Investment Fund, which is included in the composite, are 0.67% on all assets and 0.72%, respectively. 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 composite was created on December 31, 1989 and the performance inception date is January 1, 1990.

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