HARDING LOEVNER

INTERNATIONAL EQUITY RESEARCH

First Quarter 2021 Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED MARCH 31, 2021[1]

	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY RESEARCH (GROSS OF FEES)	2.04	53.79	8.34	12.32	12.20
HL INTL EQUITY RESEARCH (NET OF FEES)	1.86	52.68	7.56	11.50	11.38
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	3.60	50.03	7.01	10.27	9.71
MSCI EAFE INDEX[5,6]	3.60	45.15	6.53	9.37	8.30

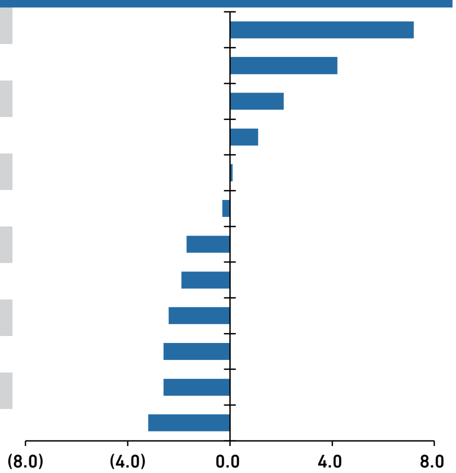
[1]The Composite performance returns shown are preliminary; [2]Annualized returns; [3]Inception Date: December 31, 2015; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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	18.9	11.7
CONS STAPLES	12.6	8.4
CASH	2.1	—
HEALTH CARE	10.0	8.9
INFO TECHNOLOGY	12.9	12.8
ENERGY	4.2	4.5
UTILITIES	1.5	3.2
REAL ESTATE	0.7	2.6
CONS DISCRETIONARY	11.3	13.7
COMM SERVICES	4.5	7.1
MATERIALS	5.6	8.2
FINANCIALS	15.7	18.9

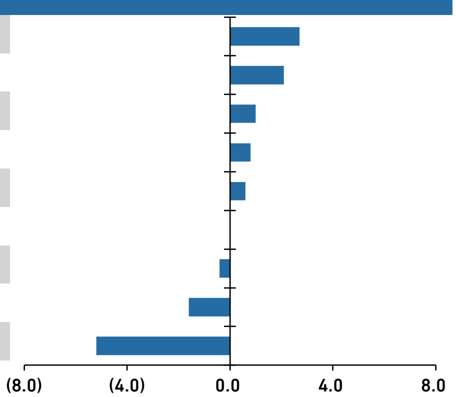
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL IER	ACWI EX-US
EUROPE EMU	23.1	20.4
CASH	2.1	—
EMERGING MARKETS	31.8	30.8
EUROPE EX-EMU	19.6	18.8
JAPAN	16.1	15.5
FRONTIER MARKETS[7]	0.0	—
MIDDLE EAST	0.0	0.4
PACIFIC EX-JAPAN	5.8	7.4
CANADA	1.5	6.7

(UNDER) / OVER THE BENCHMARK



[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

Stock markets rose in the quarter. After a pause in January as the world stood agape at the spectacle unfolding on the US political landscape, many of the trends that began with the vaccine announcement in early November resumed.

Signs of a global economic rebound multiplied as the vaccination efforts began in earnest. The IMF raised its global GDP growth forecast for 2021 by 0.5% to 6.0% since its last update in January. In the US, which has been among the world's leaders in vaccination rates, retail sales climbed to the strongest level on record and restaurant bookings and the number of airline passengers, while still below pre-COVID-19 levels, continued to improve. The Biden administration passed a colossal US$1.9 trillion relief package, the third such stimulus measure since the pandemic began, sending direct payments to millions of Americans and extending unemployment insurance. In China, electricity generation and rail cargo volume rose substantially year-over-year, but consumer spending remained subdued despite much of daily life having returned to normal. The recovery in Europe, however, remains precarious, amid the emergence of new, more virulent virus strains and problems with its vaccine rollout extending or renewing lockdowns.

Better economic data coupled with seemingly unlimited central bank liquidity led to rising management confidence and a surge in mergers and acquisition activity (M&A). Global M&A reached a new record of US$1.3 trillion led by the US. Company CEOs were not the only market participants infected with high confidence, however; investors became more sanguine as well. The growth of special-purpose acquisition companies (SPACs), a "backdoor" means of taking private companies public with minimal regulatory scrutiny, accounted for an unprecedented 25% of all US deals.

The animal spirits also took on some more exotic forms. Japanese online stockbroker Monex opened a new avenue for its retail customers by offering derivative swap contracts on Bitcoin via its own crypto-currency exchange.

Retail trading activity has risen sharply over the past year, with a record number of people signing up for online accounts, and option volumes rising dramatically. The speculative behavior extended to initial public offerings (IPOs) in many markets, with shares of newly listed companies (many of them still loss-making) being met by strong institutional and retail demand. The animal spirits also took on some more exotic forms. Japanese online stockbroker Monex opened a new avenue for its retail customers by offering derivative swap contracts on Bitcoin via its own crypto-currency exchange. (Not coincidentally, Monex's share price has quadrupled over the past five months.) Perhaps most indicative of the markets' mood was the convergence of the crypto-currency and fine art markets, neither known for their integrity or transparency, as total sales of non-fungible tokens (NFTs) representing original digital artworks allegedly reached over half a billion dollars.

As homebuyers and corporate treasurers alike raced to lock in low interest rates, bond yields rose, with the yield on the US 10-year reaching nearly 1.75%, up from 0.93% at the start of the year. Commodity prices, particularly those linked with industrial activity such as iron ore and copper, jumped higher, while Brent crude rose to over US$60 per barrel, up 50% since November. The US dollar strengthened against most currencies on the back of rising US yields.

Sector performance reflected the improved economic outlook. Financials rebounded, aided by a steepening yield curve and surprisingly low credit defaults, while the Energy sector surged in lockstep with rising oil prices. Less cyclical sectors—Consumer Staples, Health Care, and Utilities—all finished nega-

MARKET PERFORMANCE (USD %)

MARKET	1Q 2021	TRAILING 12 MONTHS
CANADA	9.8	60.6
EMERGING MARKETS	2.3	58.9
EUROPE EMU	4.7	55.1
EUROPE EX-EMU	3.6	36.4
JAPAN	1.7	40.2
MIDDLE EAST	-0.3	40.0
PACIFIC EX-JAPAN	4.6	54.1
MSCI ACW EX-US INDEX	3.6	50.0

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

SECTOR	1Q 2021	TRAILING 12 MONTHS
COMMUNICATION SERVICES	4.9	45.7
CONSUMER DISCRETIONARY	2.2	65.8
CONSUMER STAPLES	-2.5	22.5
ENERGY	9.8	37.4
FINANCIALS	8.5	50.9
HEALTH CARE	-3.6	22.7
INDUSTRIALS	5.3	58.4
INFORMATION TECHNOLOGY	3.6	82.9
MATERIALS	5.5	76.9
REAL ESTATE	3.6	29.4
UTILITIES	-1.1	29.1

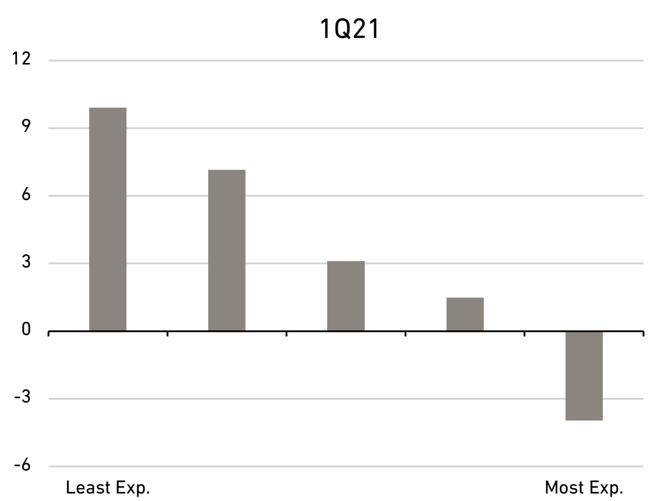
Source: FactSet (as of March 31, 2021); MSCI Inc. and S&P.

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 March 31, 2021 is available on page 9 of this report.

tive for the quarter. By region, Canada was a big outperformer, helped by its large weighting in banks and Energy. In Europe, the UK posted strong returns on the back of its expansive vaccination program. Within Emerging Markets (EMs), weakness in Brazil due to the Bolsonaro administration's disastrous pandemic response was offset by strength in Taiwan and Russia, where the global semiconductor shortage and the rise in the oil price helped the former's Information Technology (IT) and latter's Energy companies. China trailed by about 400 bps.

Viewed by style, large divergence in performance between the ranges of valuation and quality stood out, extending the style shift that commenced in early November. The chart below shows how the performance gap between the cheapest and the most expensive quintile of global stocks reached a startling 15 percentage points over the last three months. Similarly, lower-quality companies, typically those with higher leverage and more volatile revenues and earnings, outperformed high-quality companies by almost nine percentage points. Shares of slow-growth companies outperformed, though all growth quintiles were positive for the quarter.

MSCI ACW EX-US INDEX TOTAL RETURNS BY VALUE RANK



Source: MSCI Inc., FactSet; Data as of March 31, 2021.

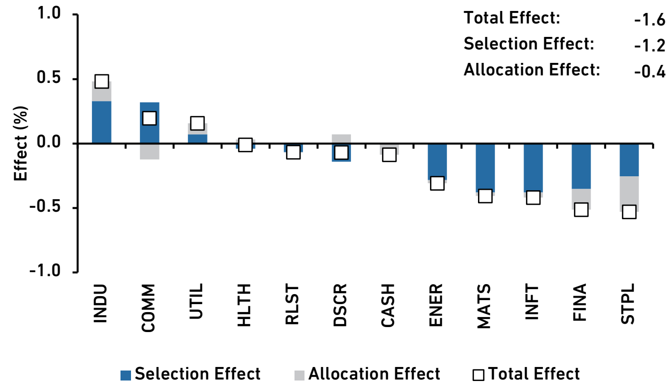
PERFORMANCE AND ATTRIBUTION

The International Equity Research composite returned 2.04% in the fourth quarter, while the MSCI ACWI ex-US Index returned 3.60%.

While both the Energy and Financials sectors were buoyed by the prospect of economic recovery with vaccines rolling out globally, we had poor stocks in each that dragged on relative returns. Shares of oil producers **Royal Dutch Shell**, Canada-based **Imperial Oil**, and Russia's **Lukoil** rose alongside the oil price. But shares of **Vopak** and **Ultrapar**, companies in the oil storage and distribution business based in the Netherlands and Brazil, respectively, did not fare as well. In Financials,

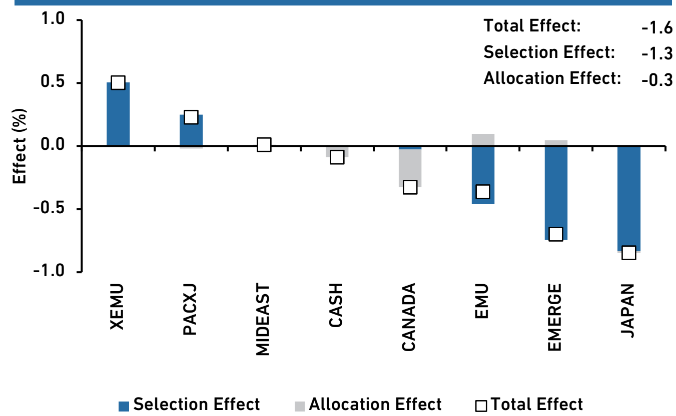
SECTOR PERFORMANCE ATTRIBUTION
FIRST QUARTER 2021

INTERNATIONAL EQUITY RESEARCH COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
FIRST QUARTER 2021

INTERNATIONAL EQUITY RESEARCH COMPOSITE VS. MSCI ACW EX-US 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.

Latin American banks lagged their counterparts elsewhere as the region continued to battle some of the world's most-resurgent pandemic outbreaks, hurting **Bancolombia**, Brazil's **Itaú Unibanco**, and Peru's **Credicorp**.

One area where we had particularly strong holdings was Industrials. With economic activity picking up, manufacturers everywhere are seeing more orders, but Hong Kong-based power-tool manufacturer **Techtronic Industries** and Japanese earth-moving equipment maker **Komatsu** have been standouts. Steady investment by Techtronic in R&D has paid off in a series of successful products launches, while at Komatsu economic recovery has spurred a rebound in demand for its construction equipment.

Regionally, Pacific ex-Japan was the largest contributor to relative returns. Two banks in Singapore, **DBS Group** and

OCBC Bank, outperformed after announcing better-than-expected fourth-quarter results. Both banks saw their loan books improving with fewer loans subject to a government-mandated loan-repayment moratorium. DBS has also seen growth in its wealth management business and credit card volume, leading to increased fee income.

We had poor stocks in EMs, where strong performance in South Korea and Russia were not enough to offset poor performance in the Philippines and Taiwan. Our underweight in China helped, though our performance for the quarter there was only in line with the benchmark. Shares of **Fuyao Glass Industry** did continue to surge on a rebound in the global auto market, including 8% growth expected this year for car sales in China. Increased penetration of electric vehicles, which more often incorporate bigger moon roofs, has given the company an added boost. Also, our underweight in **Alibaba** was a benefit as its shares wobbled in anticipation of a big fine by Chinese regulators for monopolistic practices. Investors have also fretted that, while Alibaba continues to grow its core e-commerce and cloud businesses, management recently spoke about increasing investments in technology and R&D, which could impact future profitability.

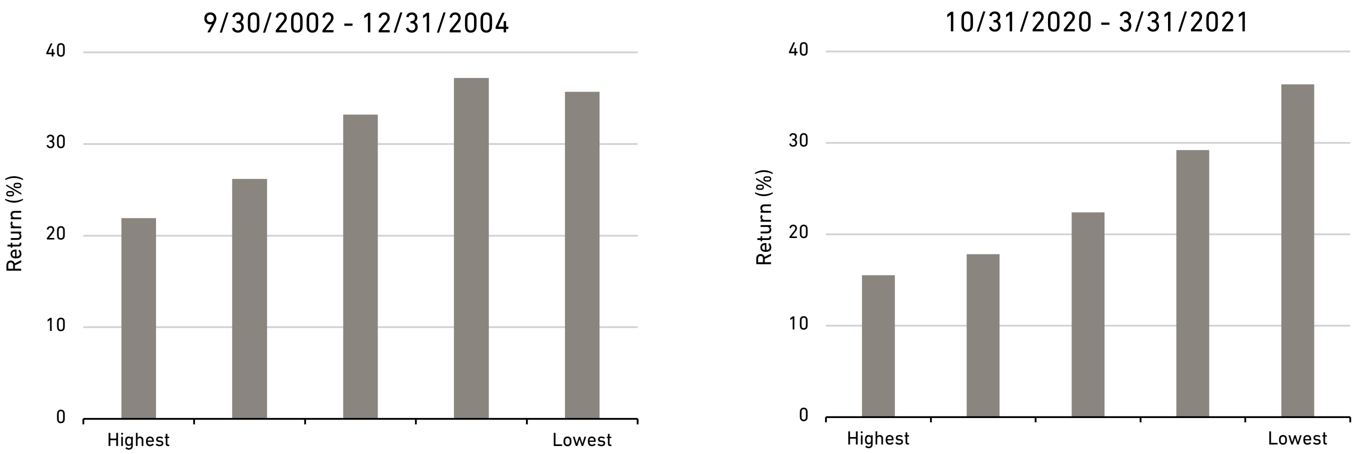
There was a resurgence of COVID-19 cases in the Philippines starting in February, forcing the country into another lockdown at the end of March. Our overweight this market, where our holdings include **Robinsons Retail**, mall developer **SM Prime Holdings**, and **Security Bank**, was a detractor. Meanwhile, in Taiwan, our underweight to dominant semiconductor contract manufacturer TSMC was a drag as its shares continued to rise amid the ongoing global chip shortage.

PERSPECTIVE AND OUTLOOK

For the best part of our 30-year existence we've invested in high-quality, growing companies. That means we understand only too well the slings and arrows of outrageous fortune that the market occasionally hurls the way of our quality-focused portfolio. During the recovery from the prolonged bear market that followed the bursting of the tech bubble in 2000, we suffered one of our worst periods of relative performance. As the profit slump—at the time the deepest since the 1930s—dragged into its second year, the US Federal Reserve led other central banks in further rounds of cutting interest rates in a bid to spur a stronger recovery. Investors who had fled the securities of barely profitable or highly leveraged companies reconsidered their cautious stance. Companies that were priced as if they might be the next round of bankruptcies suddenly looked like probable survivors, and their share prices leapt higher as investors adjusted to the upgraded prognosis. As cyclical and financial risks receded, stocks of the most stable companies, with ultra-conservative balance sheets and resilient profit margins, no longer transfixed investors, whose eyes wandered to less-pristine corporate stories in hopes of a bargain. Over the ensuing 24 months, stocks of companies in the lowest tiers of quality, derided as junk, trounced by double digits those in the top tiers.

Judging by the performance of the different quintiles of the market sorted by our proprietary quality rankings, the shift in market style that coincided with the early November release of vaccine efficacy results matches in many ways the pattern of 2003-2004, and then some. The charts below compare the performance by quality quintile for each period. Whereas two decades ago it took over two years for the bottom quintile to outpace the top by thirteen percentage points, this latest go-round has produced a 21 percentage point gap between the same two groups in just five months, with a mostly monotonic progression of performance down the tiers of quality: the worse you were, the better you did.

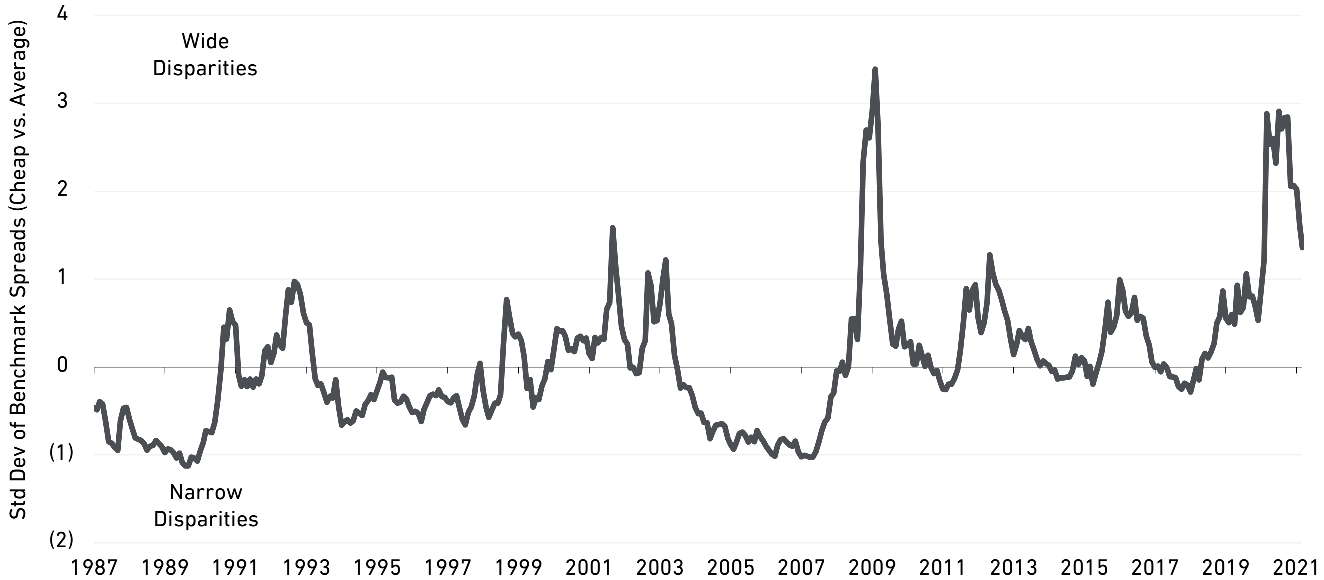
MSCI ACW EX-US INDEX TOTAL RETURNS BY QUALITY RANK



Source: MSCI Inc., FactSet; Data as of March 31, 2021.

DEVELOPED AND EMERGING MARKETS (EX-US) VALUATION SPREADS

The Top Quintile Compared to the Market Average
1987 Through March 2021



Source: Empirical Research Partners Analysis, 2021.

The earlier episode drove home the perils of being too risk-averse! While wallowing in the depths of a deep recession and long bear market, we took comfort from the resilience and reasonable valuation of the best companies and—despite the obvious chasm in relative valuations that had opened up between stocks of the best and the next-best, let alone the worst—ultimately lost sight of the opportunity cost of future returns from what we did not own.

Historically our debate has mostly concerned the trade-off between valuation and growth, but in this nascent recovery from the pandemic, the real issue—at least as far as relative performance goes—has turned out to be related more to trading off valuation against quality.

Over the last couple of years, as valuations for high-quality and rapidly growing companies have risen steadily, we've had to make difficult trade-offs in attempting to balance our commitment to these company attributes against the prices their shares fetch. Historically our debate has mostly concerned the trade-off between valuation and growth, but in this nascent recovery from the pandemic, the real issue—at least as far as relative performance goes—has turned out to be related more to trading off valuation against quality. Growth, in contrast to quality, has not been a particularly good predictive factor recently: only the fastest growth quintile (sorted by our growth metric) has seriously lagged the index, while the other 80% of the market matched or bettered the market's average performance since the beginning of November.

Although both high quality and faster growth have become highly priced in recent times, we've made no attempt to predict either inflation or interest rates, despite recognizing how these inputs have an immediate impact on stock valuations through their influence on discount rates. Considering such attempts is a fool's errand, we do, however, recognize the value of certain market indicators, and take them for what they are: crowd-sourced forecasts. (See "TIPS to What's Really Going on with Inflation," page 7.)

We can't help but wonder whether the renewed investor attention to valuation is only getting started: indeed, a look at prior episodes of stretched valuation disparities makes us cautious to sound an "all clear" on the recent value shift.

Based on the above data from Empirical Research, the 2002-2004 junk rally continued until the spreads of the *least* expensive stocks went below their average discount to the market; as shown, the current move has only got them halfway back to their average discount levels. There could be more pain to come for holders of expensive high-quality growth companies.

Still, rather than try to predict changes in interest rates and discount rates and market cycles, we pay attention to the valuation of the securities in the portfolio, and the fundamental characteristics of companies themselves—particularly characteristics that tend to persist across business cycles and political eras. Our investment process is designed to give analysts the freedom, with few exceptions, to "go anywhere," and locate the best businesses even in out-of-favor industries or countries. By keeping our opportunity set broad, always on the lookout for companies with strong competitive positions and secular growth tailwinds, the goal is to furnish a sufficient number of analyst-recommended stocks with which to assemble a diversified and differentiated portfolio of high-quality growing businesses. Our risk guidelines, including our portfolio limits on countries, sectors, and single companies, limit the worst of our own biases. We alter those limits only rarely and with great deliberation. In other words, don't expect us to follow the current trend of some growth- and momentum-oriented investors and to jettison our single holding limits to amass larger stakes in our favorite companies.

PORTFOLIO HIGHLIGHTS

The International Equity Research portfolio's holdings are directly determined by analysts' recommendations among Harding Loevner's collection of researched companies. During this quarter, our analysts recommended buying 31 companies and selling 16. One of our associate analysts, Samuel Hosseini, was promoted to analyst, making his recommended purchases, including a number of small cap companies, newly eligible for the portfolio. Owing to his and other recent promotions and the ongoing expansion of our small cap coverage, the number of international small companies in the portfolio's opportunity set has meaningfully increased in recent quarters.

Insofar as the relative valuations of many of our buy-rated small cap stocks have resembled those of some of the most stretched areas of the broader market, this increase in small cap holdings exacerbated our concerns about portfolio valuation risk and led us to implement new portfolio construction rules to manage it. Companies below US$5 billion in market cap are now allowed in the portfolio only if they exhibit cheap relative valuations. We use our proprietary value rankings for this purpose, getting rid of the most expensive half of our small cap companies among the pool of analyst-recommended stocks, while retaining or purchasing cheaper ones. We also made additions and trims to holdings as part of a new emphasis on reducing the valuation risk of our large-company holdings. The net impact of these changes was that the portfolio now looks quite a bit less expensive than previously. In terms of our exposure to different sectors, our weights in IT and Communication Services increased, while our exposure to Consumer Discretionary and Consumer Staples declined, the former impacted by portfolio transactions and the latter by relative performance. By region, our exposure to the EMU increased the most during the quarter while exposure to EMs shrank the most.

In IT we made several new purchases, including a handful of small cap companies that newly became eligible for the strategy: Germany-based **Nemetscheck**, a niche software supplier to the construction and media and entertainment industries; Taiwan-based semiconductor manufacturer **Chipbond Technology**; and China-based **Sangfor Technologies**, an enterprise cloud and network security vendor. We also purchased the Spanish travel technology company **Amadeus** and Argentina-based enterprise-level IT services leader **Globant** after our analysts upgraded these stocks. Amadeus has underperformed relative to the IT sector due to the devastating impact of the pandemic on travel, but our analyst expects the business to recover and thinks the valuation is attractive enough that it pays us to wait. In the case of Globant, our analyst has increased his revenue growth forecast due to increasing demand from enterprises globally for digital transformation, and he used a recent pullback in the share price as part of a general retreat by expensive tech stocks as an opportunity to act. We added to **Hon Hai Precision** (also known as Foxconn), the Taiwan-based contract manufacturer of the iPhone and other electronics, and trimmed Netherlands-based payments platform **Adyen** based on their relative valuations.

In Communication Services, we bought French market research and consulting firm **Ipsos**, Russian internet search firm **Yandex**, **Cheil Worldwide** (a South Korean marketing company affiliated with **Samsung Electronics**), and **Scout24**. The latter operates a leading real estate platform in Germany where agents, landlords, and individual sellers can list and display their properties for sale or rent. (Think of it as a mashup of Realtor.com, Apartments.com, and Craigslist). The company is a dominant player with over 70% market share and enjoys a strong network effect.

In Consumer Discretionary we made several complete sales and trims. We sold Taiwan-based textile manufacturer **Eclat Textile** and Philippine big-box hardware retailer **Wilcon Depot**, two holdings that stumbled at our new valuation ranking hurdle for small caps. We also trimmed Japanese retail holding company **Fast Retailing**, UK-based food service and hospitality provider **Compass Group**, Fuyao Glass Industry, and the Chinese government-owned **China International Travel Services** due to their own relative high valuations.

In EM, upgrades and downgrades were balanced during the quarter, but we made several trims, again, due to high relative valuation. Our increased exposure to the EMU was largely the result of the purchase of newly eligible smaller-cap holdings such as Nemetschek and Germany-based IT consultancy Bechtle. We also had some analyst upgrades and new companies added to our research universe within the EMU.

Since we gather most of our insights close to the ground, where individual businesses actually compete, our collection of views about different companies rarely adds up to a coherent forecast for the bigger, economy-wide picture. But not forecasting the weather doesn't mean we don't peek out the window occasionally to see if we need an umbrella. Like many others, we can see the threatening cloud looming on the horizon as reflected in the steep runup in US bond yields. With it, we recognize the potential for a revival of US inflation and what that implies for interest rates and asset markets globally, not to mention the attendant unpleasantness associated with richly priced growth stocks, whose longer-dated cash flows leave their intrinsic valuations acutely exposed to escalating real interest rates. Still, while the step-up in yields (more correction than tantrum so far) portends a blustery near-term US inflationary outlook, it's too early to tell if this is just a passing squall or something more menacing.

The outlays this time are hugely popular (turns out people love getting checks!), and a powerful recovery will only serve to strengthen the inevitable future appeals for additional interventions to rebuild infrastructure, say, or to green the economy.

The rise in yields has paralleled the shift in political winds, commencing after the Democrats secured (precarious) control of the US Senate with their sweep of the Georgia senatorial runoffs in early January, and then accelerating with their passage in March of the American Rescue Plan Act (ARPA). The Act promises to shower the US economy with an additional two trillion of freshly printed dollars.

By some measures, this latest fiscal outlay, which comes on top of the more than US$3 trillion of aid doled out last year, is far greater than the output gap it's trying to plug. Moreover, the economy already appears to be humming along at a brisk clip in anticipation of an imminent return to something approaching normalcy following a successful vaccine rollout. Potentially adding fuel to the prospective fire is the doubtless pent-up demand for travel and leisure activities, pre-funded by a mountain of household savings thought to reach an additional US$1.6 trillion. If the literal spring break riots in Miami Beach are anything to go by, consumers are understandably impatient to go forth into the world incautiously after over a year of enforced abstinence. This tsunami of demand is set to wash over a pandemic-battered economy still scarred by business closures and supply disruptions—the classic problem of too much money chasing too few goods, which could over time morph into a vicious circle of steadily rising prices. Commodity prices have already leapt ahead, and you don't have to look far to see shortages, from semiconductor chips to pipes. Under the circumstances, an increase in the price level seems all but inevitable.

More ominous for those concerned about the longer-term fiscal outlook is the reshaping of the political narrative surrounding fiscal policy. Until just recently, drumming up fears of government bankruptcy was a reliable wedge issue with bipartisan lip service paid to the notion of fiscal rectitude. Recall the doctrinaire concern that greeted the Recovery Act of 2009. Serious observers across the political spectrum were up in arms at the time, intoning loudly at the danger poised to the nation's fiscal health from bailing out profligate bankers and borrowers. The legislation was deeply unpopular, exacted a steep political price from its backers, and arguably contributed to the US losing its previously unblemished credit rating. But there's no one to point the finger at for the causes of the pandemic, and for the first time in half a century—perhaps reflexively sensing the unspoken threat to the entrenched political order posed by the populist temper—monetary and fiscal policy are united in a common purpose: to defeat the virus's aftereffects. The resulting outlays this time are hugely popular (turns out people love getting checks!) and a powerful recovery will only serve to strengthen the inevitable future appeals for additional interventions to rebuild infrastructure, say, or to green the economy.

Japan Says Hi

Given this backdrop it's no wonder that so many are warning of an inflationary upsurge. But not all the evidence is clear-cut in favor. For one, a steepening yield curve may signal higher inflation on the horizon, but it's equally plausible that it simply reflects a re-pricing of US growth expectations: a perspective that is bolstered by a strengthening US dollar, hardly a harbinger of an inflationary surge. Additionally, deficit hawks have been harping on about the dire fiscal situation over a hundred percentage points below that of Japan, a country that hasn't been able to shake off disinflation even more persistent than in the US, keeping Japanese bond yields near zero.

Most tellingly for us, the Treasury Inflation-Protected Securities (TIPS) market, the natural barometer of investor anxiety over prospective inflation, remains unruffled. One gauge of inflation fears is revealed by the difference in expectations for what inflation is likely to be at different points in the future, captured by what are known as for-

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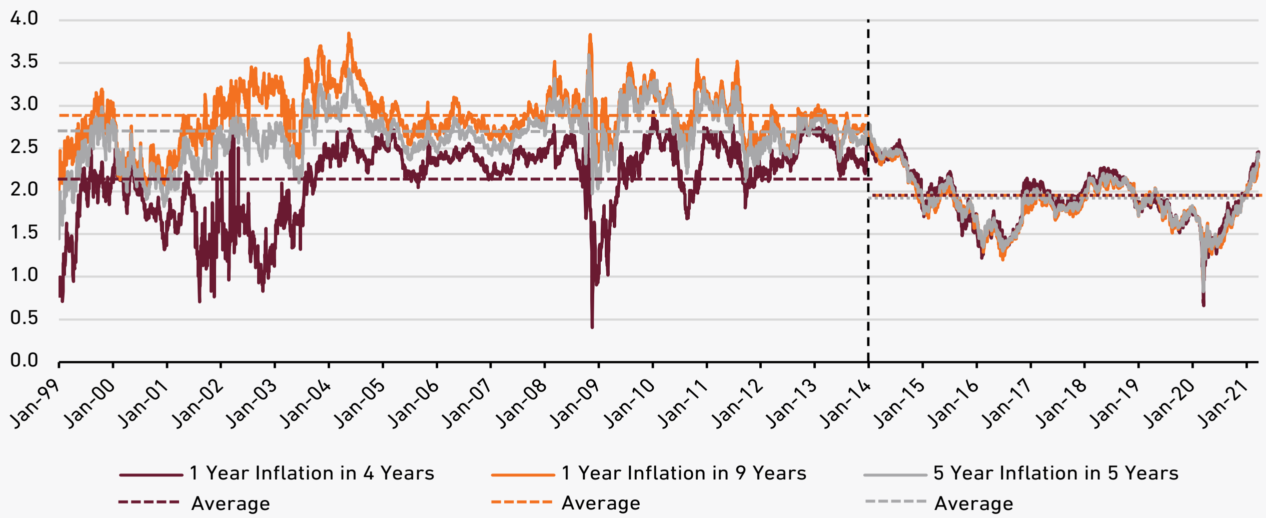
FORWARD BREAKEVEN INFLATION 1999-2021



Source: US Federal Reserve Board.

ward inflation "break-evens" (also calculated as the difference between yields on TIPS and regular Treasuries). As can be seen in the chart above, prior to 2014 and all the talk of secular stagnation, break-evens tended to increase with maturity. For instance, the expected one-year inflation rate four years in the future, as shown by the maroon line, tended to be reliably below the expected one-year inflation rate in nine years, shown in solid orange. The difference between the two roughly amounted to the increased reward on offer for bearing inflation risk further out in the future. But since 2014 the difference in break-evens of different vintages has collapsed with barely any difference in the expected premium for bearing inflation risk one year or a decade hence. And while real yields and inflation break-evens have both moved higher we've yet to see a return to the pattern that existed prior to 2014.

Since 2014 the difference in the measurements of what inflation is likely to be at different points in the future has collapsed, and barely any different in the expected premium for bearing inflation risk on year or a decade hence.

More to the point, prior to the pandemic, a full decade of aggressive monetary policy had failed to re-kindle growth in industrialized economies. Indeed, in some ways it may have made the situation worse, by artificially propping up asset prices and hindering the requisite reallocation of capital and labor. Several deflationary forces, including underlying global trade imbalances and deep wealth and income disparities, have only been further magnified by the pandemic and will not be easily unwound. While stimulating aggregate demand may help at the margin in the short term—replacing lost incomes and keeping businesses afloat—it's unlikely to have much of an impact on the ongoing mismatch between too much private savings and too little private consumption of actual goods and services, the bedrock of our low growth trap. And without addressing the deflationary substratum, any incipient inflation is likely to be strangled before it can take hold. At least that's what the TIPS market seems to be telling us. Just as the last round of tax cuts produced little more than a blink-or-you'll-miss-it growth spurt, once the effects of the additional spending have faded we may well also find ourselves back at square one, just with a lot more public debt.

INTERNATIONAL EQUITY RESEARCH 25 LARGEST HOLDINGS (AS OF MARCH 31, 2021)

COMPANY	COUNTRY	SECTOR	END WT.(%)
DBS GROUP Commercial bank	SINGAPORE	FINANCIALS	1.1
HAKUHODO Marketing and advertising services	JAPAN	COMM SERVICES	1.1
BANCO SANTANDER Commercial bank	SPAIN	FINANCIALS	1.1
OCBC BANK Financial services	SINGAPORE	FINANCIALS	1.1
HOMESERVE Emergency repair services	UNITED KINGDOM	INDUSTRIALS	1.1
BRENNTAG Chemical distribution services	GERMANY	INDUSTRIALS	1.1
BMW Automobile manufacturer	GERMANY	CONS DISCRETIONARY	1.1
RUBIS Liquid chemical storage and distribution	FRANCE	UTILITIES	1.0
KOMATSU Industrial equipment manufacturer	JAPAN	INDUSTRIALS	1.0
SE BANKEN Commercial bank	SWEDEN	FINANCIALS	1.0
ROYAL DUTCH SHELL Oil and gas producer	UNITED KINGDOM	ENERGY	1.0
KUBOTA Industrial and consumer equipment manufacturer	JAPAN	INDUSTRIALS	1.0
RIO TINTO Mineral miner and processor	UNITED KINGDOM	MATERIALS	1.0
HENKEL Consumer products manufacturer	GERMANY	CONS STAPLES	1.0
ASSA ABLOY Security equipment manufacturer	SWEDEN	INDUSTRIALS	1.0
BHP Mineral miner and processor	AUSTRALIA	MATERIALS	1.0
STANLEY ELECTRIC Automotive lighting manufacturer	JAPAN	CONS DISCRETIONARY	1.0
ALLIANZ Financial services and insurance provider	GERMANY	FINANCIALS	0.9
REPLY IT consultant	ITALY	INFO TECHNOLOGY	0.9
RINNAI Consumer appliances manufacturer	JAPAN	CONS DISCRETIONARY	0.9
SUGI HOLDINGS Drugstores operator	JAPAN	CONS STAPLES	0.9
ALCON Eye care products manufacturer	SWITZERLAND	HEALTH CARE	0.9
HON HAI PRECISION Electronics manufacturer	TAIWAN	INFO TECHNOLOGY	0.9
VIFOR PHARMA Pharma manufacturer	SWITZERLAND	HEALTH CARE	0.9
VOPAK Oil and gas storage and handling services	NETHERLANDS	ENERGY	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.

1Q21 CONTRIBUTORS TO RELATIVE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG WEIGHT PORT	AVG WEIGHT INDEX	EFFECT
HAKUHODO	COMM	1.1	0.0	0.17
SE BANKEN	FINA	1.0	0.1	0.15
BANKINTER	FINA	0.7	0.0	0.15
HOMESERVE	INDU	1.0	0.0	0.14
LISI	INDU	0.4	0.0	0.13

LAST 12 MOS CONTRIBUTORS TO RELATIVE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG WEIGHT PORT	AVG WEIGHT INDEX	EFFECT
SHENZHEN INOVANCE TECHNOLOGY	INDU	0.4	0.0	0.55
TECHTRONIC INDUSTRIES	INDU	0.8	0.1	0.55
NESTLÉ*	STPL	0.0	1.5	0.51
IMPERIAL OIL	ENER	0.6	0.0	0.43
ALIBABA	DSCR	0.3	2.1	0.38

1Q21 DETRACTORS FROM RELATIVE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG WEIGHT PORT	AVG WEIGHT INDEX	EFFECT
KOBAYASHI PHARMA	STPL	0.9	0.0	-0.13
CHUGAI PHARMACEUTICAL	HLTH	0.8	0.1	-0.13
VIFOR PHARMA	HLTH	0.9	0.0	-0.13
TEAMVIEWER	INFT	0.6	0.0	-0.13
JIANGSU YANGHE BREWERY	STPL	0.4	0.0	-0.13

LAST 12 MOS DETRACTORS FROM RELATIVE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG WEIGHT PORT	AVG WEIGHT INDEX	EFFECT
TSMC	INFT	0.5	1.7	-0.56
KAO	STPL	0.8	0.2	-0.44
VOPAK	ENER	0.8	0.0	-0.40
MEITUAN	DSCR	0.1	0.5	-0.29
SHOPIFY*	INFT	0.0	0.5	-0.28

*Not held in the portfolio; its absence had an impact on the portfolio's return relative to the Index.

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL IER	ACWI EX-US
PROFIT MARGIN[1] (%)	9.5	10.3
RETURN ON ASSETS[1] (%)	6.2	4.7
RETURN ON EQUITY[1] (%)	11.8	10.6
DEBT/EQUITY RATIO[1] (%)	46.9	62.3
STD DEV OF 5 YEAR ROE[1] (%)	3.1	3.6
SALES GROWTH[1,2] (%)	4.8	3.6
EARNINGS GROWTH[1,2] (%)	5.8	5.8
CASH FLOW GROWTH[1,2] (%)	10.2	8.9
DIVIDEND GROWTH[1,2] (%)	7.5	6.2
SIZE & TURNOVER	**HL IER**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	21.5	44.3
WTD AVG MKT CAP (US $B)	46.1	103.6
TURNOVER[3] (ANNUAL %)	46.2	—

RISK & VALUATION	HL IER	ACWI EX-US
ALPHA[2] (%)	2.12	—
BETA[2]	0.98	—
R-SQUARED[2]	0.97	—
ACTIVE SHARE[3] (%)	81	—
STANDARD DEVIATION[2] (%)	14.38	14.49
SHARPE RATIO[2]	0.78	0.63
TRACKING ERROR[2] (%)	2.6	—
INFORMATION RATIO[2]	0.79	—
UP/DOWN CAPTURE[2]	101/91	—
PRICE/EARNINGS[4]	26.9	19.7
PRICE/CASH FLOW[4]	17.9	12.1
PRICE/BOOK[4]	2.5	1.7
DIVIDEND YIELD[5] (%)	1.7	2.2

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Weighted harmonic mean; [5]Weighted mean. Source: FactSet (Run Date: April 6, 2021, 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 relative 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 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. 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 MARCH 31, 2021)

	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 ($M)	FIRM ASSETS ($M)
2021 YTD[5]	2.04	1.86	3.60	3.60	17.31	17.39	17.47	N.A.[6]	1	15	74,230
2020	15.43	14.59	11.13	8.28	17.76	17.92	17.87	N.M.[7]	1	15	74,496
2019	24.06	23.20	22.13	22.66	11.18	11.33	10.8	N.M.	1	20	64,306
2018	-12.08	-12.74	-13.78	-13.36	11.45	11.40	11.27	N.M.	1	10	49,892
2017	30.59	29.64	27.77	25.62	+	+	+	N.M.	1	11	54,003
2016	9.09	8.28	5.01	1.51	+	+	+	N.M.	1	8	38,996

[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 2021 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 49 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 December 31, 2020. 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.

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.

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. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

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

The US dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The standard fee schedule generally applied to separate International Equity 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.

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