

International Small Companies Equity



Monthly Update | May 2021

Performance (% Total Return)

Periods ended May 31, 2021 ¹	1 Month	YTD	1 Year	3 Years ²	5 Years ²	10 Years ²	Since Inception ^{2,3}
HL International Small Companies (Gross)	3.64	8.62	43.50	12.30	14.36	10.09	10.18
HL International Small Companies (Net)	3.56	8.18	42.00	11.06	13.15	8.92	8.98
MSCI All Country World ex-US Small Cap Index ^{4,5}	2.37	13.13	53.34	9.41	11.85	7.23	6.21

Portfolio Positioning (% Weight)

Sector	HL ISC	MSCI ACWxUS SC	(Under) / Over
Info Technology	24.3	11.5	12.8
Comm Services	9.8	4.2	5.6
Health Care	12.1	7.5	4.6
Cons Staples	9.9	5.7	4.2
Cash	3.0	–	3.0
Energy	1.8	2.4	-0.6
Utilities	2.3	3.3	-1.0
Industrials	17.6	20.8	-3.2
Materials	7.6	11.0	-3.4
Financials	6.0	10.5	-4.5
Cons Discretionary	4.8	12.7	-7.9
Real Estate	0.8	10.4	-9.6

Geography	HL ISC	MSCI ACWxUS SC	(Under) / Over
Frontier Markets ⁶	7.7	–	7.7
Europe ex-EMU	29.8	24.0	5.8
Europe EMU	20.0	14.8	5.2
Cash	3.0	–	3.0
Other ⁷	1.4	–	1.4
Middle East	1.3	1.9	-0.6
Emerging Markets	21.7	24.4	-2.7
Canada	1.6	6.5	-4.9
Japan	12.9	18.8	-5.9
Pacific ex-Japan	0.6	9.6	-9.0

Investment Perspectives

Market

The strong tailwind for low-quality, less highly valued stocks subsided in May, with lower-quality companies only slightly outperforming higher-quality ones. By region, Canada led, while Japan continued to lag due to an anemic vaccination rollout and the prospect of weak near-term economic growth. Performance dispersion was limited across sectors, though Energy, Industrials, and Financials delivered the best returns, likely boosted by the prospect of supply-side shortages and higher inflation and interest rates (the latter of which benefit banks). Health Care and Information Technology (IT) stocks continued their year-to-date underperformance after stellar returns last year.

Portfolio

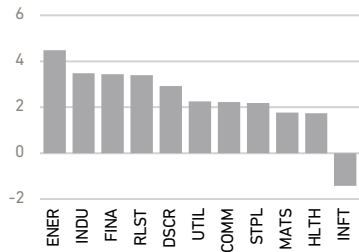
Shares of **Senior**, a British producer of technology for the aerospace industry and other enterprises, rose sharply in late May after a private equity firm made a cash offer to purchase the company—which the Senior board rejected. Prior to this, Senior's share price had languished below our valuation estimates as earnings declined amid a litany of external pressures, including the grounding of Boeing's 737 MAX and the pandemic-related drop in air travel. However, with the world reopening, we believe that Senior is poised to recover. The opportunistic bid by the private equity firm suggests we weren't alone in our analysis, and we agree with the board that there's likely more value in the company than what was put on the table.

Top Ten Holdings

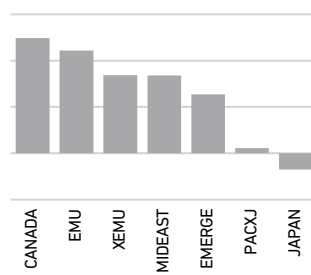
Company	Country	Sector
Hoa Phat Group	Vietnam	Materials
Reply	Italy	Info Technology
STRATEC	Germany	Health Care
Senior	UK	Industrials
Rubis	France	Utilities
Dechra	UK	Health Care
Abcam	UK	Health Care
TOMRA	Norway	Industrials
Diploma	UK	Industrials
Bechtle	Germany	Info Technology

Benchmark Performance | May

Total Return by Sector (%)

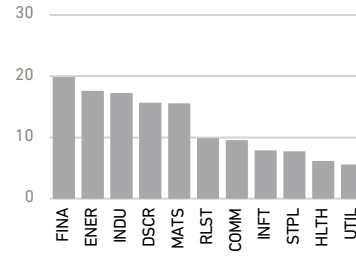


Total Return by Region (%)

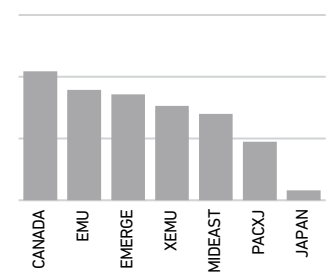


Benchmark Performance | YTD

Total Return by Sector (%)

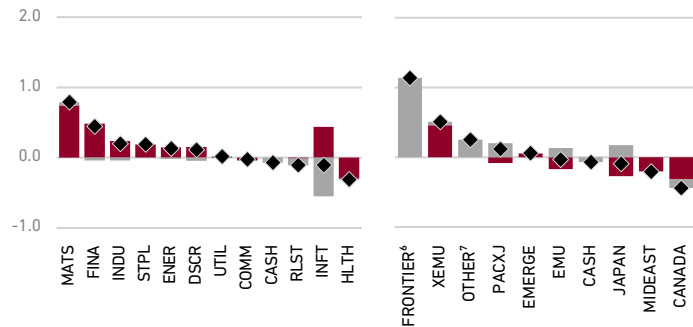


Total Return by Region (%)



Portfolio Attribution | May

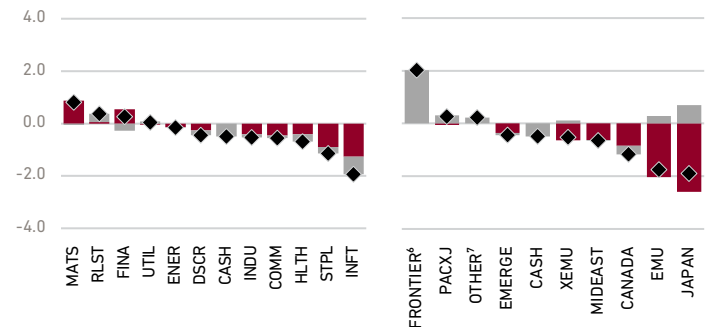
Effect (%)	Selection	Allocation	Total
Sector	2.0	-0.8	1.2
Region	-0.5	1.7	1.2



- Vietnamese steelmaker **Hoa Phat Group** continued to benefit from rising steel prices, a stimulus-aided domestic building boom, and the efficiencies from a new state-of-the-art plant.
- Italian IT services provider **Reply** reported resilient growth as its focus on cloud computing and mobile payments helped offset slowdowns in some of its customer segments such as manufacturing and tourism.
- Kinaxis**, a Canadian cloud-based supply chain management company, saw earnings slip from a dip in subscription fees and heavier investments in future growth. Encouragingly, Kinaxis posted a record new number of customer wins.

Portfolio Attribution | YTD

Effect (%)	Selection	Allocation	Total
Sector	-2.4	-2.1	-4.5
Region	-7.2	2.7	-4.5



- The surge of low-quality, cheap stocks that coincided with rebounding economic growth has been a headwind across most sectors and regions. This was particularly so in IT, where many of our holdings, characterized by durable, recurring-revenue business models, have lagged the benchmark. Style headwinds also were strong in Japan, where all our holdings underperformed.
- In Communication Services, Swedish video game company **Paradox Interactive** lagged after a disappointing game launch cut into fourth-quarter results.
- Materials was a bright spot with Hoa Phat Group leading the way.

Top Five Contributors/Detractors (%) | May

to Relative Returns

Contributors	Country	Sector	Index Weight	Effect
Hoa Phat Group	Vietnam	MATS	-	2.36
Senior	UK	INDU	<0.1	0.77
Reply	Italy	INFT	0.1	0.49
Siaulių Bankas	Lithuania	FINA	-	0.25
Core Laboratories	US	ENER	-	0.24
Detractors				
Kinaxis	Canada	INFT	0.1	-0.26
Haitian International	China	INDU	-	-0.22
CyberArk	Israel	INFT	-	-0.18
Infomart	Japan	INFT	<0.1	-0.18
Chipbond Technology	Taiwan	INFT	<0.1	-0.17

Top Five Contributors/Detractors (%) | YTD

to Relative Returns

Contributors	Country	Sector	Index Weight	Effect
Hoa Phat Group	Vietnam	MATS	-	3.38
Senior	UK	INDU	<0.1	0.94
Reply	Italy	INFT	0.1	0.67
Max Financial	India	FINA	0.1	0.51
Tower Bersama	Indonesia	COMM	<0.1	0.40
Detractors				
Paradox Interactive	Sweden	COMM	<0.1	-0.99
SMS	Japan	INDU	0.1	-0.87
Kinaxis	Canada	INFT	0.1	-0.69
CyberArk	Israel	INFT	-	-0.66
Ariake	Japan	STPL	<0.1	-0.62

Endnotes

(1) The May 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) Includes companies
classified in countries outside the index.

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 Top Ten 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 Total Return Index (Gross). Harding Loevner LP is an investment adviser
registered with the Securities and Exchange Commission. Harding Loevner claims compliance
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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 December 31, 2020. 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
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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 94-14,460 million (as of March
31, 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
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