International Equity Research

Quarterly Report | Second Quarter 2021

HARDING LOEVNER

What's Inside

Market Review →
Ongoing, if uneven, economic recovery and progress against the pandemic equated to another strong quarter for international equity markets, with positive returns across nearly all sectors and regions.

Performance and Attribution →
Sources of relative returns by sector and geography.

Perspective and Outlook →
From tech antitrust to climate change, regulatory risk has moved to the fore. We remain focused on how it affects the competitive structure of each industry—for worse or for better.

Portfolio Highlights →
During the quarter, our analysts recommended buying 15 companies and selling 21. Our exposure to Consumer Discretionary and Health Care increased, and Consumer Staples and Financials exposure came down. Regionally, our exposure to Emerging Markets increased while EMU and Japan decreased.

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

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Composite Performance

Total Return (%) — Periods Ending June 30, 2021[1]

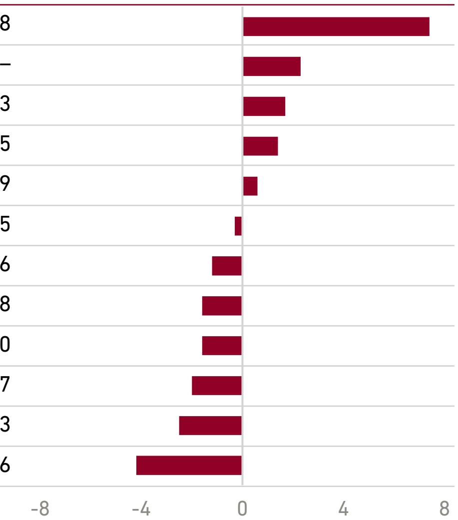
	3 Months	YTD	1 Year	3 Years[2]	5 Years[2]	Since Inception[2,3]
HL International Equity Research (Gross of Fees)	5.33	7.48	35.63	10.66	12.84	12.67
HL International Equity Research (Net of Fees)	5.15	7.10	34.64	9.87	12.02	11.85
MSCI All Country World ex-US Index[4,5]	5.64	9.45	36.29	9.87	11.58	10.34

[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.

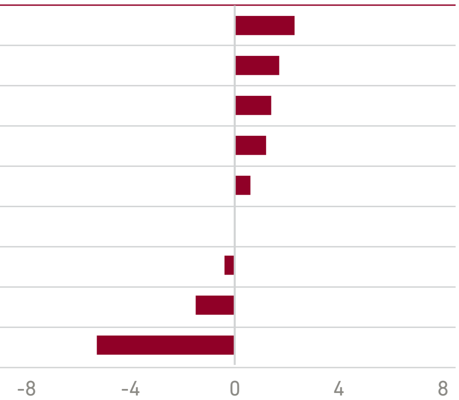
Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL IER	ACWI ex-US	(Under) / Over
Industrials	19.2	11.8	
Cash	2.3	–	
Health Care	11.0	9.3	
Cons Staples	9.9	8.5	
Info Technology	13.5	12.9	
Energy	4.2	4.5	
Real Estate	1.4	2.6	
Cons Discretionary	12.2	13.8	
Utilities	1.4	3.0	
Comm Services	4.7	6.7	
Materials	5.8	8.3	
Financials	14.4	18.6	



Geography	HL IER	ACWI ex-US	(Under) / Over
Cash	2.3	–	
Europe EMU	22.2	20.5	
Emerging Markets	32.7	31.3	
Europe ex-EMU	20.4	19.2	
Japan	14.9	14.3	
Frontier Markets[6]	0.0	–	
Middle East	0.0	0.4	
Pacific ex-Japan	5.8	7.3	
Canada	1.7	7.0	



[6]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

International equity markets continued their upward march with positive returns across nearly all sectors and regions. An ongoing, if uneven, economic recovery paralleled the progress being notched against the pandemic. The US adult vaccination rate moved past 50% while developing economies (apart from China and a handful of others), with inadequate vaccine supplies and health care logistics, continued to struggle to get enough shots in arms. A third wave of positive COVID-19 cases in the UK pointed to the risk from proliferating variants that are harder to contain.

US fiscal policy remained center stage as the Biden administration segued from providing pandemic relief for affected individuals and businesses to announcing a bipartisan deal on a trillion-dollar commitment to infrastructure and social investments. Elsewhere, the EU approved an €800 billion (US$957 billion) recovery fund aimed at infrastructure investment and support for businesses. Some Emerging Markets (EMs), despite more limited fiscal wiggle room, are following suit, with India unveiling its own US$85 billion package at the end of June.

MSCI ACWI ex-US Index Performance (USD %)

Geography	2Q 2021	Trailing 12 Months
Canada	10.2	47.0
Emerging Markets	5.1	41.4
Europe EMU	7.1	38.3
Europe ex-EMU	8.4	33.1
Japan	-0.2	25.2
Middle East	5.1	22.5
Pacific ex-Japan	4.8	34.3
MSCI ACWI ex-US Index	5.6	36.3

Sector	2Q 2021	Trailing 12 Months
Communication Services	1.6	25.3
Consumer Discretionary	4.8	44.9
Consumer Staples	7.9	19.6
Energy	8.6	35.8
Financials	4.6	41.5
Health Care	10.0	15.7
Industrials	4.7	41.1
Information Technology	7.1	57.0
Materials	6.6	50.0
Real Estate	2.6	22.7
Utilities	-0.1	15.2

Source: FactSet (as of June 30, 2021). MSCI Inc. and S&P.

The resumption of more normal consumer and business activity has caused shortages and sharp price rises for many goods due to inventory liquidations last year. Corporate capital spending is also expected to underpin the global economy; economists project a rebound in global real investment that should vastly outpace the lethargic multi-year capex recovery following the global financial crisis. Much of this new investment is expected to come from spending on information technology (IT). *The Economist* projects 42% greater global IT spending in 2021 compared to 2019. Semiconductor makers like Taiwan-based **TSMC** are investing hundreds of billions of dollars both to meet new demand and to avoid a repeat of the current global microchip shortage that has rippled across many different supply chains. Central banks in the developed world, however, have yet to begin to reverse easy monetary policies, despite a spike in inflation and rising economic growth forecasts, maintaining a belief that current price rises are a temporary phenomenon that can easily be addressed later if it persists. Global fixed income markets rallied as bond yields fell on the dual message of watchful guardian tomorrow and easy money today. Meanwhile, the boom in some commodities such as copper and lumber waned in June. Out of step with the rest (or one step ahead), the People's Bank of China did, delicately, begin the process of unwinding some of its pandemic-driven stimulus.

Amid continued robust equity returns, some of the more frenzied and speculative areas of the market began to cool. In the first quarter, IPOs of special purpose acquisition companies (SPACs) were the poster child for market excess. But activity in the space almost ground to a halt this quarter following comments by the SEC suggesting that heightened SPAC regulation is an agency priority. Even crypto-currency and other digital asset prices, which had soared over the last twelve months, fell sharply. In China, where the Communist Party is celebrating its centennial, regulators flexed their muscles, introducing new proposals to rein in private tutoring and to curtail the country's large cryptocurrency mining sector, including measures to prohibit banks from transacting in them.

In contrast to the uniform rally in cheaper stocks of lower-quality and slower-growth companies that characterized markets since early November, performance was far more mixed across sectors and regions. Energy stocks outperformed as oil prices moved higher, but other cyclical sectors such as Industrials and Financials ceded market leadership to longer-duration growth sectors such as Health Care, IT, and Consumer Staples. The MSCI ACWI Growth Index outperformed its Value counterpart in the quarter (but still lags in the year to date).

From a geographic perspective, non-US stocks lagged the US market, which boasted many strong IT and Health Care stocks,

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 June 30, 2021 is available on page 9 of this report.

along with some large cap media companies. Canada was even stronger than the US, though, benefiting from the strong pull from the US for its exports of commodities and manufactured goods. Switzerland and Denmark lifted Europe outside the eurozone ahead of the index, while France and the Netherlands also boosted the eurozone ahead. EMs slightly trailed the ex-US Index, dragged down by China, whose government took the recovery from the pandemic as an opportunity to rein in perceived excesses in parts of its economy. Japan was the weakest region, partially reacting along with other north Asian markets to a cooling China. In addition, Japan reinstated a state of emergency following a steep rise in COVID-19 infections from its low base, likely delaying its own economic recovery.

the growing global demand for outsourced research and development services. Taiwan-based **Silergy** was one of the stocks helping to drive returns in IT. The company, a producer of power-management chips for a variety of consumer electronics and specialized industrial applications, has leveraged the global chip shortage to gain a new foothold in the automotive sector. Italian IT services provider **Reply** was another strong performer. For months, the company's strengths in cloud computing and mobile payments have offset pandemic headwinds buffeting its manufacturing and tourism clients, setting up the company for an eventual recovery in the latter segments.

Peformance and Attribution

The International Equity Research composite returned 5.3% in the second quarter, compared to the MSCI ACWI-ex US Index which returned 5.6%. For the year to date, the composite returned 7.5% trailing the benchmark which returned 9.4%.

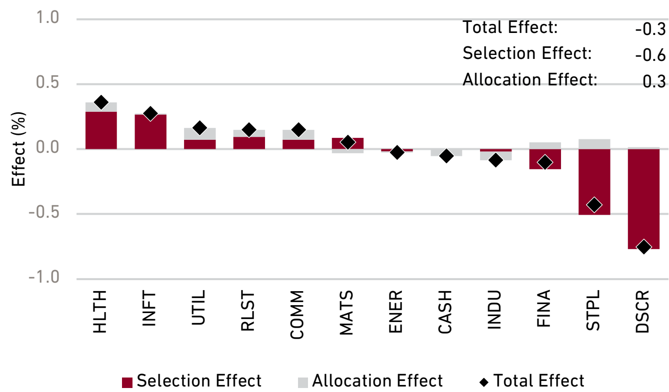
Poor stock selection in the Consumer Discretionary and Consumer Staples sectors dragged on returns for the quarter. In Consumer Discretionary, two Chinese holdings were caught up in the potential regulatory crackdown on the after-school tutoring industry. While some of the proposed measures will impact mainly unscrupulous smaller players, post-quarter-end broader measures followed that restrict tutoring during weekends and holidays and essentially turn the businesses into non-profit enterprises, which, needless to say, hurt the growth outlook even for market leaders such as **New Oriental** and **TAL Education**. **Alibaba's** share price also slumped after the e-commerce giant was hit with a US$2.1 billion fine by Chinese regulators over alleged antitrust abuses. In Consumer Staples, **Cosmos Pharmaceutical** and **Sugi Holdings**, two Japanese pharmacy chains, faced new competitive pressures on two fronts: from new regulatory proposals to allow prescriptions to be filled remotely; and from a domestic surplus of qualified pharmacists (a rarity for a profession in Japan) that is leading to a proliferation of rival brick-and-mortar pharmacy counters. Meanwhile, household and personal-care producer **Unilever** suffered declining demand due to a fresh wave of pandemic lockdowns and to consumers trading down to less premium products.

These areas of underperformance were blunted by strong stock selection in the Health Care and IT. Shares in Swiss hearing aid manufacturer **Sonova Holding** rebounded strongly from last year's precipitous decline in hearing aid fittings during the early stages of the pandemic. Management also raised earnings guidance for the rest of 2021 and announced the acquisition of the consumer audio division of Sennheiser, which it sees as a weapon in its fight to fend off Bose and other consumer audio brands that are entering the hearing aid market. **WuXi AppTec**, a Chinese pharmaceutical lab services company, also reported strong revenue and operating profit growth, reflecting

Second Quarter 2021 Performance Attribution

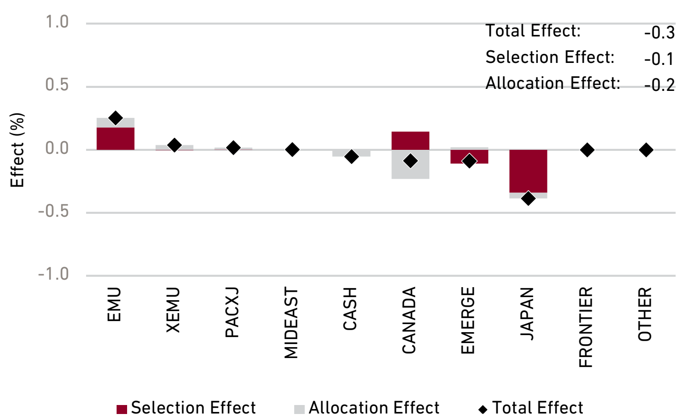
Sector

International Equity Research Composite vs. MSCI ACWI ex-US Index



Geography

International Equity Research Composite vs. MSCI ACWI 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.

By region, poor stock selection in Japan dragged on returns but was partially offset by strong stock selection in the European Monetary Union (EMU). Although **Komatsu**, a Japanese manufacturer of construction and mining equipment, and **Kubota**, a Japanese farming machine maker, both saw strong sales throughout the first half of this year, their share prices have suffered from rising concerns about materials prices and ongoing supply chain disruptions and distribution backlogs. In the EMU, outperformance was driven by our holdings in Spanish banks **Banco Santander** and **BBVA**, whose recovering earnings and growth prospects parallel those of the broader Spanish economy.

Perspective and Outlook

Regulation of the antitrust variety became an increasingly relevant issue worldwide this quarter following muscular interventions by regulators in Europe, Asia, and the US. The shift in regulatory headwinds is a development we take seriously, as any changes can swiftly re-shape entire industries and companies. However, it's also a phenomenon with which we're intimately familiar; we deal with regulatory threats routinely as an explicit factor in our industry analyses, our business assessments, and our projections of companies' growth and profitability.

In the US, there is growing concern that too much market power is concentrated in a handful of companies that dominate their respective industries; even the denizens of the University of Chicago, historically a bastion of free-market ideology, have begun to worry publicly about diminished competition in US markets for goods and services. Under the new presidential administration, antitrust regulators appear to be gearing up to take legal action against big technology firms in particular. The rising threat is epitomized by the bipartisan appointment of Lina Khan, a controversial legal scholar, to the FTC. Khan has argued for a new antitrust framework that counters market power in companies even if their product is free to consumers or has led to lower prices. In Europe, antitrust agencies are already further along in clamping down on the tech behemoths, pursuing active investigations into potential market abuses by Apple, Facebook, Google, and Amazon. In April, Chinese antitrust regulators sent a strong "kill one chicken to scare the monkeys" message to all companies tempted to abuse the market power derived from potent platform and network effects—imposing a US$2.8 billion fine on Alibaba and summoning 34 leading Chinese technology and e-commerce companies to inform them that they had one month to self-inspect and "completely rectify" any conflicts with recently updated regulations on online competition.

Antitrust is far from the only category of shifting regulatory risk facing many companies globally; environmental regulations also continue to ratchet up as the political and social consensus surrounding climate change solidifies. This is a particular headwind for the oil industry, which suffered a notable setback in May when a Dutch court ordered **Royal Dutch Shell**, generally considered one of the more progressive oil and gas producers in terms of transitioning toward greener energy sources, to ensure the net CO_2 emissions of all its products and operations are 45% lower by 2030. Though the company had the right to appeal, and it is not entirely clear how the Dutch court will enforce its decision (perhaps explaining the negligible impact on Royal Dutch's share price so far), if this judgment is a sign of things to come, it throws doubt on the viability of many global energy companies.

Our analysts incorporate the range of potential effects of existing and potential future regulations into their analysis of the competitive structure of each industry. We model regulations in terms of their impact on each of Michael Porter's "Five Forces," our workhorse template for understanding business strategy.[1] We know, for instance, that the threat of new entrants can increase if the state nurtures them, and that the threat of substitution can be tilted by subsidies or prohibitions of alternative products. (See "Google It," on page 8 of our Global Second Quarter Report, for how we incorporate the evolving regulatory environment into our updated assessments of Alphabet.)

Regulatory influences may affect our view of Porter's competitive forces so negatively that it pushes us to avoid some industries entirely. Electric utilities, for example, are generally treated as regulated monopolies, due to the critical necessity of their product, the asset intensity of their physical infrastructure, and the typical absence of competitive alternatives. Their rates are controlled, and their investments are mandated by regulators with a view to providing reliable power to the residents and industries within reach of their grid. There is broad political support for this approach, and the consequence is to weaken severely the utilities' bargaining power over their customers. Environmental regulations targeted at reducing CO_2 emissions also have broad political support and, by requiring the use of specific energy sources, weaken the utilities' bargaining power over their suppliers. The effect of such regulations is to have hamstrung electric utilities to the point where, for the last five years, in aggregate, the global industry has earned a paltry 2% real cash flow return on invested capital (CFROI), a level far below its cost of capital and inadequate to fund or justify further capital investment—an example of why we, as investors, become concerned when we hear antitrust theorists or politicians advocate that large technology companies should be regulated like public utilities!

We cover no electric utilities and only a few companies in the broader Utilities sector; the exceptions are cases where we think regulators have good reason to allow adequate returns on invested capital. **ENN Energy**, a private-sector gas utility in China, is one. ENN earned a five-year average annual CFROI of about 11% while growing at a double-digit pace thanks to regulations pressing businesses and consumers to switch away from coal to natural gas as part of a key step in the transition

[1]Of Porter's 15 books, his 2008 *Competitive Strategy: Techniques for Analyzing Industries and Competitors* is perhaps the best single source for explaining the principles we find so helpful in our own analysis.

toward the country's long-term goal of net carbon neutrality. Though ENN's gas sales are subject to controls on pricing and profits, it is allowed to collect a connection fee from residential users, a lucrative incentive intended to help fund expansion of the gas distribution network. Also, many local governments are promoting the development of communities and industrial parks with smaller carbon footprints. This is proving to be a boon for ENN's integrated energy business, which integrates natural gas and renewable energy sources to meet customers' steam, cooling, heating, and electricity needs, and which saw its sales volumes grow 79% YoY this quarter.

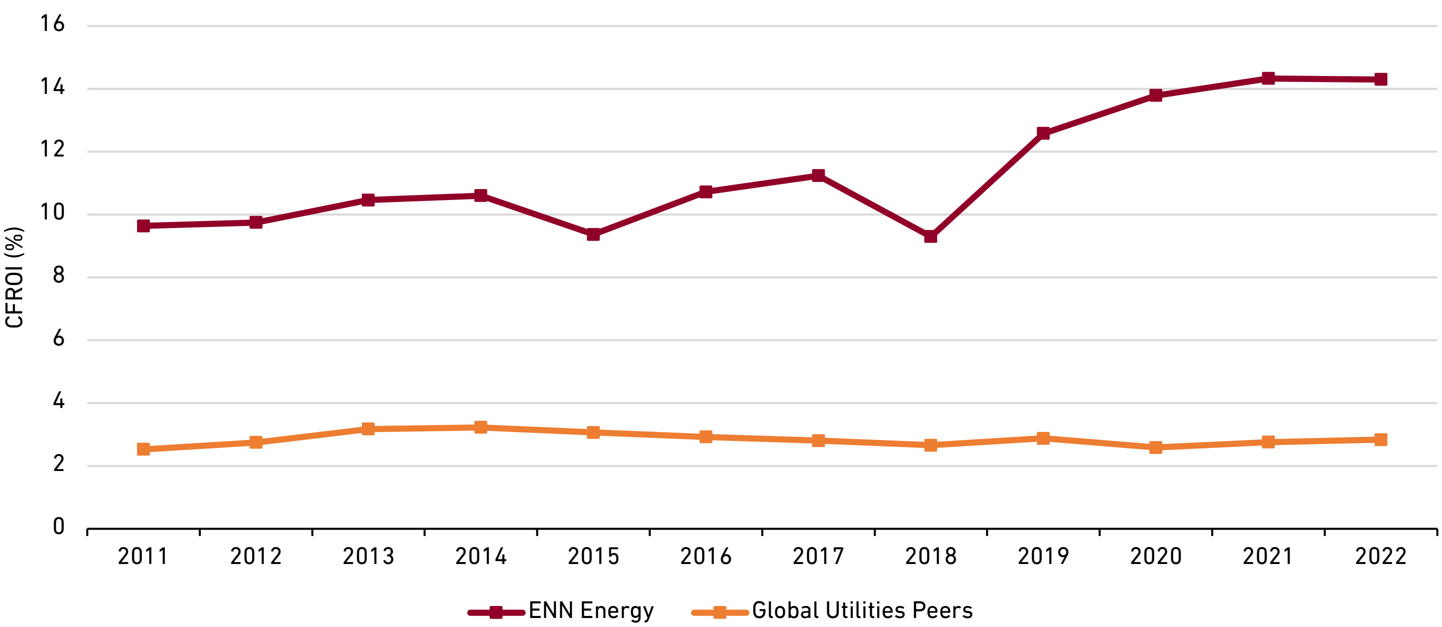
> We have come to accept the pattern of unpredictable regulatory change in China in recent years as part of the price of admission in investing in some of the world's most attractive high-quality growing companies.

In the US and Europe, open political debate tends to presage where new regulatory scrutiny is likely to fall, as well as the magnitude and scope of potential mandates, restrictions, or penalties. There are established legal processes by which companies can argue their side and courts to which they can appeal. In contrast, in less developed markets, regulatory action can come suddenly without warning, and allow companies no opportunity to argue their case or avenue for appeal. We have experienced this kind of seemingly arbitrary regulatory action in China in recent years: from the 2018 freezing of new video game approvals that harmed Tencent and NetEase; to the 11th-hour suspension of Ant Group's initial public offering due to financial regulatory reforms, and the forced seclusion of Jack Ma, founder of its parent company, Alibaba; to recent proposals to restrict the provision of supplementary tutoring. In each instance, investors (present party included) have suffered from the unpredictable regulatory change, a pattern of caprice we have come to accept as part of the price of admission to investing in some of the world's most attractive high-quality growing companies.

We should note that in addition to incorporating country level regulatory considerations into our Porter forces assessments and growth forecasts, we also use country level risk differentials to adjust the discount rates we use in our valuation models—and on this score China only falls to the middle of the pack. We require higher risk premia to be reflected in discount rates for companies operating in countries with higher legal, governance, and regulatory risks or weak governmental finances (which often lead to a grasping regulatory hand). To assess comparative country risk, we use third-party measures of political stability, rule of law, corruption, and openness of markets from the World Bank's Worldwide Governance Indicators and the Heritage Foundation's Index of Economic Freedom, and sovereign credit ratings from ratings agencies. Together, these risk adjustments lead to country-level real (i.e., after subtracting inflation) discount rates as high as 8.0% for Venezuela, 6.2% for China, and as low as 5.2% for Switzerland and Singapore.

Our monitoring of regulatory risks faced by industries and companies along with our country-level real discount rate premiums tend to tilt us toward markets with lower

Real Cash Flow Return on Investment of ENN Energy vs. Utilities Peers



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

risk exposure, and away from more vulnerable ones. But predicting which industries, countries, or companies may face unfavorable regulatory change is a hugely imprecise task. These differences in discount rates may not account sufficiently for the capriciousness of regulators. Therefore, our portfolio investment guidelines constrain industry, country, and individual security weights to ensure a high level of diversification and thereby limit the potential impact of regulatory (as well as other) shocks that we fail to foresee. The recent unforeseen shifts in China's regulation of fintech and e-commerce illustrate how limiting our holding in a single country or company—such as Alibaba—can mitigate our exposure.

Lest we leave the impression that regulation and regulatory changes provide only risk and not their own form of opportunity, consider the global automotive industry, where environmental regulations such as emissions and fuel-efficiency standards have increased manufacturing costs, but have also sparked innovation, providing potential growth opportunities for innovative suppliers able to walk the tight rope between regulatory mandates and market preferences. Likewise, the entire Health Care sector faces perennial regulatory pressure as governments implement various methods of constraining the prices of medical treatments. It is just over a decade since we sold nearly half of our Health Care holdings in a single quarter out of reasonable fear that the Obama Administration would create a powerful health care entity that could control pricing and volume of drug sales in the US, crushing the profitability of pharma companies operating there, so we have been alert to the regulatory risks entailed in that industry. But Health Care is currently one of our largest sector weights, significantly greater than the index weight. The pharmaceutical industry enjoys key benefits bestowed by legal and regulatory frameworks—patent protection for new drugs (which keeps rivalry at bay), safety regulations (which raises the bar for less-experienced new entrants), and government funding of drugs for large portions of the population—that have kept returns to investing in research, development, and drug manufacturing high for many decades. This regulatory framework, though altered from time to time, has been effective at sustaining innovation in drug development, to the benefit of many patients not only within the US, but throughout the world. It also underpins the long-term growth of many of our Health Care holdings.

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 15 companies and selling 21. We ended the quarter with 219 holdings in the portfolio.

By sector, our exposure to Consumer Discretionary increased during the quarter while our exposure to Consumer Staples and Financials came down. We continued to maintain an underweight in Consumer Discretionary and Financials, and an overweight in Consumer Staples. Our exposure to Health Care increased, mostly from outperformance, although we also made a handful of purchases in the sector. By region, exposure to EMs increased while EMU decreased. Our exposure to Japan came down due to that region's continued underperformance. All three regions remain overweight positions for the portfolio.

In Consumer Discretionary, we made several purchases, including **Evolution Gaming** and **Allegro**. Evolution is the global leader of live-format casino and game-show games, in which dealers and croupiers interact in real-time with anonymized players. Evolution provides fully integrated white-label solutions to its hundreds of business customers, the consumer-facing online gambling sites, through whom it earns a percentage of every dollar bet. The company enjoys low asset intensity and extremely high operating leverage, as well as a certain amount of insulation from the regulatory risk and costly player-acquisition and -retention costs that are part of the price of rapid growth for the online gambling industry. Allegro is the dominant e-commerce company in Poland with a market share 10x that of its next largest competitor. The business, helmed by an Amazon veteran, enjoys tailwinds from rising penetration of online retail in Poland.

In Consumer Staples, we sold several holdings, including Japan-based household and personal care manufacturer **Kao**, whose growth prospects are being challenged from several directions. Chinese diaper sales, once among the company's largest drivers of growth, have slumped in the face of stiffer competition (both from other international and Chinese home-grown players) while facing an even more uncertain future from China's declining birth rates. Our analyst is also skeptical that Kao's new global cosmetics platform will be able to gain traction against stronger multi-national brands such as Shiseido. We also sold Germany-based plant breeder **KWS** and South Korea-based cosmetics conglomerate **Amorepacific**, both due to excessive valuations.

> Because electric vehicle (EV) powertrains still produce large amounts of heat and are more sensitive to temperatures, EVs require better thermal management components, whose value could increase from $10 per gas-powered car to more than $1,000 per EV for top-tier component suppliers like **Sanhua**.

In EMs, when regulatory scrutiny of the Chinese tutoring sector began to intensify toward quarter end, we sold (and un-rated) TAL and New Oriental. Elsewhere in China, though, attractive valuations led us to add to several of our other holdings and to some new purchases, including Sanhua and **Hongfa Technology**, a pair of companies introduced to our research universe by our new China analyst Lee Gao. In both instances, the companies' scale and operating efficiencies position them well to benefit from surging demand, inside China and out, for electric vehicles

(EVs). Sanhua is a leading supplier of thermal management components for home appliances (where it enjoys 50% global market share in some component types) and cars. Because electric powertrains still produce large amounts of heat and are more sensitive to temperatures compared to internal combustion engine (ICE) powertrains, EVs require better thermal management components, whose value could increase from $10 per ICE car to more than $1,000 per EV for top-tier component suppliers like Sanhua. Hongfa is the largest global maker of relays, another auto part seeing a step change in content value and price from the transition to EVs, in this case due to the higher voltages used by the vehicles.

In EMU, on top of our exit from KWS, valuation concerns prompted our sale of Italy-based hearing aid retailer **Amplifon**. We also sold **Linea Directa**, a direct car insurer, which was spun off from Spanish bank **Bankinter**.

International Equity Research 25 Largest Holdings (as of June 30, 2021)

Company	Country	Sector	End Wt.(%)
Reply (IT consultant)	Italy	Info Technology	1.1
Brenntag (Chemical distribution services)	Germany	Industrials	1.1
DBS Group (Commercial bank)	Singapore	Financials	1.1
OCBC Bank (Financial services)	Singapore	Financials	1.1
BMW (Automobile manufacturer)	Germany	Cons Discretionary	1.0
Emaar Properties (Real estate developer and manager)	United Arab Emirates	Real Estate	1.0
SE Banken (Commercial bank)	Sweden	Financials	1.0
Rio Tinto (Mineral miner and processor)	United Kingdom	Materials	1.0
Royal Dutch Shell (Oil and gas producer)	United Kingdom	Energy	1.0
Richemont (Luxury goods manufacturer)	Switzerland	Cons Discretionary	1.0
BHP (Mineral miner and processor)	Australia	Materials	1.0
ASSA ABLOY (Security equipment manufacturer)	Sweden	Industrials	1.0
Hakuhodo (Marketing and advertising services)	Japan	Comm Services	1.0
Banco Santander (Commercial bank)	Spain	Financials	0.9
NITORI (Home-furnishings retailer)	Japan	Cons Discretionary	0.9
ASML (Semiconductor equipment manufacturer)	Netherlands	Info Technology	0.9
Rubis (Liquid chemical storage and distribution)	France	Utilities	0.9
Couche-Tard (Convenience stores operator)	Canada	Cons Staples	0.9
Henkel (Consumer products manufacturer)	Germany	Cons Staples	0.9
Stanley Electric (Automotive lighting manufacturer)	Japan	Cons Discretionary	0.9
Allianz (Financial services and insurance provider)	Germany	Financials	0.9
Alfa Laval (Industrial equipment manufacturer)	Sweden	Industrials	0.9
Alcon (Eye care products manufacturer)	Switzerland	Health Care	0.9
Symrise (Fragrances and flavors manufacturer)	Germany	Materials	0.9
ASM Pacific Technology (Semiconductor eqpt. manufacturer)	Hong Kong	Info Technology	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.

2Q21 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL IER	Avg. Weight ACWI ex-US	Effect
Reply	INFT	1.0	0.0	0.22
Silergy	INFT	0.3	<0.1	0.15
Imperial Oil	ENER	0.8	<0.1	0.14
Dechra	HLTH	0.7	0.0	0.14
Richemont	DSCR	0.9	0.2	0.13

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL IER	Avg. Weight ACWI ex-US	Effect
Inovance	INDU	0.4	0.0	0.47
Alibaba	DSCR	0.3	2.0	0.43
Nestlé*	STPL	0.0	1.4	0.32
Fast Retailing	DSCR	0.7	0.2	0.29
Richemont	DSCR	0.8	0.2	0.26

2Q21 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL IER	Avg. Weight ACWI ex-US	Effect
HomeServe	INDU	1.0	0.0	-0.28
Komatsu	INDU	1.0	0.1	-0.22
Rinnai	DSCR	0.8	<0.1	-0.18
Kubota	INDU	1.0	0.1	-0.14
Hakuhodo	COMM	1.1	<0.1	-0.13

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL IER	Avg. Weight ACWI ex-US	Effect
TSMC	INFT	0.5	1.8	-0.59
Chugai Pharmaceutical	HLTH	0.9	0.1	-0.54
Vopak	ENER	0.8	0.0	-0.40
Shionogi	HLTH	0.4	0.1	-0.37
HomeServe	INDU	0.8	0.0	-0.35

*Company was not held in the portfolio; its absence had an impact on the portfolio's return relative to the index.

Portfolio Characteristics

Quality and Growth	HL IER	ACWI ex-US
Profit Margin[1] (%)	10.2	10.5
Return on Assets[1] (%)	6.2	4.8
Return on Equity[1] (%)	11.0	10.9
Debt/Equity Ratio[1] (%)	43.6	60.7
Std. Dev. of 5 Year ROE[1] (%)	3.5	3.9
Sales Growth[1,2] (%)	5.1	4.2
Earnings Growth[1,2] (%)	5.3	5.9
Cash Flow Growth[1,2] (%)	9.9	9.0
Dividend Growth[1,2] (%)	8.0	6.4
Size and Turnover	**HL IER**	**ACWI ex-US**
Wtd. Median Mkt. Cap. (US $B)	21.7	48.4
Wtd. Avg. Mkt. Cap. (US $B)	48.4	106.5
Turnover[3] (Annual %)	44.7	–

Size and Valuation	HL IER	ACWI ex-US
Alpha[2] (%)	1.34	–
Beta[2]	0.98	–
R-Squared[2]	0.97	–
Active Share[3] (%)	82	–
Standard Deviation[2] (%)	14.41	14.46
Sharpe Ratio[2]	0.81	0.72
Tracking Error[2] (%)	2.4	–
Information Ratio[2]	0.51	–
Up/Down Capture[2]	101/95	–
Price/Earnings[4]	24.1	18.6
Price/Cash Flow[4]	17.2	11.5
Price/Book[4]	2.4	2.0
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 (Risk characteristics): eVestment Alliance (eA); Harding Loevner International Equity Research Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: July 5, 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 June 30, 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]	7.48	7.10	9.45	9.17	17.38	17.35	17.48	N.A.[6]	1	15	77,155
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 March 31, 2021. 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; 0.40% of amounts from $250 million to $500 million; above $500 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 and the performance inception date is January 1, 2016.

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