

# International Small Companies Equity



Monthly Update | August 2021

## Performance (% Total Return)

Periods ended August 31, 2021 <sup>1</sup>	1 Month	YTD	1 Year	3 Years <sup>2</sup>	5 Years <sup>2</sup>	10 Years <sup>2</sup>	Since Inception <sup>2,3</sup>
HL International Small Companies (Gross)	5.25	18.18	38.11	15.36	16.28	12.30	10.63
HL International Small Companies (Net)	5.17	17.42	36.74	14.11	15.06	11.10	9.43
MSCI All Country World ex-US Small Cap Index <sup>4,5</sup>	2.34	16.05	35.99	11.43	11.91	8.71	6.28

## Portfolio Positioning (% Weight)

Sector	HL ISC	MSCI ACWI ex-US SC	(Under) / Over
Info Technology	27.1	12.1	15.0
Comm Services	9.3	4.1	5.2
Health Care	12.6	7.6	5.0
Cons Staples	9.1	5.6	3.5
Cash	1.9	–	1.9
Energy	1.3	2.3	-1.0
Utilities	1.8	3.2	-1.4
Industrials	18.3	21.3	-3.0
Financials	6.7	10.4	-3.7
Materials	6.8	10.7	-3.9
Cons Discretionary	4.3	12.1	-7.8
Real Estate	0.8	10.6	-9.8

Geography	HL ISC	MSCI ACWI ex-US SC	(Under) / Over
Europe ex-EMU	31.5	24.4	7.1
Frontier Markets <sup>6</sup>	6.9	–	6.9
Europe EMU	20.8	14.5	6.3
Cash	1.9	–	1.9
Other <sup>7</sup>	1.0	–	1.0
Middle East	1.6	1.9	-0.3
Emerging Markets	20.5	24.4	-3.9
Canada	2.1	6.3	-4.2
Japan	13.2	19.1	-5.9
Pacific ex-Japan	0.5	9.4	-8.9

## Investment Perspectives

### Market

International small caps rose in August, led by the priciest stocks in the MSCI ACWI ex-US Small Cap Index. This was a notable difference from earlier in the year, when cheaper stocks strongly outperformed. Financials performed best, while Consumer Discretionary companies struggled, as renewed pandemic and supply-chain concerns hurt results. Europe—both inside and outside the monetary union—outperformed, helped by generally good earnings growth. Japan also outperformed, though it is still trailing the index by about 1,100 basis points year-to-date as pandemic restrictions grip the country.

### Portfolio

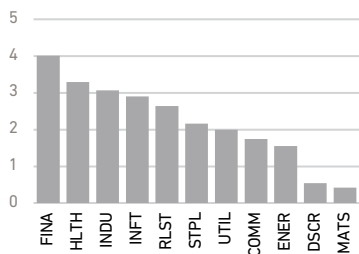
Information Technology (IT) services companies have enjoyed unprecedented demand as clients seek to migrate to cloud-based systems, improve mobile computing capabilities, and incorporate artificial intelligence into their operations. Several of our IT holdings, including **Alten** and **Reply**, are well positioned to capture growth from these trends. Alten, a French engineering-services and IT consultant, has benefitted from rising demand for outsourced R&D services from industrial companies that do not have in-house expertise. Reply, an Italian IT service provider, has used its small, nimble teams of experts to focus on higher-end technology services. Importantly, unlike many of their larger-cap counterparts, these small-cap IT services companies are not burdened with maintaining legacy systems, such as client-server-based software applications.

## Ten Largest Holdings

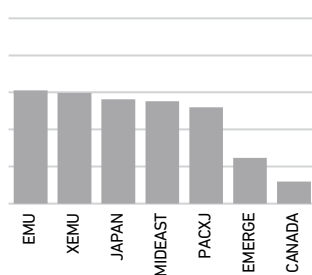
Company	Market	Sector
Reply	Italy	Info Technology
Hoa Phat Group	Vietnam	Materials
STRATEC	Germany	Health Care
Dechra	UK	Health Care
Alten	France	Info Technology
Senior	UK	Industrials
TOMRA	Norway	Industrials
Globant	Argentina	Info Technology
Keywords Studios	UK	Info Technology
Kinaxis	Canada	Info Technology

## Benchmark Performance | Aug.

Total Return by Sector (%)

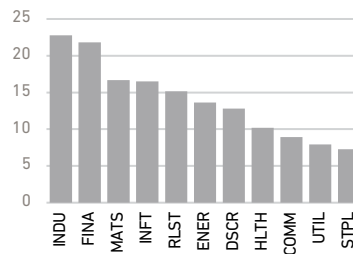


Total Return by Geography (%)

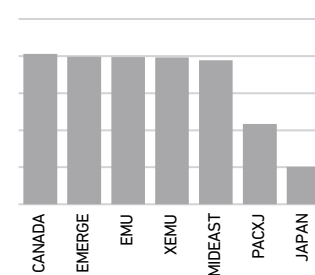


## Benchmark Performance | YTD

Total Return by Sector (%)

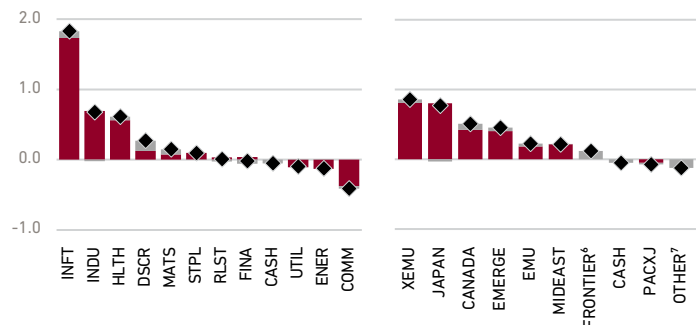


Total Return by Geography (%)



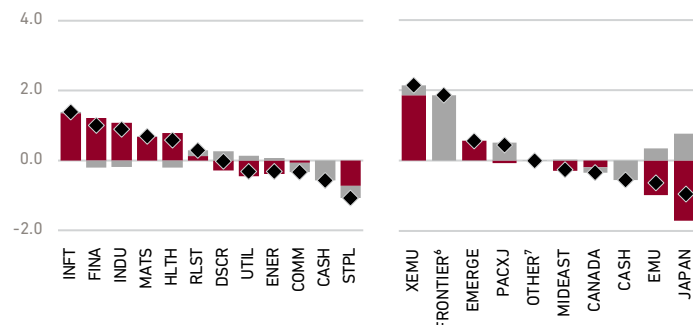
## Performance Attribution | Aug.

Effect (%)	Selection	Allocation	Total
Sector	2.7	0.2	2.9
Geography	2.8	0.1	2.9



## Performance Attribution | YTD

Effect (%)	Selection	Allocation	Total
Sector	3.3	-1.0	2.3
Geography	-0.8	3.1	2.3



- In IT, services companies **Globant** in Argentina and Reply both benefitted from broad demand for digitalization services. Additionally, shares of supply chain management software provider **Kinaxis** surged after the company reported strong second-quarter growth in recurring revenue.
- In Communication Services, Swedish video game company **Paradox Interactive** reported weaker-than-expected earnings in August, while Indonesian telecom operator **Sarana Menara Nusantara** gave back some of its strong July performance.
- In the UK, shares of life sciences company **Abcam** rose after the company announced it will acquire US-based BioVision, which develops and distributes a variety of life sciences research tools.

- In Frontier Markets, a new state-of-the-art plant has enabled Vietnamese steelmaker **Hoa Phat Group** to profitably meet skyrocketing demand fueled by a domestic building boom.
- In the UK, shares of aerospace technology producer **Senior** rose sharply in late May after a private equity firm made a cash offer to purchase the company, which the board rejected. Senior's core business is also expected to return to positive revenue growth in the second half of the year.
- In Consumer Staples, Japanese seasonings maker **Ariake** suffered from extended lockdowns, with home meal kits sold by supermarkets and convenience stores failing to offset deteriorating restaurant sales.

## Top Five Contributors/Detractors (%) | Aug.

to Relative Returns

Contributors	Market	Sector	Index Weight	Effect
Globant	Argentina	INFT	-	0.56
Kinaxis	Canada	INFT	0.1	0.38
Reply	Italy	INFT	0.1	0.38
SMS	Japan	INDU	<0.1	0.35
Cyberark	Israel	INFT	-	0.23
<b>Detractors</b>				
Sarana Menara Nusantara	Indonesia	COMM	-	-0.18
Paradox Interactive	Sweden	COMM	<0.1	-0.14
Core Laboratories	US	ENER	-	-0.12
Cheil Worldwide	South Korea	COMM	-	-0.11
Rubis	France	UTIL	0.1	-0.11

## Top Five Contributors/Detractors (%) | YTD

to Relative Returns

Contributors	Market	Sector	Index Weight	Effect
Hoa Phat Group	Vietnam	MATS	-	1.75
Reply	Italy	INFT	0.1	1.46
Senior	UK	INDU	<0.1	1.15
Max Financial	India	FINA	0.1	0.75
Dechra	UK	HLTH	0.1	0.67
<b>Detractors</b>				
Paradox Interactive	Sweden	COMM	<0.1	-1.31
Ariake	Japan	STPL	<0.1	-0.74
Stanley Electric	Japan	DSCR	-	-0.71
Fuchs Petrolub	Germany	MATS	-	-0.67
Rubis	France	UTIL	0.1	-0.64

## Endnotes

(1) The August 2021 Composite performance shown is preliminary (2) Annualized returns (3) Inception date: December 31, 2006 (4) The benchmark index (5) Gross of withholding taxes (6) Includes countries with less-developed markets outside the index (7) Emerging markets or frontier markets companies listed in developed markets.

## Sources

Benchmark Performance: FactSet; MSCI Inc. and S&P.

Sector/Geographic Attribution: FactSet; Harding Loevner International Small Companies Composite; MSCI Inc. and S&P.

Sector/Geographic Positioning and Ten Largest Holdings: FactSet; Harding Loevner International Small Companies Model; MSCI Inc. and S&P.

## Disclosures

Past performance does not guarantee future results. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

For comparison purposes the Composite return is measured against the MSCI All Country World ex-US Small Cap Index (Gross). Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through March 31, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The International Small Companies Composite has had a performance examination for the periods January 1, 2007 through March 31, 2021. The verification and performance examination reports are available upon request. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the International Small Companies Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://www.hardingloevner.com). The firm maintains a complete list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds, which are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The MSCI All Country World ex-US Small Cap Index is a free-float market capitalization index that is designed to measure small cap developed and emerging market equity performance. The Index consists of 49 developed and emerging market countries, and is comprised of companies that fall within a market capitalization range of USD 3-11,647 million (as of June 30, 2021). You cannot invest directly in this index.

Companies held in the portfolio during the month appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the securities identified has been or will be profitable. The portfolio holdings identified above do not represent all of the securities held in the portfolio. To request a complete list of holdings for the past year, please contact Harding Loevner. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and relative contribution to return of all holdings during the month.

Portfolio holdings, portfolio attribution, contributors and detractors, and sector/geographic portfolio positioning are supplemental information only and complement a fully compliant International Small Companies Composite GIPS Presentation, which is available upon request. The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

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