International Small Companies Equity

Quarterly Report | Year End 2021

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Often underappreciated is the complexity of global communications infrastructure. These interlocking networks of fiberoptics, satellites, subsea cables, and towers aren't uniformly distributed—creating opportunities for locally based, often smaller telecommunication companies in places like Indonesia, Malaysia, and Mexico.

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Composite Performance

Total Return (%) — Periods Ended December 31, 2021[1]

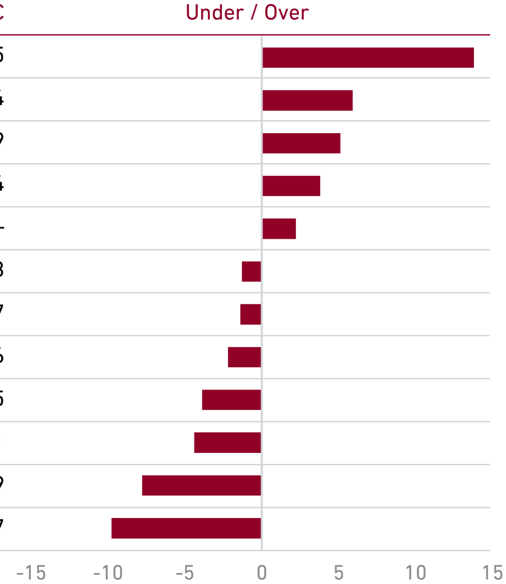
	3 Months	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL International Small Cos. (Gross of Fees)	2.77	14.71	21.83	15.79	13.36	10.16
HL International Small Cos. (Net of Fees)	2.52	13.60	20.54	14.57	12.15	8.97
MSCI All Country World ex-US Small Cap Index[4,5]	0.70	13.36	16.89	11.63	9.86	5.97

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: December 31, 2006; [4]The Benchmark Index; [5]Gross of withholding taxes.

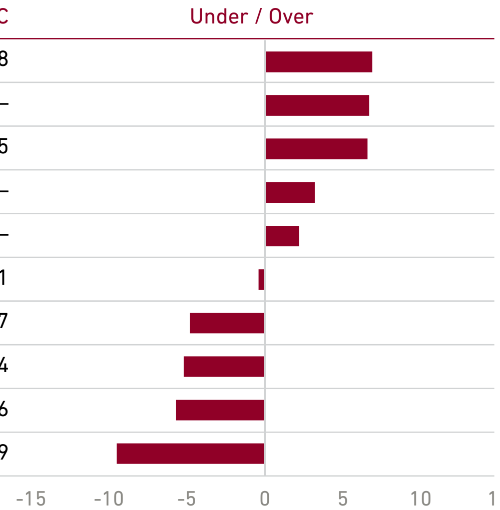
Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL ISC	ACWI ex-US SC
Info Technology	26.3	12.5
Comm Services	10.3	4.4
Health Care	12.0	6.9
Cons Staples	9.2	5.4
Cash	2.2	–
Utilities	2.0	3.3
Energy	1.3	2.7
Industrials	18.4	20.6
Financials	6.6	10.5
Materials	6.7	11.1
Cons Discretionary	4.1	11.9
Real Estate	0.9	10.7



Geography	HL ISC	ACWI ex-US SC
Europe ex-EMU	30.7	23.8
Frontier Markets[6]	6.7	–
Europe EMU	21.1	14.5
Other[7]	3.2	–
Cash	2.2	–
Middle East	1.7	2.1
Canada	1.9	6.7
Japan	13.2	18.4
Emerging Markets	18.9	24.6
Pacific ex-Japan	0.4	9.9



[6]Includes countries with less-developed markets outside the Index; [7]Includes companies classified in countries outside the Index.

Sector and geographic allocations are supplemental information only and complement the fully compliant International Small Companies Equity Composite GIPS Presentation. Source: Harding Loevner International Small Companies Equity 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 small capitalization stocks rose modestly in the fourth quarter, capping another year of strong returns. It was the third consecutive year that smaller international companies outperformed larger ones.

Consumer price inflation in the US reached 6.8% in the year to November, the highest rate since 1982, prompting Federal Reserve Chair Jerome Powell to retire the word "transitory" from his lexicon. The Fed assumed an unambiguously hawkish stance at its December meeting, signaling as many as three interest rate hikes in 2022 and an imminent end to its bond buying program. Other central banks moved more quickly: the Bank of England raised its main interest rate for the first time since the onset of the pandemic to combat the country's highest inflation in a decade, and the European Central Bank announced it would end its bond buying program in March 2022.

China faced a different set of challenges. Its economic growth stalled amid a slowdown in construction spending after several heavily indebted property developers, including the gargantuan Evergrande, defaulted on bond payments. In response, the People's Bank of China loosened monetary policy by reducing the amount of cash that banks must hold in reserve and cutting its benchmark one-year loan prime rate by five basis points.

MSCI ACWI ex-US Small Cap Index Performance (USD %)

Geography	4Q 2021	Trailing 12 Months
Canada	3.9	23.5
Emerging Markets	1.4	19.3
Europe EMU	1.2	15.1
Europe ex-EMU	3.6	15.7
Japan	-7.7	-1.9
Middle East	13.8	37.9
Pacific ex-Japan	3.7	11.3
MSCI ACWI ex-US Small Cap Index	0.7	13.4
Sector	**4Q 2021**	**Trailing 12 Months**
Communication Services	-0.4	8.1
Consumer Discretionary	-2.5	7.3
Consumer Staples	-6.4	-2.5
Energy	-1.4	27.6
Financials	0.6	20.0
Health Care	-5.0	-1.1
Industrials	0.5	19.9
Information Technology	7.0	19.2
Materials	2.2	14.6
Real Estate	4.7	13.5
Utilities	2.2	9.2

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

Just as supply chain bottlenecks showed signs of easing, the emergence of Omicron in November threatened to upend the progress. Markets were rattled by an explosion of cases in South Africa and Europe and the reintroduction of lockdowns. Chinese officials, still aiming for zero transmission, locked down a city of more than 200,000 following a single coronavirus case while, in the US, new cases eclipsed last winter's peak. Preliminary data from the UK and South Africa suggesting that Omicron causes milder disease, especially for those with some immunity from vaccination or prior infection, tempered concerns at year-end.

The year had begun with investors in an optimistic mood, as accelerating vaccination efforts ushered in a burgeoning economic recovery after a jarring 2020. Cyclical stocks rallied, banks rebounded, and the price of industrial commodities such as oil and copper surged. But the outlook darkened as the year progressed: resurgent consumer demand, turbocharged by fiscal stimulus and large household cash balances accumulated during lockdowns, ran headlong into pandemic-related supply chain constraints, pushing inflation rates up to levels not seen in decades.

With markets focused on central bank tightening and inflation, the most cyclical sectors saw the fourth quarter's largest gains. This included Financials, one of the strongest performing sectors for the full year as well. Information Technology (IT), the top-performing sector in the quarter, was another top performer for the year, helped by semiconductor stocks which continue to be borne aloft by the ongoing chip shortage. Less economically sensitive sectors such as Consumer Staples and Health Care were the weakest performing sectors both during the quarter and year.

Region returns were influenced by similar factors. The two best performing regions in 2021, Canada and Emerging Markets (EMs), are heavily weighted towards cyclical commodity-driven sectors. However, EM performance was negatively influenced by regulatory crackdowns on various industries in China, which heavily weighed on sentiment. Japan was the sole region with negative returns for the year after weakness in the fourth quarter reversed strong returns in the third. Prime Minister Fumio Kishida had been expected to deliver long-needed economic reforms, but those hopes were dashed when, in pursuit of his "new capitalism" (which has been likened to Chinese President Xi Jinping's "common prosperity"), he floated the ideas of raising Japan's capital gains tax and limiting share buybacks.

Despite a pair of cyclical stock rallies bookending the year, style effects for the year as a whole favored growth and quality more than value. The fastest-growing companies outperformed the

Companies held in the portfolio at the end of the year appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at December 31, 2021 is available on page 9 of this report.

slowest-growing by 548 basis points in the fourth quarter, and a lofty 1,137 basis points for the year, and the highest-quality companies—those with low leverage and low volatility of returns on capital—outperformed the lowest-quality companies by a 627 basis points in the quarter, and 779 basis points in the year.

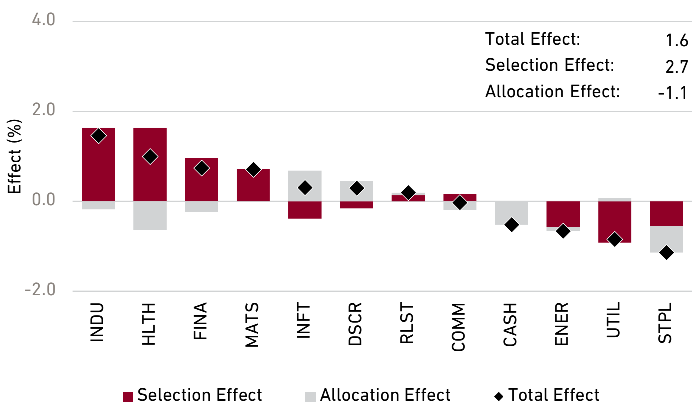
Performance and Attribution

The International Small Companies Composite returned 2.8% in the fourth quarter gross of fees, besting the 0.7% gain of the MSCI ACWI ex-US Small Cap Index. Strong stock selection drove outperformance from both a sector and region perspective. For the full year, the composite gained 14.7%, which was above the 13.4% rise of the Index.

Trailing 12 Months Performance Attribution

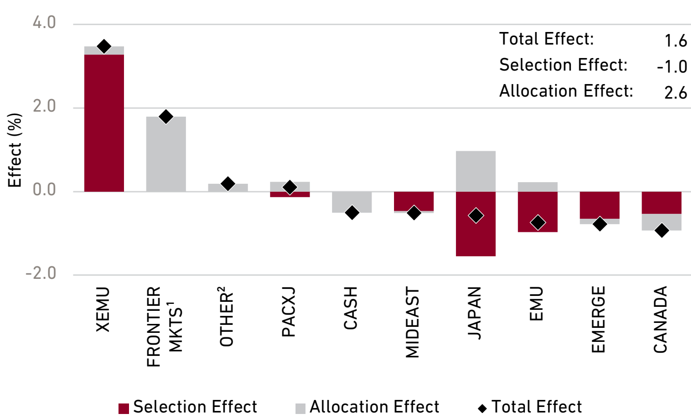
Sector

International Small Companies Composite vs. MSCI ACWI ex-US Small Cap Index



Geography

International Small Companies Composite vs. MSCI ACWI ex-US Small Cap Index



[1]Includes countries with less-developed markets outside the Index; [2]Includes companies classified in countries outside the Index. Source: FactSet; Harding Loevner International Small Cos. 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.

Industrials contributed the most to returns in the quarter, followed by Communications Services holdings. Industrials was led by Norway-based **TOMRA**, the leading global maker of recycling sorting machines, which grew revenues by more than 15% as more European countries implemented new collection schemes. In Communication Services, UK-based **YouGov**, a provider of online market research and data analytics solutions, reported strong results, with broad-based growth across all geographies and products. The company also made several small acquisitions that should drive growth long term.

In FEMs, our holding in the Vietnam-based steel company Hoa Phat Group detracted, surrendering some of its strong year-to-date returns as global steel prices fell in lockstep with the embattled Chinese property sector.

By region, Europe ex-EMU led the way, partially offset by weakness from Frontier Emerging Markets (FEMs). In Europe EMU, **Vaisala**, a Finnish environmental and industrial measurement equipment maker, raised its full-year guidance for sales and earnings. The company has experienced particularly strong demand from life sciences customers who are using its continuous monitoring equipment to protect temperature-sensitive drugs and vaccines. In FEMs, our holding in the Vietnam-based steel company **Hoa Phat Group** detracted, surrendering some of its strong year-to-date returns as global steel prices fell in lockstep with the embattled Chinese property sector.

For the full year, stock selection was best in Industrials while Utilities detracted. **Bossard**, a Swiss-based distributor of fasteners, managed its supply chain skillfully, which, together with strong gains from its engineering and consulting services, allowed it to take share from logistically challenged competitors. In Utilities, France-based storage terminal and petroleum distributor **Rubis** reported weak sales in the Caribbean (one of its largest markets) and in its jet fuel business, both of which are still hurting from the slow recovery of tourism and commercial air travel.

For the year, stock selection by region was best in Europe outside the monetary union. UK-based **Dechra**, an animal health company with strong offerings in many drug categories, reported revenue and earnings growth of more than 20% in the second half of its fiscal year ended in June, as pet adoptions by socially distancing humans continued apace. Returns inside the EMU were weaker, largely due to Germany-based **TeamViewer**, our worst-performing holding for 2021. The remote access and monitoring company reported disappointing third-quarter revenue growth and lowered longer-term guidance as a large cohort of customers that had signed up at the start of the pandemic began to return to in-person work or switched to alternative providers. Long-term, however, we expect demand for remote services to continue, and with its leading position in industrial applications, we still think the company has an important edge over competitors.

Perspective and Outlook

Often under-appreciated is the complexity of the global communications infrastructure: data centers and interconnected networks of optical fiber, satellites, subsea cables, and cell towers, working together to deliver—instantaneously, when and where it is demanded—the information and entertainment that infuses our daily lives. The infrastructure isn't uniformly distributed, however. New technologies are typically rolled out first in developed markets, where wealthy consumers can afford the rate increases that support the upgrade costs. For example, by 2025, fifth-generation (5G) cellular networks are expected to reach 68% of the population in the US but only 19% in Malaysia, 14% in Mexico, and 11% in Indonesia.

Plugging such gaps present huge opportunities for locally based, often smaller telecommunications companies. Demand for telecommunications technology in developing countries, after all, is growing fast. As incomes rise, the cost of connectivity declines, and digital offerings—from streaming services to e-commerce to remote education—proliferate, consumers, developed and emerging alike, desire faster mobile and fixed-line data speeds. Since 2015, domestic telecommunication companies (telcos) in Indonesia have spent US$14 billion upgrading their mobile networks from 2/3G to 4G, resulting in 95% coverage of the population and 50% compounded annual growth rate (CAGR) in the country's mobile data consumption. The spending is buttressed by government incentives and supportive regulations, along with massive investment in undersea cable-laying by US tech giants Microsoft, Alphabet, Meta, and Google, usually in collaboration with local players.

Since 2015, domestic telecommunication companies in Indonesia have spent US$14 billion upgrading their mobile networks from 2/3G to 4G, resulting in a 50% compounded annual growth rate in the country's mobile data consumption.

As is the case with adoption of other forms of technology subject to rapid change, emerging market telcos benefit from being able to see what has worked (and not worked) in developed markets. This can allow them to advance efficiently by leapfrogging transitional technologies and approaches. "Cord cutting," for instance, an existential challenge for US cable operators that have grown reliant on charging for bundles of premium channels, is less of a factor in markets where there are far fewer coaxial cables running into homes to start with, and service providers can build their infrastructure and offerings from the ground up around broadband internet packages made for streaming entertainment.

At the same time, competitive forces in emerging telco markets are no less intense, or less rapidly shifting, than they are in developed markets. High barriers to entry due to the large capital outlays involved tend to protect incumbent operators, but often fail to shield against substitution risk as newer technologies emerge. As in the US, the distinctions among types of companies in terms of who does what are continually blurring. Just as Comcast and Charter Communications are delving into mobile services and Verizon and AT&T have begun leveraging their cellular infrastructure (much of which is connected by cables) to offer residential fiber services, so, too, are Mexican cable companies competing for mobile share and Malaysian cable wholesalers sliding downstream into wiring individual apartments.

Analyzing the opportunities in international small cap telecoms thus requires a nuanced understanding of local industry structure and regulation, and of where each market is in its evolution. To illustrate, below we discuss aspects of telecom infrastructure and competitive structure in three emerging telecom markets at different stages of evolution, as well as several related companies held in the portfolio.

Indonesia—mobile infrastructure

By the end 2021, Indonesia was estimated to have reached 199 million mobile users, making it the fourth-largest mobile market in the world after China, India, and the US. On many mobile metrics, in fact, Indonesia closely resembles the US. Indonesians spend 5.2 hours a day using apps on their smart phones, while US consumers spend 4.2; Indonesians consume 9 GB of data per user per month, while US consumers use 11 GB. The main difference then? Mobile represents almost the *entirety* of Indonesian broadband access. With only 15% of households wired for fixed-line broadband, heavier-load activities like HD streaming and Zoom calls remain out of reach for most of the population that connects at 3G or 4G mobile speeds. That means the transition to 5G is critical to stimulating demand for those services.

President Joko Widodo's government acknowledged as much when it included the acceleration of 5G development in its 2020 "Ominibus Law," a sweeping pro-growth set of reforms that cuts red tape, rolls back labor protections, and opens many more sectors of the Indonesian economy to foreign investment. Among other changes, the law allows mobile companies to share the same spectrum, which should work to the benefit of the entire industry group, including the market's dominant telecommunications company, US$29 billion-market cap Telkom Indonesia.

Another set of winners should be Indonesia's two leading independent tower operators: **Tower Bersama** and **Sarana Menara Nusantara**. As in the US, the economics of the mobile industry are such that even deep-pocketed providers like Telkomsel (co-owned by Telkom Indonesia and Singapore's Singtel) are moving toward a co-location model, in which multiple providers share space on towers operated by independent companies. The arrangement works well for the tower companies, too. For each additional tenant added, some 80% of the revenue drops straight to the bottom line, leading Tower Bersama and Sarana Menara to enjoy EBITDA (earnings before interest, tax, depreciation, and amortization) margins of over 80%. To handle 5G, cellular networks need to be dense, and many of the additional towers and associated equipment needed to achieve that density will come from these two companies, which between them control half of all the country's towers. Sarana Menara's wholesale fiber installation unit should also benefit from the growing need of mobile operators to run more fiber optic cables to their cell towers to support higher connection speeds. "Fiberization" represented 15% of the company's 2020 sales and is projected to grow to 25% for 2021.

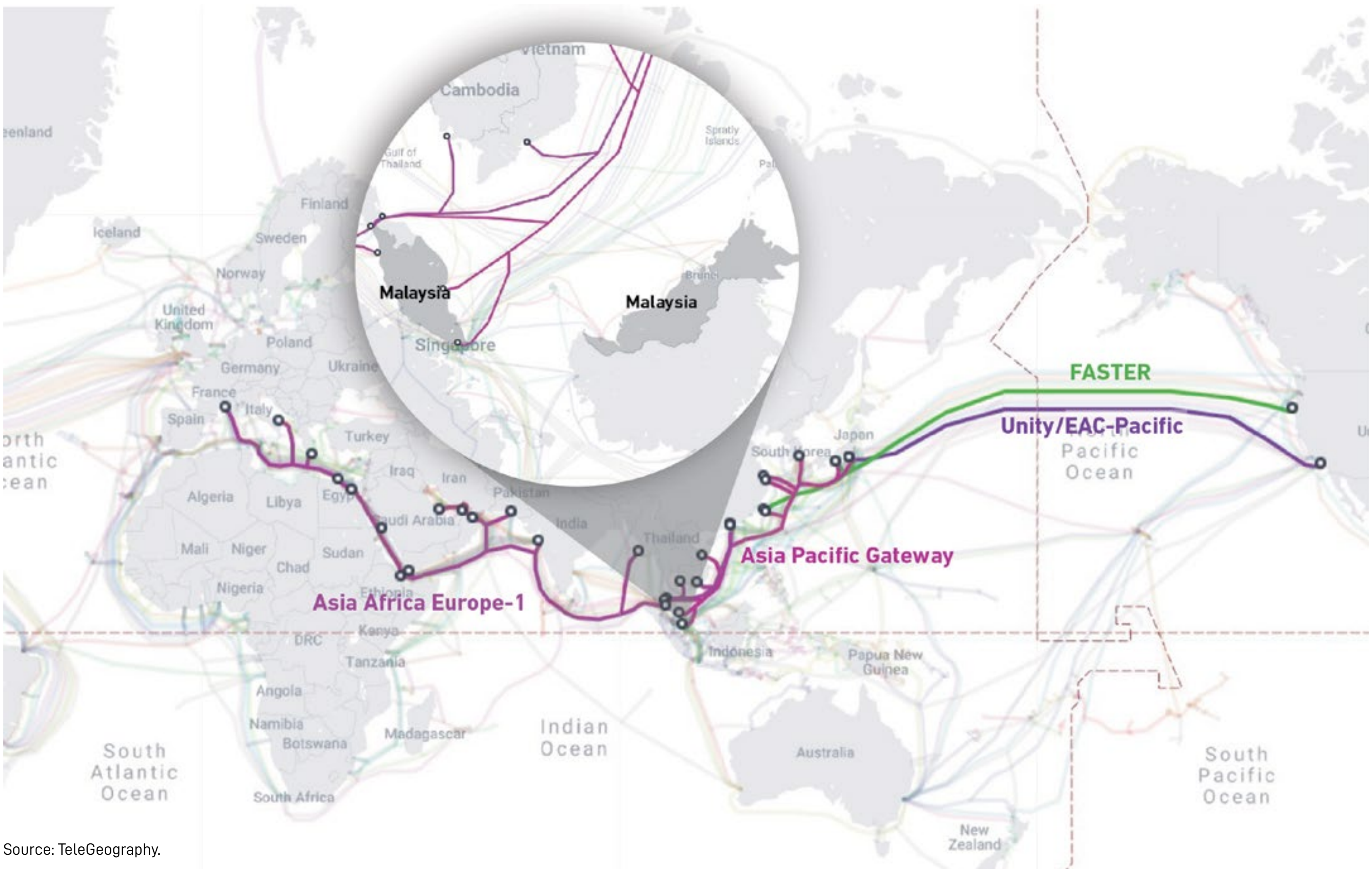
Malaysia—enterprise and residential fixed broadband

Look at a map of the world's subsea cables, and one of most striking features is how many of these vital transmission lines—responsible for carrying 95% of all intercontinental telecommunications and US$10 trillion in financial transactions a day—run through Malaysia. Part of the reason is geographic. The smallish country (population: 33 million) next door to Singapore is roughly equidistant from China, India, Japan, and Australia. Another reason for Malaysia's centrality in global telecommunications is economic. With a history of reasonably stable (if corrupt) governance, abundant, highly educated and relatively cheap labor, and rich energy and mineral reserves, Malaysia has long been among the fastest-growing and most open economies in the region, with a per capita GDP hovering just below the threshold for entry-level developed market status.

In 2008, after a dozen years of shoddy management at Malaysian internet service provider (ISP) **TIME dotCom Berhad**, the government pension fund, a major stakeholder in the company, intervened to force a takeover. The company is now run by Afzal Big Abdul Rahim, the founder of a Malaysian switching center that hosts 80% of the foreign telecommunications carriers routing communications through the country. Rahim refocused TIME dotCom's business around its wholesale and enterprise segments, which are estimated to represent a nearly US$5 billion addressable market. He bought up subsea cable rights and expanded the company's enterprise network to the region's other fast-growing economies. Today, the network encompasses stakes in four subsea cable systems and cloud data centers in Malaysia, Singapore, Thailand, and Vietnam, which together provide direct high-speed connections to two-thirds of the planet.

For several years Rahim's team has also been leveraging the company's wholesale fiber infrastructure to provide low-cost residential fixed broadband to high-rise apartment buildings in Malaysia, where fixed broadband penetration is only 39%. The initiative has received support from a government program in the form of dollar-for-dollar matching of new private fiber investments. The program also requires mobile operators to increase their transmission speeds ahead of the country's coming transition to 5G, which should prime demand for the fiberization services offered by the company. Today, only 50% of cell sites in Malaysia are fiberized. These three related opportunities position the company to grow at a roughly 9% CAGR over the next decade.

TIME dotCom's Share of the Undersea Cable Market



Source: TeleGeography.

Mexico—residential fixed broadband

Mexico is probably the telecommunications market that most closely resembles a time-lapsed version of the US. Unique mobile penetration is only 65%, with only a third of users on 4G, but fixed broadband penetration is relatively high at 62%. In 2010, when, America Móvil, the mobile giant controlled by billionaire Carlos Slim, acquired the fixed line provider Telmex, roughly two-thirds of both the mobile and fixed line domestic telecommunications markets fell under the thumb of one company. In 2014, the government put America Móvil on notice for its anticompetitive practices and haltingly began implementing reforms to reduce its market share. It's taken several years, but those actions have finally broken America Móvil's hold on the Mexican telecommunications market.

Megacable, the country's third largest cable provider, has been a chief beneficiary of the interventions, expanding its share of the fixed line market from 6.7% to 16.0% over the past eight years. Management was early in identifying the threat of cord cutting by cable TV subscribers and positioned the company as a low-cost provider of made-for-streaming broadband, especially among the working-class populations of smaller cities. Megacable recently announced a US$400 million residential fiber network expansion that aims to increase broadband penetration in Mexico City and other large cities, traditionally the turf of America Movil, Megacable's next largest rival Televisa, and a premium provider by the name of Totalplay. This plan has raised concerns over the elevated capex and increased competition, which have hurt Megacable's share price. However, it can be easy to underestimate the company's advantages. Management has shown a knack for keeping costs extremely low, translating to some of the highest (~50%) EBITDA margins of any cable operator in the world. In most of the new cities it is targeting, the company notes that it will be tapping into its existing optical fiber infrastructure, itself another important driver for the business.

> During a recent teleconference, executives at Comcast and Charter Communications told their counterparts at Megacable that, given the cost of labor in the US, they could hardly even *imagine* taking on an expansion on the order of what the company has planned.

For several years now, Megacable executives have participated in a strategic working group with their counterparts across the border at Comcast and Charter. During a recent teleconference, the US executives remarked that, given the high and rising cost of labor in the US, they could hardly even *imagine* taking on an expansion on the order of what Megacable has planned. As it is, we think the company's investments will drive meaningful growth of revenue and earnings for the next five to ten years.

Portfolio Highlights

Good investment decisions, almost by definition, should involve some discomfort. That has been our experience with Megacable, as well as with Taiwan-based Silergy, a maker of power management integrated circuits that we purchased in 2018 in the belief that its capable management team and differentiated technology positioned it for durable profit growth. Soon after our purchase, its gross margins declined. Rivalry in the industry was intensifying, but our analysis indicated that a bigger factor behind the margin decline was its increasing exposure to the faster-growing but lower-margin consumer segment. Our conversations with management convinced us they understood the problem and were determined to shift their mix toward higher-end industrial customers. It seemed to us only a matter of time before margins improved and our patience was rewarded. As the company broke through a market cap of US$13 billion during the recent quarter, we were forced to sell our holding. We should acknowledge that luck also played a role; we did not foresee the global shortage of semiconductors, which came to encompass power-management circuits and which has been a boon for Silergy.

> Not all our sales in the quarter were victory laps. Our confidence in ABC-Mart's ability to continue gaining enough market share to overcome the demographic challenge of peddling fashionable shoes in a rapidly aging society has finally come to an end.

Switzerland-based VAT Group, the leading provider of the valves for creating the vacuum chambers used in semiconductor fabrication clean rooms, was another purchase in 2018. Again, our thesis rested on a combination of strong management and differentiated product, which in this case we believed would carry the company through what was then a period of great uncertainty around semiconductor demand. As that uncertainty has been turned on its head, the market has come to better appreciate VAT's role in the semiconductor value chain, and its market cap has swelled to US$14 billion. While we continue to admire the company, our small companies portfolio must now do it from afar. These two sales, and the sale of the Dutch semiconductor business ASM International earlier in the year, also for market cap reasons, help explain the slight reduction in our longstanding overweight to IT.

Not all our sales in the quarter were victory laps. We initiated our position in ABC-Mart, Japan's leading footwear company, in 2013 because we thought its vertically integrated business model would allow it to gain share in a fragmented market and overcome the demographic challenge of peddling fashionable shoes in a rapidly aging society. While this has largely played out as expected—the company grew its revenues every year even as the Japanese shoe market shrank—the pandemic has handed the company its first contraction since our investment. As management has yet to develop a significant overseas presence to pick up the slack when it inevitably runs out of consolidation gains at home, we chose to withdraw. This sale and that of Finland-based tire maker Nokian earlier in the year contributed to a further increase in our underweight to the Consumer Discretionary sector.

Proceeds from these sales were directed towards several other existing positions currently facing their own bouts of negative market sentiment, including Rubis, TeamViewer, Japan-based baby goods maker **Pigeon**, and UK-based provider of subscription-based home repair service memberships **HomeServe**. Our increased investment indicates our continued belief in the long-term prospects of these businesses.

Car rental is a notoriously low-margin business that we ordinarily steer away from. But Localiza has achieved a commanding (~50%) share of the Brazilian rental car market, three times the share of its next closest rival.

Brazil-based **Localiza**, our sole new purchase this quarter, is yet another high-quality company with good growth prospects and a recently softened share price. Car rental is a notoriously low-margin business that we ordinarily steer away from. But Localiza has achieved a commanding (~50%) share of the Brazilian rental car market, three times the share of its next closest rival. This gives it huge economies of scale. As was the case with Silergy once upon a time, its current weakness in growth is being attributed to increased rivalry. But we see this "weakness" as a sign of capital discipline. With the chip shortage continuing to limit the supply of new autos, some rivals have been willing to overpay for cars, hurting relative availability at Localiza's counters. As soon as auto production normalizes, we expect Localiza to flex its scale and financial strength again to drive down its costs and retake market share, and to be rewarded in the long term for its laser focus on profitability and return on capital, combined with its fleet purchasing and resale savvy.

International Small Companies Holdings (as of December 31, 2021)

Communication Services	Market	End Wt. (%)
CD Projekt (Video game developer)	Poland	0.5
Cheil Worldwide (Marketing and advertising services)	South Korea	1.3
Megacable (Cable operator)	Mexico	1.7
Paradox Interactive (Video game publisher)	Sweden	1.3
Rightmove (Online property listings operator)	UK	1.0
Sarana Menara Nusantara (Telecom tower operator)	Indonesia	1.4
TIME dotCom Berhad (Telecom services)	Malaysia	0.6
Tower Bersama (Telecom infrastructure provider)	Indonesia	0.5
YouGov (Market research and data analytics services)	UK	2.0
Consumer Discretionary		
Eclat Textile (Technology-based textile manufacturer)	Taiwan	0.6
Jarir Marketing (Consumer products retailer)	Saudi Arabia	0.9
Rinnai (Consumer appliances manufacturer)	Japan	0.5
Stanley Electric (Automotive lighting manufacturer)	Japan	1.3
Thule Group (Lifestyle consumer products manufacturer)	Sweden	0.7
Consumer Staples		
Agthia (Foods and beverages manufacturer)	UAE	0.7
Ariake (Natural seasonings manufacturer)	Japan	1.3
Clicks Group (Drugstores operator)	South Africa	0.3
Cosmos Pharmaceutical (Drugstores operator)	Japan	1.2
Cranswick (Foods manufacturer)	UK	0.7
Edita Food Industries (Foods & cons. products retailer)	Egypt	0.9
Grupo Herdez (Processed foods manufacturer)	Mexico	0.9
Kernel (Foods and agricultural products manufacturer)	Ukraine	0.8
KWS SAAT (Agricultural products producer)	Germany	1.2
Pigeon (Consumer products manufacturer)	Japan	0.7
Rohto Pharmaceutical (Health & consumer products mfr.)	Japan	0.5
Energy		
Core Laboratories (Oilfield services)	US	0.4
Dialog Group Berhad (Petrochemical services)	Malaysia	0.6
Romgaz (Natural gas producer)	Romania	0.4
Financials		
Bank of Georgia (Commercial bank)	UK	1.8
Bankinter (Commercial Bank)	Spain	0.6
Discovery Holdings (Insurance provider)	South Africa	0.3
Max Financial (Financial services and insurance provider)	India	1.5
Rathbones (Wealth manager)	UK	0.7
Siauliu Bankas (Commercial bank)	Lithuania	1.7
Health Care		
Abcam (Life science services)	UK	2.3
BML (Oil distributor)	Japan	0.6
Dechra (Veterinary pharma manufacturer)	UK	2.6
EMIS Group (Health care software developer)	UK	1.3
Integrated Diagnostics (Medical laboratory services)	Egypt	0.7
Santen Pharmaceutical (Pharma manufacturer)	Japan	1.1

Health Care	Market	End Wt. (%)
Solasto (Medical admin outsourcing)	Japan	0.5
Square Pharmaceuticals (Pharma manufacturer)	Bangladesh	0.7
STRATEC (Life science products manufacturer)	Germany	2.2
Industrials		
Bossard (Industrial components supplier)	Switzerland	1.8
Clarkson (Shipping services)	UK	1.3
Diploma (Specialized technical services)	UK	2.1
Haitian International (Injection-molding machines mfr.)	China	1.0
HomeServe (Emergency repair services)	UK	1.0
Intrum Justitia (Credit management services)	Sweden	0.9
LISI (Industrial components manufacturer)	France	0.7
Localiza (Automobile rental services)	Brazil	1.4
MISUMI Group (Machinery-parts supplier)	Japan	0.5
Nihon M&A Center Inc. (Financial advisory)	Japan	0.5
Pfeiffer Vacuum (Vacuum pump manufacturer)	Germany	0.9
Senior (Aerospace and auto parts manufacturer)	UK	2.0
Sensata Technologies (Industrial sensors manufacturer)	US	0.6
SMS (Health care employment services)	Japan	2.0
TOMRA (Industrial sensors manufacturer)	Norway	1.6
Information Technology		
Advantech (Industrial PCs manufacturer)	Taiwan	0.6
Alten (Technology consultant and engineer)	France	2.7
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	0.5
Bechtle (IT services and IT products reseller)	Germany	2.1
Chipbond Technology (Electronic chip packager)	Taiwan	1.0
Cyberark (Cybersecurity software developer)	Israel	1.7
Globant (Software developer)	US	2.2
Infomart (Restaurant supply chain operator)	Japan	1.1
Keywords Studios (Video game technical services)	UK	2.0
Kinaxis (Supply chain software developer)	Canada	1.9
LEM Holdings (Electrical components manufacturer)	Switzerland	2.1
Network International (Electronic payment services)	UK	0.9
Reply (IT consultant)	Italy	4.1
SimCorp (Asset management software provider)	Denmark	0.5
TeamViewer (Remote connectivity software developer)	Germany	0.8
Vaisala (Atmospheric measuring devices manufacturer)	Finland	2.2
Materials		
Fuchs Petrolub (Lubricants manufacturer)	Germany	1.5
Hoa Phat Group (Steel producer)	Vietnam	3.1
JCU (Industrial coating manufacturer)	Japan	1.4
SH Kelkar (Fragrances and flavors manufacturer)	India	0.7
Real Estate		
Mabanee (Real estate developer and manager)	Kuwait	0.9
Utilities		
Rubis (Liquid chemical storage and distribution)	France	2.0
Cash		2.2

Model Portfolio holdings are supplemental information only and complement the fully compliant International Small Companies Composite 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.

4Q21 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
TOMRA	INDU	2.4	0.2	0.67
Vaisala	INFT	1.9	–	0.63
Alten	INFT	2.4	0.1	0.47
YouGov	COMM	1.8	–	0.45
Reply	INFT	3.9	0.1	0.34

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
Hoa Phat Group	MATS	3.6	–	1.62
Reply	INFT	3.3	0.1	1.55
Alten	INFT	2.1	0.1	0.82
Bossard	INDU	1.5	<0.1	0.74
Dechra	HLTH	2.3	0.1	0.73

4Q21 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
TeamViewer	INFT	1.0	–	-0.69
Hoa Phat Group	MATS	3.7	–	-0.45
Senior	INDU	2.1	<0.1	-0.34
Sarana Menara Nusantara	COMM	1.6	–	-0.27
Ariake	STPL	1.6	<0.1	-0.23

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
Paradox Interactive	COMM	1.5	<0.1	-1.17
Rubis	UTIL	2.1	0.1	-0.97
TeamViewer	INFT	0.5	–	-0.92
Fuchs Petrolub	MATS	1.9	–	-0.80
Ariake	STPL	1.6	<0.1	-0.75

Portfolio Characteristics

Quality and Growth	HL ISC	ACWI ex-US SC
Profit Margin[1] (%)	8.9	6.2
Return on Assets[1] (%)	7.5	4.2
Return on Equity[1] (%)	14.0	8.4
Debt/Equity Ratio[1] (%)	26.3	51.0
Std. Dev. of 5 Year ROE[1] (%)	3.7	4.6
Sales Growth[1,2] (%)	7.9	5.0
Earnings Growth[1,2] (%)	7.1	6.4
Cash Flow Growth[1,2] (%)	11.3	8.5
Dividend Growth[1,2] (%)	5.9	5.0
Size and Turnover	**HL ISC**	**ACWI ex-US SC**
Wtd. Median Mkt. Cap. (US $B)	3.4	2.4
Wtd. Avg. Mkt. Cap. (US $B)	4.4	3.0
Turnover[3] (Annual %)	21.8	–

Risk and Valuation	HL ISC	ACWI ex-US SC
Alpha[2] (%)	4.77	–
Beta[2]	0.92	–
R-Squared[2]	0.88	–
Active Share[3] (%)	97	–
Standard Deviation[2] (%)	16.61	17.03
Sharpe Ratio[2]	0.89	0.62
Tracking Error[2] (%)	5.8	–
Information Ratio[2]	0.72	–
Up/Down Capture[2]	105/88	–
Price/Earnings[4]	20.7	14.0
Price/Cash Flow[4]	14.3	9.1
Price/Book[4]	3.3	1.6
Dividend Yield[5] (%)	1.5	2.1

[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 Small Companies Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: January 4, 2022, based on the latest available data in FactSet on this date.); Harding Loevner International Small Companies Model, based on the underlying holdings; MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
Localiza	Brazil	INDU

Positions Sold	Market	Sector
ABC-Mart	Japan	DSCR
Silergy	Taiwan	INFT
VAT Group	Switzerland	INDU

The portfolio is actively managed therefore holdings identified above do not represent all of the securities held in the portfolio and holdings may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the tables above; and (2) a list showing the weight and relative contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the tables above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall relative performance over the period. 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 Small Companies Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

International Small Companies Equity Composite Performance (as of December 31, 2021)

	HL ISC Gross (%)	HL ISC Net (%)	ACWI ex-US Small Cap[1] (%)	HL ISC 3-yr. Std. Deviation[2] (%)	ACWI ex-US Small Cap 3-yr. Std. Deviation[2] (%)	Internal Dispersion[3] (%)	No. of Accounts	Composite Assets ($M)	Firm Assets ($M)
2021[4]	14.71	13.60	13.36	18.81	19.85	N.M.[5]	1	594	75,084
2020	20.14	18.81	14.67	19.78	20.97	N.M.	1	454	74,496
2019	31.30	29.83	22.93	12.36	11.60	N.M.	1	350	64,306
2018	-16.39	-17.34	-17.89	12.47	12.36	N.M.	1	165	49,892
2017	37.61	36.34	32.12	10.76	11.54	N.M.	3	323	54,003
2016	0.79	-0.22	4.29	10.78	12.15	N.M.	2	154	38,996
2015	5.83	4.63	2.95	10.26	11.32	N.M.	1	95	33,296
2014	-2.12	-3.14	-3.69	12.30	13.13	N.M.	3	157	35,005
2013	28.37	26.92	20.13	16.41	16.65	N.M.	3	166	33,142
2012	25.73	24.31	18.96	19.24	19.96	N.M.	2	119	22,658
2011	-11.90	-12.80	-18.21	23.37	23.89	N.M.	2	84	13,597

[1]Benchmark Index; [2]Variability of the Composite, gross of fees, and the Index returns over the preceding 36-month period, annualized; [3]Asset-weighted standard deviation (gross of fees); [4]The 2021 performance returns and assets shown are preliminary; [5]N.M.-Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year.

The International Small Companies Equity Composite contains fully discretionary, fee-paying accounts investing primarily in non-US equity and equity-equivalent securities of companies with market capitalizations that fall within the range of the Composite's benchmark index and cash reserves. For comparison purposes, the Composite is measured against the MSCI All Country World ex-US Small Cap Total Return Index (Gross). 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 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 47 developed and emerging market countries and is comprised of companies that fall within a market capitalization range of USD 143-16,020 million (as of December 31, 2021). You cannot invest directly in this index.

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 September 30, 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 Equity Composite has had a performance examination for the periods January 1, 2007 through September 30, 2021. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. 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 Small Companies accounts is 1.00% annually of the market value up to $20 million; 0.80% of amounts above $20 million. 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 Small Companies Equity Composite was created on December 31, 2006 and the performance inception date is January 1, 2007.

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