HARDING LOEVNER

INTERNATIONAL EQUITY RESEARCH

2020 Third Quarter Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED SEPTEMBER 30, 2020[1]

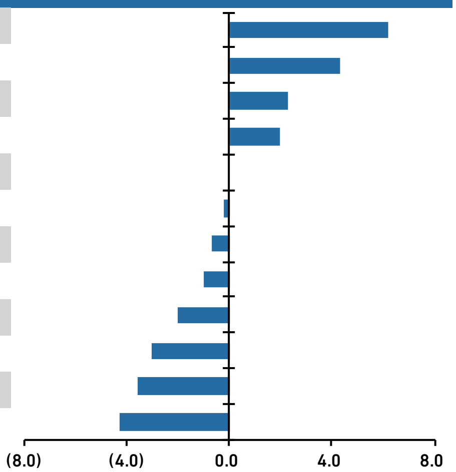
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY RESEARCH (GROSS OF FEES)	7.64	-1.54	7.26	4.56	9.36
HL INTL EQUITY RESEARCH (NET OF FEES)	7.42	-2.09	6.49	3.80	8.56
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	6.36	-5.08	3.45	1.64	6.37
MSCI EAFE INDEX[5,6]	4.88	-6.73	0.93	1.11	5.05

[1]The Composite performance returns shown are preliminary; [2]Annualized returns; [3]Inception Date: December 31, 2015; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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

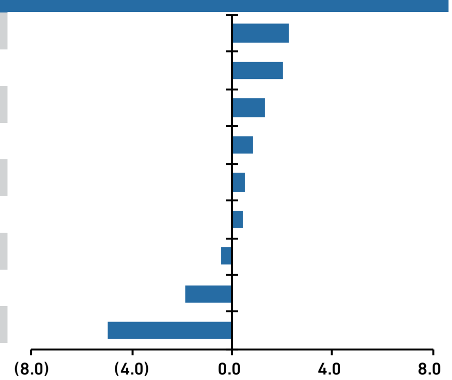
SECTOR EXPOSURE (%)

	HL IER	ACWI EX-US
INDUSTRIALS	17.9	11.7
CONS STAPLES	14.0	9.7
HEALTH CARE	12.8	10.5
CASH	2.0	—
CONS DISCRETIONARY	13.8	13.8
ENERGY	4.0	4.2
INFO TECHNOLOGY	11.0	11.7
MATERIALS	6.9	7.9
REAL ESTATE	0.7	2.7
UTILITIES	0.4	3.4
COMM SERVICES	3.9	7.5
FINANCIALS	12.6	16.9



GEOGRAPHIC EXPOSURE (%)

	HL IER	ACWI EX-US
JAPAN	18.8	16.5
CASH	2.0	—
EMERGING MARKETS	31.0	29.7
EUROPE EX-EMU	20.0	19.2
FRONTIER MARKETS[7]	0.5	—
EUROPE EMU	20.9	20.5
MIDDLE EAST	0.0	0.4
PACIFIC EX-JAPAN	5.3	7.2
CANADA	1.5	6.5



[7]Includes countries with less-developed markets outside the Index.

Sector and geographic allocations are supplemental information only and complement the fully compliant International Equity Research Composite GIPS Presentation.

Source: Harding Loevner International Equity Research Model; MSCI Inc. and S&P. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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MARKET REVIEW

The rebound in international economies gathered strength in the third quarter, helping the MSCI All Country World ex-US Index finish up 6.4%, bringing its year to date return to -5.1%.

Shares of the "COVID-19 winners," companies that are either insulated or directly benefit from the pandemic, continued to rise: Information Technology (IT) and the Consumer Discretionary sector (which contains many e-commerce businesses) both posted double-digit gains. Within Consumer Discretionary, the Automobiles and Components industry group rose 15%, its performance less a function of the lockdown effect than recovering consumer spending in general. Fellow economically sensitive sectors Materials and Industrials also performed well. The strong rebound did not extend to Financials or the Energy sector, on whose prospects lower interest rates, rising loan loss provisions, and a languishing oil price continued to weigh. In terms of geography, Emerging Markets (EMs) was the best performer this quarter, with another strong performance by China, which gained 13% and is now up 17% for the year.

High and rising share prices show investors are looking past the pandemic. Rising hopes for a successful vaccine is one likely reason, as multiple drug candidates enter the third and final stage of testing. But investors appear even more attuned to the proclivity of global central banks to provide ongoing support for their battered economies, at least measured by the market's response to policy announcements. Among central banks, the US Federal Reserve has been one of the most aggressive; not only did it reaffirm a commitment to low rates through at least 2023, it also announced a groundbreaking shift in its inflation-targeting policy: instead of simply aiming for its desired inflation rate (currently, 2%), going forward it will keep track of any shortfalls and seek to make them up in the future, in order to target an *average* rate of inflation over time. The proclamation's anodyne sound belies the significance of the change—essentially 50 years of monetary policy orthodoxy overturned in the quest for higher inflation.

Growth stocks, whose dividends lie furthest out in the future and whose present value therefore benefits most from low interest rates, continued their extended run of outperformance. Value stocks, whose present value rests on either large dividends in the here and now, or the liquidation value of their assets—and therefore would appear to be the biggest beneficiaries of a successful vaccination campaign that returns us rapidly to normal B.C. (before-COVID-19) commerce—continued to lag despite rallying intermittently. Based on our measures, stocks of the top quintile of companies when ranked by growth rose 15% in the three months through September, dwarfing the top quintile by value (i.e., cheapness) as a function of current and future earnings, which rose just 2% during the period.

Meanwhile, the top quintile of stocks by *expensiveness* on the same earnings measures surged ahead nearly 10%. These include a rash of recent IPOs in China with no track record of earnings.

Retail equity flows, often a barometer for investor exuberance, now represent 25% of market volume in the US, up from 10% in 2019. If that seems high, in South Korea it's *90%*.

Retail equity flows, often a barometer for investor exuberance, reached new highs with retail volumes in the US now representing 25% of market volume, up from just 10% in 2019. If that seems high, consider South Korea where local retail investors now make up *90%* of total volume. Notably, regulators in both South Korea and China have raised concerns about the increased use of margin loans by retail investors to participate in the equity rally. Throughout this gathering froth, the cost on the options market of insulating a portfolio from market risk has remained stubbornly high, a sobering sign perhaps of the underlying fragility of a market borne aloft on a wave of euphoria.

MARKET PERFORMANCE (USD %)

MARKET	3Q 2020	TRAILING 12 MONTHS
CANADA	6.4	-2.2
EMERGING MARKETS	9.7	10.9
EUROPE EMU	4.7	-0.2
EUROPE EX-EMU	4.4	-0.3
JAPAN	7.1	7.3
MIDDLE EAST	-2.0	3.7
PACIFIC EX-JAPAN	2.0	-6.0
MSCI ACW EX-US INDEX	6.4	3.4

SECTOR PERFORMANCE (USD %)
OF THE MSCI ACW EX-US INDEX

SECTOR	3Q 2020	TRAILING 12 MONTHS
COMMUNICATION SERVICES	3.4	12.1
CONSUMER DISCRETIONARY	16.6	18.3
CONSUMER STAPLES	4.7	0.6
ENERGY	-7.4	-32.9
FINANCIALS	0.0	-16.7
HEALTH CARE	2.7	22.8
INDUSTRIALS	10.0	4.8
INFORMATION TECHNOLOGY	13.5	35.1
MATERIALS	11.2	12.4
REAL ESTATE	2.4	-13.7
UTILITIES	2.1	0.8

Source: FactSet (as of September 30, 2020); MSCI Inc. and S&P.

PERFORMANCE AND ATTRIBUTION

The International Equity Research composite returned 7.6% in the third quarter, compared to 6.4% for the MSCI ACWI-ex US Index. For the year to date, the composite's return was -1.5% vs. the Index's -5.1%.

A combination of favorable sector allocations as well as good stock selection by both sector and region drove the second-quarter's outperformance. Strong stock selection in Industrials helped the most. **Techtronic Industries**, a Hong Kong-based power tools manufacturer, has been an outperformer throughout the pandemic, buoyed by cooped-up do-it-yourselfers taking on home-improvement projects. While some competitors chose to cut production, Techtronic has used the opportunity to gain market share. It has continued to invest heavily in research & development, successfully launched a series of new product lines, and expanded gross and operating margins as reported in its second-quarter results. **Makita**, a Japanese-based rival of Techtronic, has also gained share, largely the result of having had the foresight to keep inventory levels high, enabling it to avoid the supply chain disruptions that hobbled some other power tools makers. Also, US sales grew after Home Depot started selling the company's outdoor power equipment, including its lawn mowers, leaf blowers, and edge-trimmers, boosting Makita's sales accounted for by the retailer by 50%.

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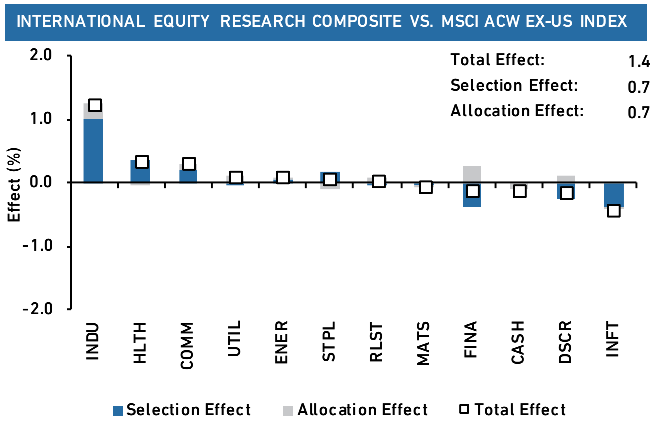
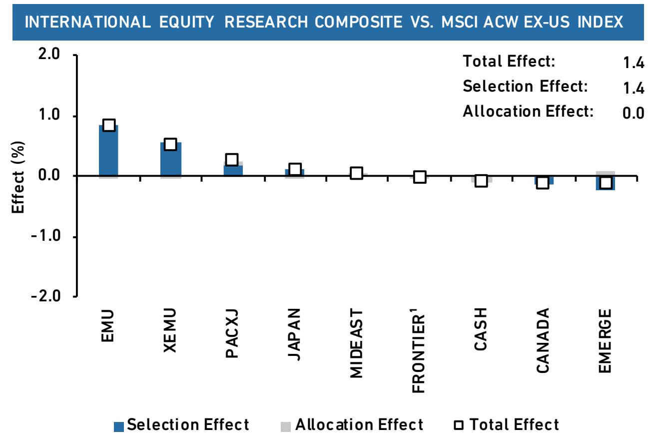
We lagged the index in Consumer Discretionary partly due to **ABC Mart**, a Japanese shoe retailer, whose sales plunged 42% in the quarter. Its heavy concentration of stores in tightly locked-down metro Tokyo meant that at one point over half its physical locations in Japan were closed. On the bright side, the company did grow e-commerce sales by 32% and will issue a dividend payment at the same level of last year, which is more than can be said for two of its most direct competitors, Chiyoda and GFoot, which cut their dividends by 50% and 100%, respectively. **Astra International** was another detractor. The Indonesian automobile manufacturer reported weak second-quarter results and had to close temporarily its manufacturing and sales operations during the quarter due to the country's re-imposition of social-distancing measures.

Companies held in the portfolio during 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 list of the 25 largest holdings at September 30, 2020 is available on page 9 of this report.

SECTOR PERFORMANCE ATTRIBUTION
THIRD QUARTER 2020



GEOGRAPHIC PERFORMANCE ATTRIBUTION
THIRD QUARTER 2020



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

Geographically, strong stock selection in Europe both inside and outside the monetary union (EMU) added to our relative gains in the quarter. **Sartorius**, a France-based pharmaceutical and laboratory supplier, continued to benefit from the vast mobilization of labs searching for a vaccine and new antivirals that could prove effective in battling the coronavirus. **Sonova Holding**, a Swiss hearing aid manufacturer, saw a faster-than-expected recovery in sales after the first-quarter's fall-off in non-urgent health care visits led to a backlog of deferred maintenance and new orders.

For the year-to-date (YTD), strong stock selection in Industrials and in Japan were the main contributors to outperformance along with our underweights to the poorly performing Energy, Financials, and Real Estate sectors. Strong stocks in Industrials included Techtronic and Makita as well e-commerce delivery service winners like China's **ZTO Express** and **SF Express**.

Nomura Research Institute, a consulting group in IT, also chipped in strong gains. Japanese companies have steadily increased their investments in technology to combat labor shortages and stay globally competitive—and that was before COVID-19 accelerated digital transformations.

PERSPECTIVE AND OUTLOOK

We've been harping on about the stretched valuations of high-quality growth companies for so long that we would forgive you, our dear reader, for tuning us out. But as valuations continue to march higher, so too do our concerns—which is where we might have left it were it not for the evidence of a ramp-up in speculative behavior. The large number of highly valued, but (historically) weakly profitable companies with negative market-implied discount rates (MIDRs) causes us more worry over other signs of market excess.

By one of our estimates, 17% of international stocks are priced to seriously disappoint based on our analysis of MIDRs for cohorts of global stocks in HOLT, a database of company accounts. A MIDR is an aggregation of company-level discount rates, each derived by comparing a forecast of the company's future cashflows with its current market value. If expected future cash flows are low, or far off, while the company's current market value is high, the discount rate that equates them must be low. But there's low, and then there's what we observe in today's most expensively priced stocks. Out of the approximately 5,000 international stocks with market capitalizations above $1 billion (totaling $46.3 trillion in capitalization), nearly 600 companies (amounting to $7.8 trillion) currently show up having *negative* implied discount rates, a higher percentage than at any time since just before the bursting of the tech bubble. Put a different way, these stocks are priced to deliver negative real returns even if HOLT's formulaic and consensus-based assumptions about future cash flow growth are met. Among these 600 richly valued companies, 371, with $1.9 trillion market capitalization, were loss-making throughout 2019. Our view is that, when dealing with a large group of companies, you are betting against the weight of historical evidence if you assume that so many can beat the odds by outstripping current growth expectations to deliver positive returns.

Throughout the year, companies that score highest along the growth dimension have leapt ahead of the pack. Not much of a surprise perhaps, since the value of long-duration growth has risen as interest rates have declined. But what is a surprise, to us at least, is the apparent willingness to bid up all growth stocks without regard for the quality of that prospective growth. There are two kinds of growth companies that we try to keep out of our portfolio. The first type are companies that meet our quality criteria but whose share prices are unreasonably high relative to our future growth expectations. The second type are companies that fail to meet our investment criteria for business quality; they are rejected, summarily or sometimes after lengthy debate, by our analysts.

In cases of both types, there are "many a slip 'twixt the [growth] cup and the [quality] lip." In the lifecycle of the typical successful firm, growth precedes profitability, which makes quality assessment fraught in the early, rapid growth phase. The archetype for the firm with rapidly growing sales but only modest profitability was Amazon.com. Early in our investment coverage we debated its business quality at length, holding back from introducing it into our qualified (i.e., investible) universe until 2009, when it met our quality criteria more clearly and we added it to our Global Equity strategy. Currently, a growing number of investors appear willing to take a leap of faith much earlier over the fortunes of hitherto profitless companies. A poster child for exuberance over profitless growth is Shopify, a Canadian IT services company, whose sales have grown rapidly to $2 billion annually, but which has yet to turn a profit since going public in 2015. Our analyst, upon meeting with the company several years ago, noted its impressive sales growth but was put off by its high client turnover. This year, a different analyst, lured by dazzling revenue growth and a potential boost from COVID, reexamined the company. But whereas we expected—perhaps even hoped—to find a clear path for it to eventual profitability, instead we found a company busily undermining its long-term profit prospects by pursuing low margin businesses to maintain its sales growth at any cost.

> **In Shopify, we expected—perhaps even hoped—to find a clearer path to long-term profitability. Instead we found a company busily pursuing lower-margin businesses to maintain growth at any cost.**

Fortunately, even within the IT sector there are still opportunities to be uncovered if you are willing to do the legwork. Semiconductor manufacturers have a long track record of sustained growth and profitability yet still appear reasonably priced. While their shares have been historically volatile (given the cyclical nature of the industry), we see semiconductor demand continuing to grow for the foreseeable future—fueled by mobile services, high performance (cloud) computing, and smarter connected devices in the home, industry, and transportation. At the same time, as we have predicted, the industry has consolidated; there are barely a handful of companies who are masters of the ever-increasing challenge of manufacturing ever-smaller and more sophisticated chips. This quarter's announcement by US chipmaker Intel that it has been struggling to manufacture the next generation of smaller, faster, and more efficient chips gave our thesis a shot in the arm. We expect top chipmakers, particularly **TSMC** and South Korea-based **Samsung Electronics**, to enjoy a widening competitive advantage and improving industry structure in the years ahead.

Beyond semiconductors, we also continue to find attractive investments in Software and Internet Services. Among these companies, we tend to see high returns on invested capital, low capital investment requirements, and high rates of sales and profit growth—all achieved with low sensitivity to the business cycle. Our analysts favor business process facilitators such as salesforce.com in the US and **SAP** and **Dassault Systémes** in Europe, as well as financial technology leaders such as **Adyen**.

Nevertheless, we remain committed to diversification as a discipline to mitigate risk. The portfolio risk guidelines we self-impose on our International Equity Research strategy preclude us from holding more than 20% in any sector, more than 25% within any one industry, or more than 5% in a single security at the time of purchase. Such diversification serves to lower the volatility of portfolio returns and helps shield us from the consequences of overconfidence in our investment views. We also impose country level risk limits. By committing to these constraints, we balance the goal of diversifying country-level sources of portfolio volatility with an acknowledgement that specific opportunities sometimes cluster in certain geographies.

Despite its reputation as a high-achieving company (right up until the moment it collapsed), our governance diligence process kept Wirecard not just out of our portfolios but entirely out of contention for inclusion.

Our efforts in Environmental, Social, and Governance ("ESG") integration is another way in which we work to anticipate and manage company risk, while also helping to identify new opportunities for sustainable growth. In June, we were reminded of the benefits of vigilance on ESG factors when Wirecard, the German digital payments group, declared bankruptcy after admitting to accounting fraud involving fictitious cash and profits. We used to cover Wirecard but expelled it from our pool of qualified companies in 2016 when it failed our management quality criteria. The analyst who removed it cited his unease regarding their financial disclosure, including the opacity around their cash flow accounting, their failure to explain clearly the logic of a series of acquisitions, and prior (unproven) public accusations of fraud. Each of these concerns show up in our checklist for identifying corporate governance weakness which each of our analysts reviews for their companies. Despite its reputation as a high-achieving company (right up until the moment it collapsed), our governance diligence process kept Wirecard not just out of our portfolios but entirely out of contention for inclusion. (For more on our ESG process, please see the accompanying discussion.)

PORTFOLIO HIGHLIGHTS

The International Equity Research strategy's holdings are directly determined by analysts' recommendations among Harding Loevner's collection of researched companies. During this quarter, our analysts recommended buying 13 companies and selling 16 holdings. We had the highest number of net downgrades in Consumer Staples during the quarter and most net upgrades in Financials, followed by Health Care. We ended the quarter with 206 holdings in the portfolio.

By sector, our exposure in Consumer Staples came down by over 200 bps during the quarter while our exposure in Health Care and IT increased. Our active exposure in Industrials also rose, making it our biggest sector overweight for now, followed by Consumer Staples. Financials remains our biggest underweight in the portfolio.

By region, our exposure to Europe ex-EMU was down around 100 bps during the quarter while our exposure inside the monetary union increased by over 150 bps. While our absolute exposure to EMs has not changed much, our active exposure has come down due to EM's increasing weight in the benchmark, causing the region to slip a notch to our second-largest active weight after Japan. In EMU we have a slight overweight now, the first time since the inception of the portfolio. Canada is our biggest underweight.

In Consumer Staples our analysts downgraded, and we thus sold, many stocks due to concerns around valuation, including German chemical and consumer goods company **Henkel**, UK-based distiller **Diageo**, Chinese alcoholic beverage, food, and packing material maker **Kweichow Moutai**, and Hong Kong-based **Budweiser APAC**. We also sold Mexican convenience store operator and Coca-Cola bottler **Coca-Cola FEMSA** and India's cigarette and consumer goods manufacturer **ITC** on a general deterioration of our analysts' belief in these companies' ability to meet our growth requirements. On the other hand, our analysts upgraded banks and other Financials stocks during the quarter as valuations in the sector looked increasingly attractive. We purchased **China Merchants Bank**, India's **Kotak Mahindra Bank**, Czech Republic-based **Komerční Bank**, and the Brazilian exchange **B3**. Our analyst noted that Komerční's shares seem to have fallen ahead of the expected impacts of the pandemic. Even though they expect loan write-offs to be worse than management's guidance to date, the expected shortfall appears to be in the share price already.

Among our purchases was Finland's Neste, a refiner and fuel retailer that evolved relatively early to capture 40-60% of global market share in the fast-growing market for renewable diesel and jet fuels.

In EMU, we purchased Spanish pharmaceutical and chemicals maker **Grifols**, Italian IT consulting company **Reply**, and two German companies, optical manufacturer **Carl Zeiss Meditec** and in-vitro diagnostics systems provider **STRATEC**. We also bought Finland's **Neste**, a refiner and fuel retailer that

We believe that companies that disregard the environmental and societal consequences of their operations or operate with weak corporate oversight put their long-term financial results at risk. While markets are still in the early innings of how they reflect such risks in prices, we have recently seen improvements in governance (notably, enhanced corporate practices in Japan and in certain emerging markets), and increased attention paid to social concerns such as supply chain conduct and issues related to data privacy and security. Another towering worry, of course, is the consequences of climate change along with the risks attendant to efforts to transition to cleaner energy sources. These are examples of risks that frequently get lumped together under the rubric of Environment, Social, and Governance (ESG) issues. Our analysts and portfolio managers pay close attention to these risks because they can contribute profoundly to the success or failure of our investments. We do not pursue social or environmental goals for their own sake; we see our fiduciary duty as requiring us to pursue the best risk-adjusted returns in the absence of client direction to the contrary.

Bottom-Up and Fully Integrated

Unlike some other firms that have separate ESG units, we've concluded that the proper setting in which to assess ESG risks is within the overall fundamental analysis that we perform on each company under investment consideration. We believe that accurate assessment of these risks and opportunities requires a deep understanding of both the competitive landscape and industry structure. For instance, among our holdings, industrial gas manufacturer **Air Liquide** produces some of the highest CO2 emissions. Not only does it emit carbon in production of some of its gases, it is also an enormous consumer of energy. However, on both fronts, this also positions it as a potential catalyst and beneficiary of change. The scale of this company is such that it is now receiving steep volume discounts on renewable energy that are accelerating its transition to such power sources. Additionally, as renewable energy costs come down and electrolysis technology improves, the company is well positioned for the eventual shift to fossil-fuel-free hydrogen production likely to occur over the next five to ten years—creating enormous opportunities in production, storage, and generally meeting the demands of a transitioning transportation sector.

In 2016 we incorporated a proprietary scorecard to evaluate companies' ESG risks systematically. The scorecard assesses companies across three dozen criteria, which include factors such as impact from environmental regulations, water consumption that could face scarcity costs, human capital management, and sourcing. Analysts use their factor assessments when setting assumptions in their company financial models. In addition, the total score for each company is incorporated into how we project its cashflows. A low score, for instance, degrades expected future cash flows and, all else being equal, will reduce the amount we are willing to pay for a business. The scores also provide an additional yardstick for portfolio managers and analysts to compare companies' ESG-related risks across industries and geographies, and to frame their debate around the analysts' risk assessments.

More Active than Activist

Proxy voting and company engagement, also responsibilities of the covering analyst, are other ways that we attempt to manage and mitigate ESG risks. We engage with companies to better understand their growth potential and risks to their profitability, and have never been shy in expressing our disagreement over actions that we think are not in shareholders' interests. We understand that it takes time, sometimes years, to effect change in our desired direction. This has been the case with corporate governance reforms at some of our Japanese holdings, such as at **Fanuc**, where we have taken management to task for its excessive cash hoarding. If we determine that an unresolved ESG issue represents an unacceptably high investment risk, our usual course of action is disinvestment rather than continued engagement.

Ultimately, Against the Grain

We are leery of, and therefore do not rely on, the ESG assessments of ratings services, although we do encourage our analysts to understand them. Our analysts, in completing their own assessments, have often found inconsistent, incorrect, or even non-existent analysis underpinning such third-party assessments.

Favorable carbon and other ESG scores are attractive to investors with explicit ESG mandates. For the most part, our portfolios tend to score favorably on external ESG metrics and typically have moderate-to-low carbon intensity, despite the fact we do not impose a carbon emissions ceiling on our portfolio holdings. If flows into ESG-explicit products continue to grow, they may lead to a widening valuation premium for companies with appealing ESG profiles. But higher valuations not associated with sustained superior profitability lead to lower long-term returns. Simultaneously, companies that are out of favor due to their perceived ESG risks may become undervalued and offer correspondingly higher returns. We fully expect this disparity to create opportunities for fundamental investors capable of assessing the risks independently. Our analysts' ability to measure and evaluate ESG risks autonomously, in conjunction with their deep industry knowledge, should increase our capacity to benefit from the resulting opportunities.

evolved relatively early to become the global leader in the fast-growing market for renewable diesel and jet fuels. Large economies of scale, a deep network of renewable feedstock suppliers, established customer relationships, and important technological advantages give Neste a crucial lead in tackling the complex logistical and technical challenges of converting food-related waste and residues into a viable global alternative fuel supply. Globally the company has 40-60% market share. As regulatory efforts addressing climate change intensify worldwide, it is well positioned. To make room for these and other new additions, we also lightened our holdings outside the eurozone: on top of the sale of Diageo, we trimmed positions in Swiss-based hearing aids maker Sonova as well as UK-based **Coca-Cola HBC** and **Signature Aviation**.

INTERNATIONAL EQUITY RESEARCH 25 LARGEST HOLDINGS (AS OF SEPTEMBER 30, 2020)

COMPANY	COUNTRY	SECTOR	END WT. (%)
GRIFOLS Blood plasma fractionation operator	SPAIN	HEALTH CARE	1.1
SYMRISE Fragrances and flavors manufacturer	GERMANY	MATERIALS	1.1
KOMATSU Industrial equipment manufacturer	JAPAN	INDUSTRIALS	1.0
ALIMENTATION COUCHE-TARD Convenience stores operator	CANADA	CONS STAPLES	1.0
NOMURA RESEARCH INSTITUTE IT consultant	JAPAN	INFO TECHNOLOGY	1.0
HAKUHODO Marketing and advertising services	JAPAN	COMM SERVICES	1.0
REPLY IT consultant	ITALY	INFO TECHNOLOGY	1.0
KOBAYASHI PHARMA Pharmaceutical manufacturer	JAPAN	CONS STAPLES	1.0
UNICHARM Consumer products manufacturer	JAPAN	CONS STAPLES	1.0
ROCHE Pharma and diagnostic equipment manufacturer	SWITZERLAND	HEALTH CARE	1.0
SUGI HOLDINGS Drugstores operator	JAPAN	CONS STAPLES	1.0
NOVOZYMES Biotechnology producer	DENMARK	MATERIALS	1.0
ASSA ABLOY Security equipment manufacturer	SWEDEN	INDUSTRIALS	1.0
AIR LIQUIDE Industrial gases producer	FRANCE	MATERIALS	1.0
RINNAI Consumer appliances manufacturer	JAPAN	CONS DISCRETIONARY	0.9
RIO TINTO Mineral miner and processor	UNITED KINGDOM	MATERIALS	0.9
SGS Quality assurance services	SWITZERLAND	INDUSTRIALS	0.9
SAP Enterprise software developer	GERMANY	INFO TECHNOLOGY	0.9
CHUGAI PHARMACEUTICAL Pharma manufacturer	JAPAN	HEALTH CARE	0.9
MAKITA Power tool manufacturer	JAPAN	INDUSTRIALS	0.9
ESSILORLUXOTTICA Eyewear manufacturer and retailer	FRANCE	CONS DISCRETIONARY	0.9
L'ORÉAL Cosmetics manufacturer	FRANCE	CONS STAPLES	0.9
SE BANKEN Commercial bank	SWEDEN	FINANCIALS	0.9
SHIONOGI Pharma manufacturer	JAPAN	HEALTH CARE	0.9
ALCON Eye care products manufacturer	SWITZERLAND	HEALTH CARE	0.9

Model Portfolio holdings are supplemental information only and complement the fully compliant International Equity Research 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.

3Q20 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
MAKITA	INDU	0.8	0.22
SHENZHEN INOVANCE TECHNOLOGY	INDU	0.5	0.21
TECHTRONIC INDUSTRIES	INDU	0.7	0.21
ADIDAS	DSCR	0.8	0.20
SYMRISE	MATS	1.1	0.19

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TECHTRONIC INDUSTRIES	INDU	0.8	0.70
CHUGAI PHARMACEUTICAL	HLTH	0.9	0.59
NOMURA RESEARCH INSTITUTE	INFT	0.9	0.48
SHIMANO	DSCR	0.9	0.48
NOVOZYMES	MATS	1.0	0.44

3Q20 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
CHUGAI PHARMACEUTICAL	HLTH	1.0	-0.19
ROYAL DUTCH SHELL	ENER	0.8	-0.19
SHIONOGI	HLTH	1.0	-0.15
BANCO SANTANDER	FINA	0.6	-0.13
IMPERIAL OIL	ENER	0.5	-0.13

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
ANHEUSER-BUSCH INBEV	STPL	0.4	-0.78
ROYAL DUTCH SHELL	ENER	0.8	-0.69
BANCO SANTANDER	FINA	0.8	-0.64
COMPASS GROUP	DSCR	0.8	-0.54
BBVA	FINA	0.6	-0.42

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL IER	ACWI EX-US
PROFIT MARGIN[1] (%)	11.4	11.5
RETURN ON ASSETS[1] (%)	8.0	5.6
RETURN ON EQUITY[1] (%)	15.1	12.2
DEBT/EQUITY RATIO[1] (%)	43.9	60.6
STD DEV OF 5 YEAR ROE[1] (%)	2.9	3.4
SALES GROWTH[1,2] (%)	5.2	2.8
EARNINGS GROWTH[1,2] (%)	8.4	6.8
CASH FLOW GROWTH[1,2] (%)	10.4	8.8
DIVIDEND GROWTH[1,2] (%)	7.1	6.0
SIZE & TURNOVER	**HL IER**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	19.5	37.0
WTD AVG MKT CAP (US $B)	42.7	97.4
TURNOVER[3] (ANNUAL %)	42.7	—

RISK & VALUATION	HL IER	ACWI EX-US
ALPHA[4] (%)	2.91	—
BETA[4]	1.00	—
R-SQUARED[4]	0.97	—
ACTIVE SHARE[3] (%)	81	—
STANDARD DEVIATION[4] (%)	16.15	15.99
SHARPE RATIO[4]	0.18	0.00
TRACKING ERROR[4] (%)	2.6	—
INFORMATION RATIO[4]	1.12	—
UP/DOWN CAPTURE[4]	105/93	—
PRICE/EARNINGS[5]	23.6	18.3
PRICE/CASH FLOW[5]	15.5	9.9
PRICE/BOOK[5]	2.4	1.6
DIVIDEND YIELD[6] (%)	2.1	2.8

[1]Weighted median; [2]Trailing five years, annualized; [3]Three-year average; [4]Trailing three years annualized; [5]Weighted harmonic mean; [6]Weighted mean. Source: FactSet (Run date: October 4, 2020, based on the latest available data in FactSet on this date.); Harding Loevner International Equity Research Model, based on the underlying holdings; MSCI Inc.

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 charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance over the period. Contributors and detractors exclude cash and securities in the Composite not held in the Model Portfolio. Quarterly data is not annualized. Portfolio attribution and characteristics are supplemental information only and complement the fully compliant International Equity Research Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

INTERNATIONAL EQUITY RESEARCH COMPOSITE PERFORMANCE (AS OF SEPTEMBER 30, 2020)

	INTL EQUITY RESEARCH GROSS (%)	INTL EQUITY RESEARCH NET (%)	MSCI ACWI EX-US[1] (%)	MSCI EAFE[2] (%)	INTL EQUITY RESEARCH 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 (%)
2020 YTD[5]	-1.54	-2.09	-5.08	-6.73	16.15	15.99	15.21	N.A.[6]	1	13	0.02
2019	24.06	23.20	22.13	22.66	11.18	11.33	10.8	N.M.[7]	1	20	0.03
2018	-12.08	-12.74	-13.78	-13.36	11.45	11.40	11.27	N.M.	1	10	0.02
2017	30.59	29.64	27.77	25.62	+	+	+	N.M.	1	11	0.02
2016	9.09	8.28	5.01	1.51	+	+	+	N.M.	1	8	0.02

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the Composite and the Index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]The 2020 YTD performance returns and assets shown are preliminary; [6]N.A.–Internal dispersion less than a 12-month period; [7]N.M.–Information is not statistically significant due to an insufficient number of portfolios in the composite for the entire year; +Less than 36 months of return data.

The International Equity Research 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 48 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 Indices.

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, 2020.

Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. Verification does not ensure the accuracy of any composite presentation. The verification reports are available upon request.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. The firm maintains a complete list and description of composites, which is 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 foreign withholding taxes on dividends, interest income and capital gains. Past performance does not guarantee future results. Policies for valuing portfolios, calculating performance, and preparing compliant presentations 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 Research accounts is 1.00% annually of the market value up to $20 million; 0.50% of amounts from $20 million to $100 million; 0.45% of amounts from $100 million to $250 million; above $250 million on request. 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 Research Composite was created on December 31, 2015.

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