



## International Small Companies Review | Year End 2022

# Composite Performance Summary

As of December 31, 2022

## Performance (% Total Return)

	3 Months	1 Year	3 Years <sup>1</sup>	5 Years <sup>1</sup>	10 Years <sup>1</sup>	Since Inception <sup>1,2</sup>
HL International Small Companies (Gross)	12.94	-23.74	1.67	2.90	7.84	7.66
HL International Small Companies (Net)	12.67	-24.46	0.65	1.82	6.71	6.50
MSCI All Country World ex US Small Cap Index <sup>3,4</sup>	13.39	-19.57	1.49	1.08	5.64	4.16

	HL ISC	MSCI ACWI ex US SC
Alpha (%)	1.95	—
Beta	0.93	—
R-Squared	0.90	—
Standard Deviation (%)	19.13	19.50

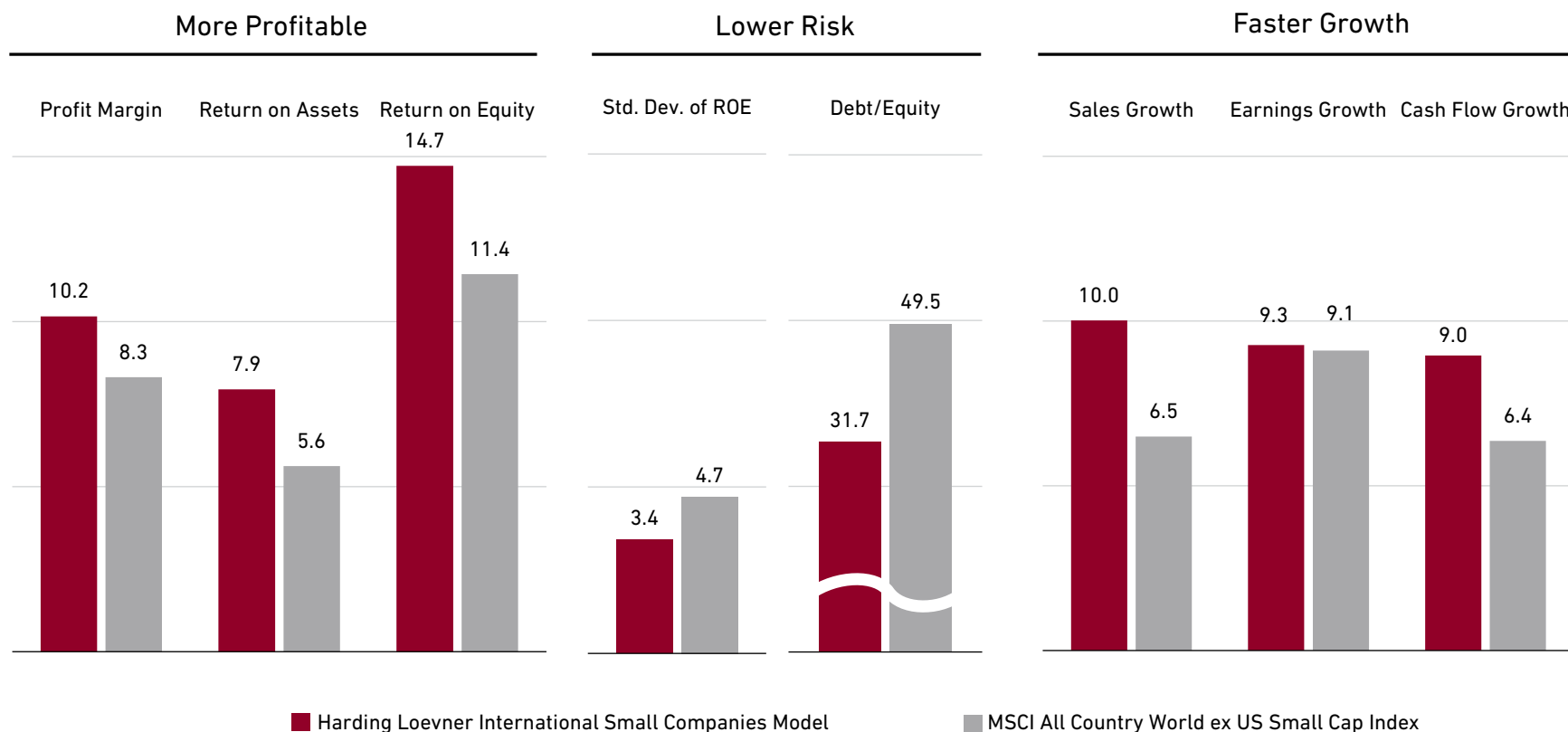
	HL ISC	MSCI ACWI ex US SC
Information Ratio	0.30	—
Sharpe Ratio	0.09	-0.01
Up/Down Capture (%)	99/94	—

<sup>1</sup>Annualized Returns; <sup>2</sup>Inception date December 31, 2006; <sup>3</sup>The benchmark index; <sup>4</sup>Gross of withholding taxes.

The performance returns shown are preliminary. 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 September 30, 2022. 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 period January 1, 2007 through September 30, 2022. 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. Please read the disclosures, which are an integral part of this presentation.

# Quality and Growth Investment Philosophy

As of December 31, 2022

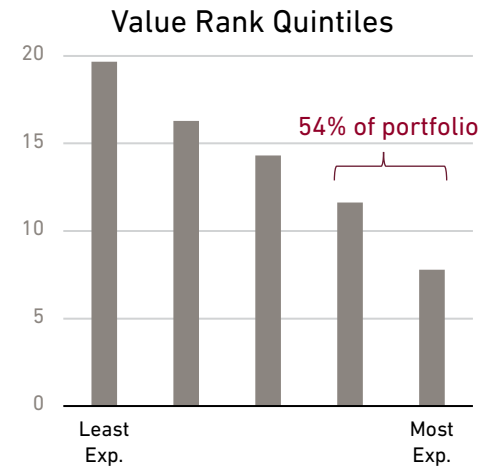
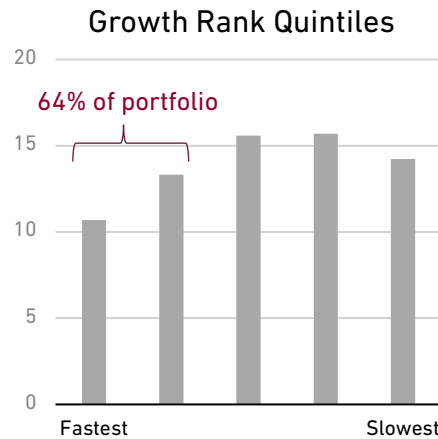
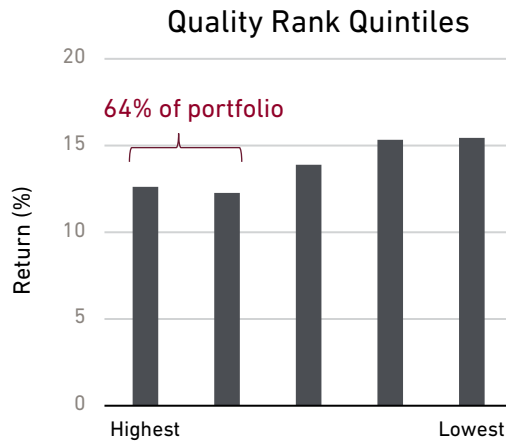


Source: FactSet, MSCI Inc. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are percentages presented as weighted medians. Please read the disclosures, which are an integral part of this presentation.

# MSCI ACWI ex US Small Cap Index Total Returns by Quality, Growth, and Value Rank

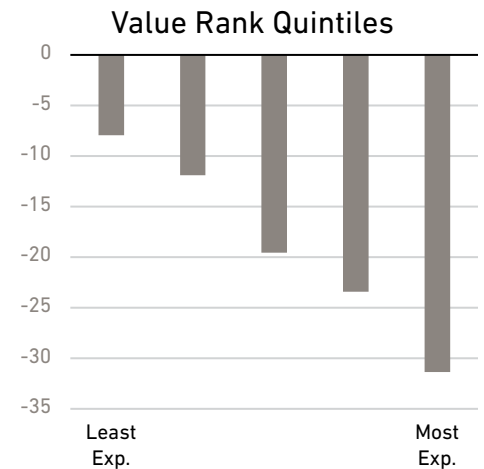
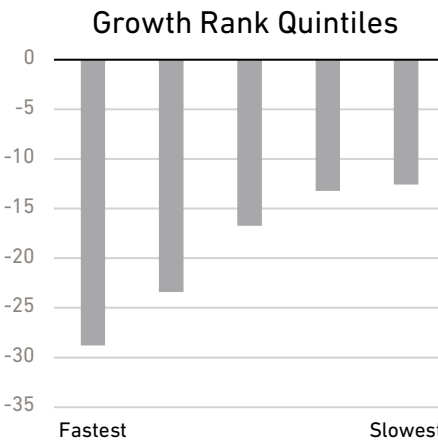
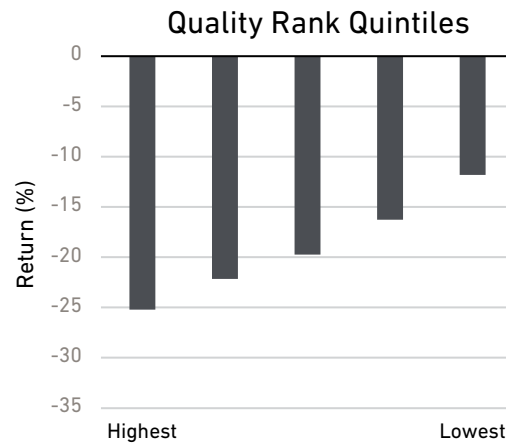
4Q22

Expensive companies lagged.



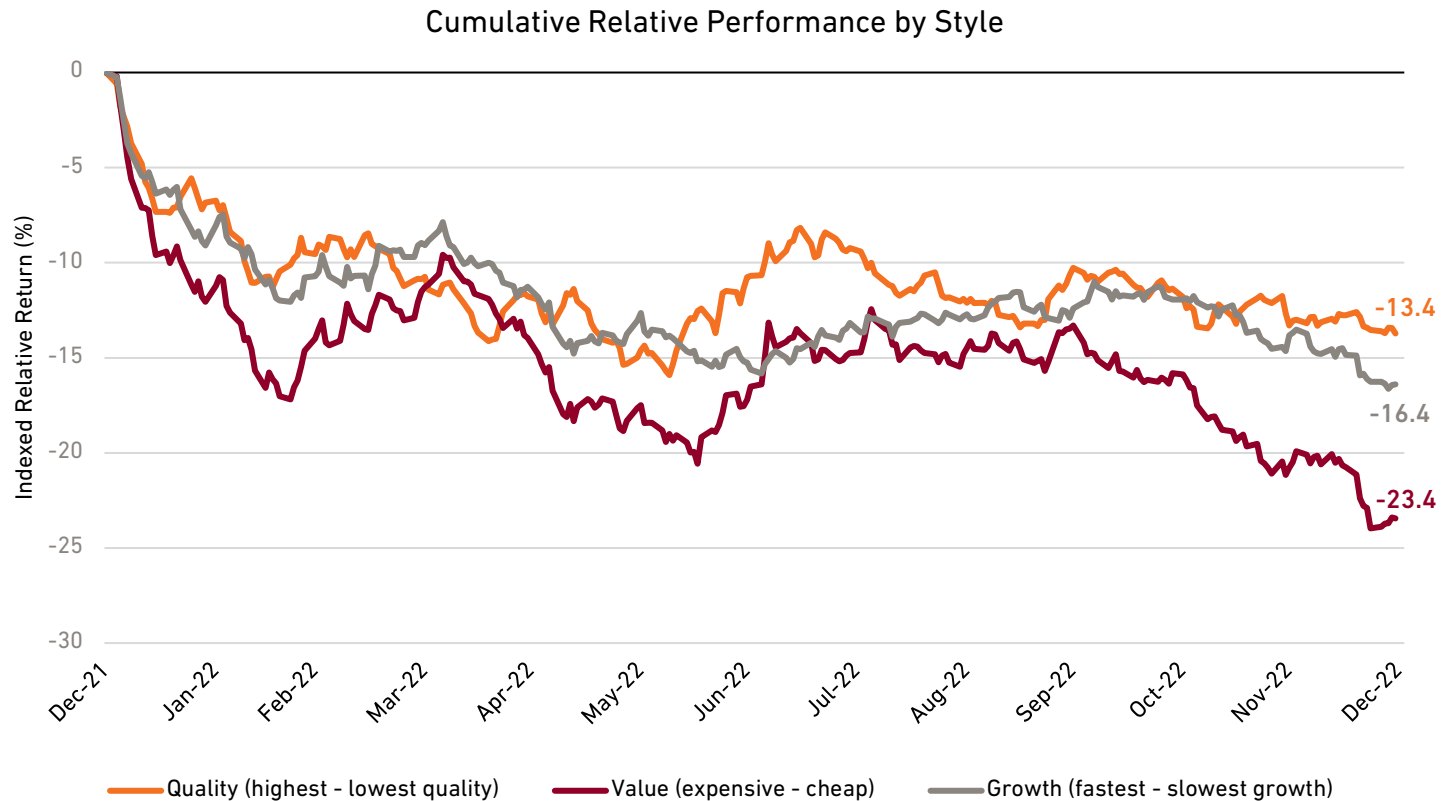
Trailing 12 Months

High quality, faster growth, expensive companies underperformed.



# Style Headwinds in 2022

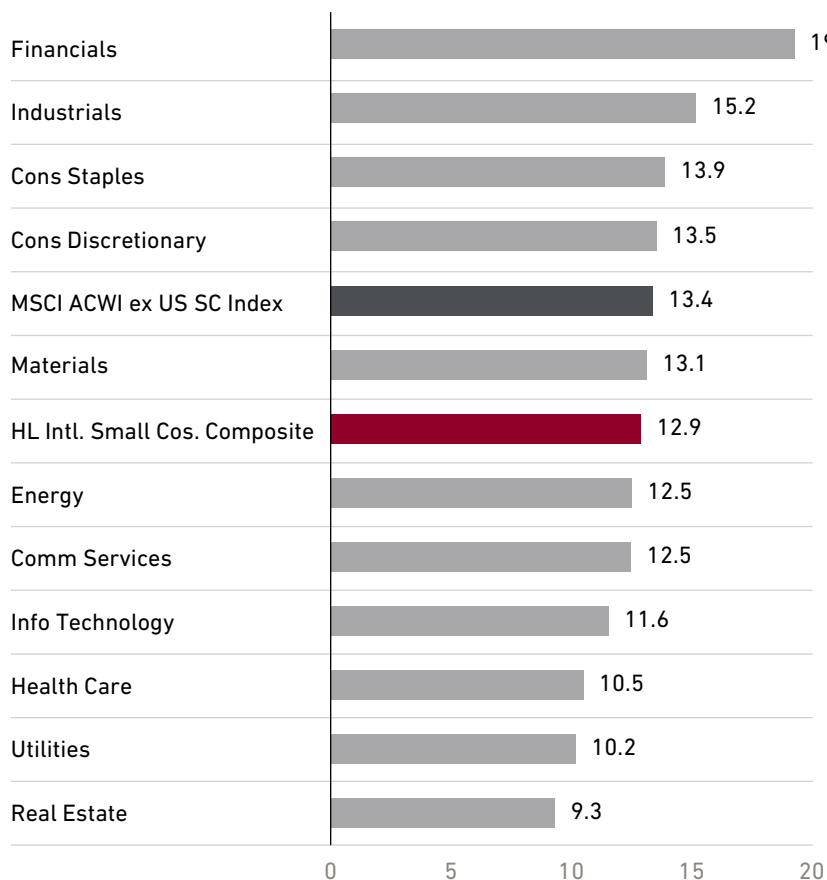
Measured by return difference of best and worst QGV quintiles



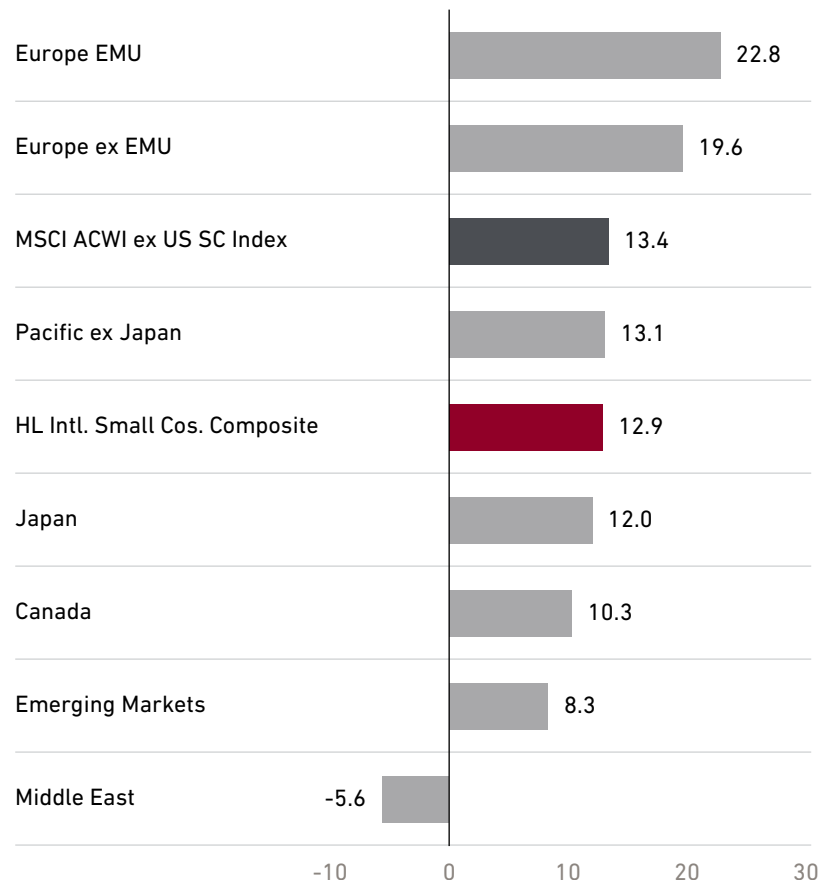
# Benchmark Performance

Fourth Quarter 2022

Sector Total Return (%)



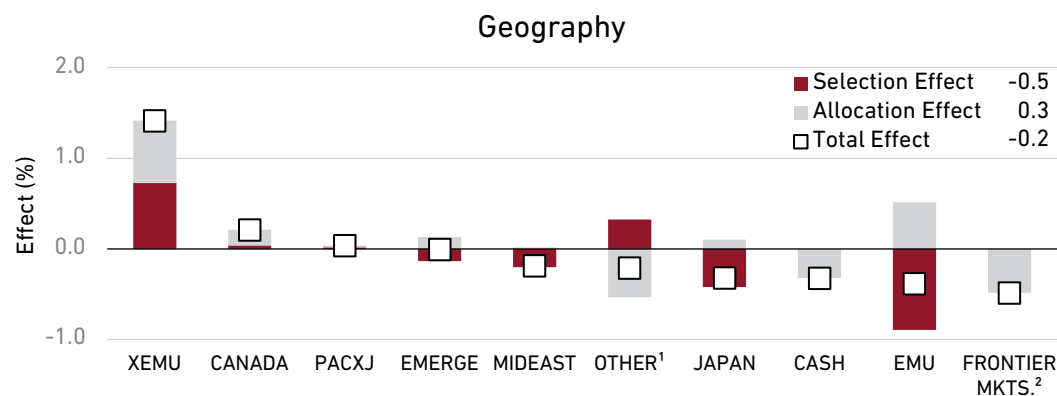
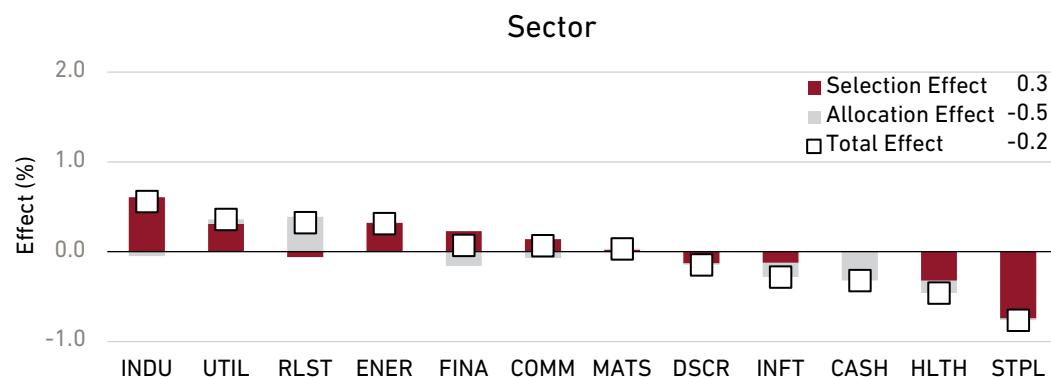
Geographic Total Return (%)



Source: FactSet, MSCI Inc. Data as of December 31, 2022. Composite performance is gross of fees. Please refer to the Composite Performance Summary page, which includes net of fee performance for the same time period. Past performance does not guarantee future results. Please read the disclosures, which are an integral part of this presentation.

# Performance Attribution: Composite vs. Benchmark

Fourth Quarter 2022



## Top 5 Contributors

to Relative Returns	Avg. Wt. %		Effect %
	Port.	Index	
Bank of Georgia	2.1	<0.1	0.60
Chr. Hansen	1.7	–	0.51
Siauliu Bankas	1.8	–	0.41
Haitian International	1.6	–	0.41
TeamViewer	0.9	<0.1	0.35

## Top 5 Detractors

from Relative Returns	Avg. Wt. %		Effect %
	Port.	Index	
Hoa Phat Group	2.0	–	-0.72
Cyberark	2.0	–	-0.59
Sarana Menara Nusantara	1.9	–	-0.58
Max Financial	1.3	0.1	-0.39
Yantai China Pet Foods	0.8	–	-0.37

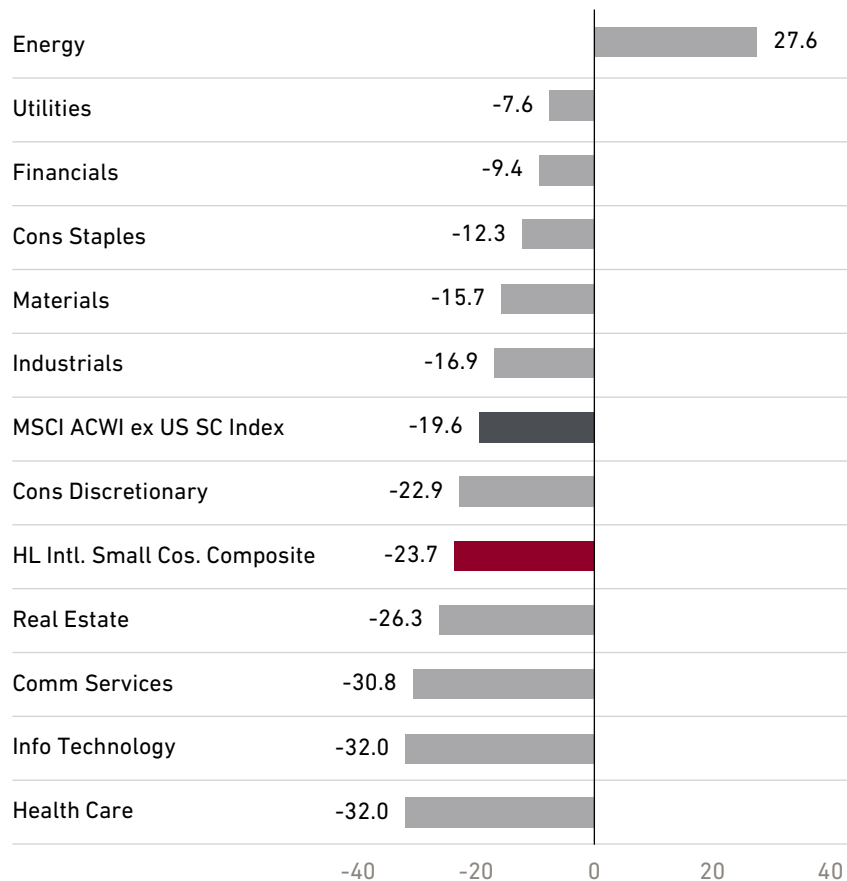
<sup>1</sup>Includes companies classified in countries outside the Index; <sup>2</sup>Includes countries with less-developed markets outside the Index.

"Composite": International Small Companies Composite. "Benchmark": MSCI All Country World ex US Small Cap Index. Past performance does not guarantee future results. Sector and Region Attribution and Contributors and Detractors are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. 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. 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 of all holdings during the quarter. 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. Please read the disclosures, which are an integral part of this presentation.

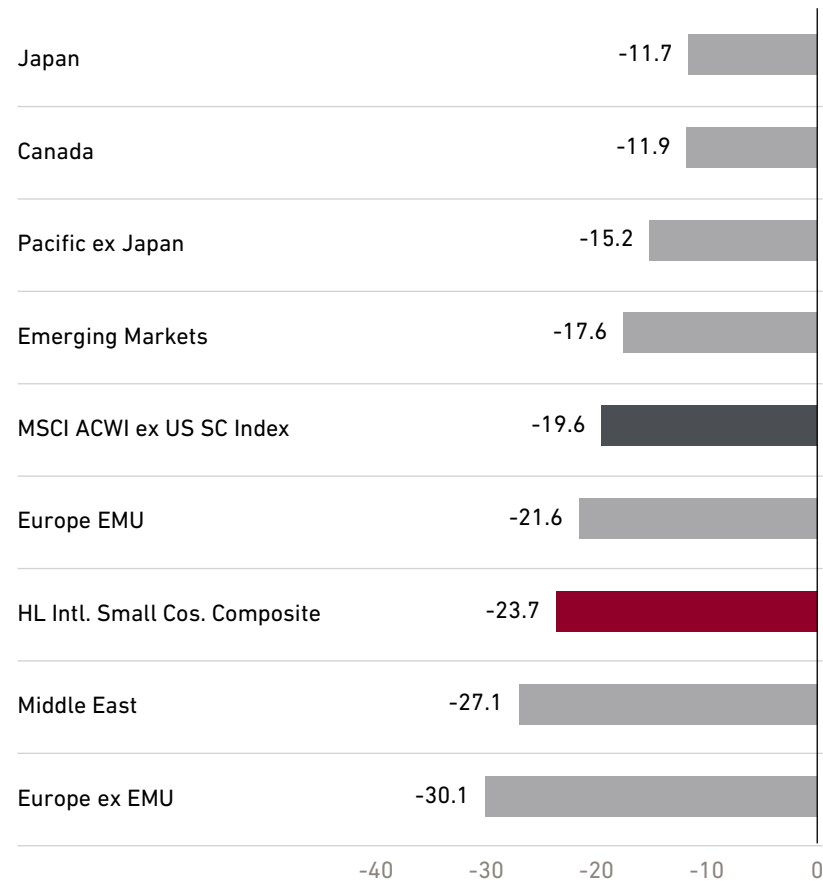
# Benchmark Performance

Trailing 12 Months as of December 31, 2022

Sector Total Return (%)



Geographic Total Return (%)

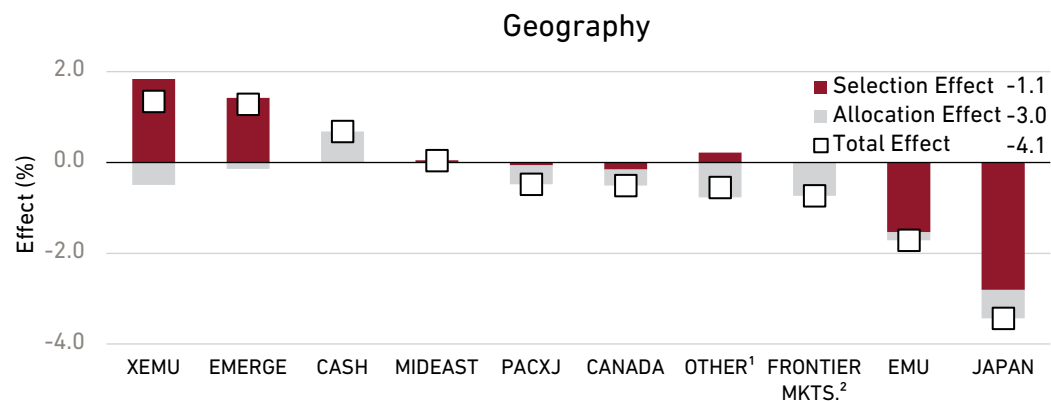
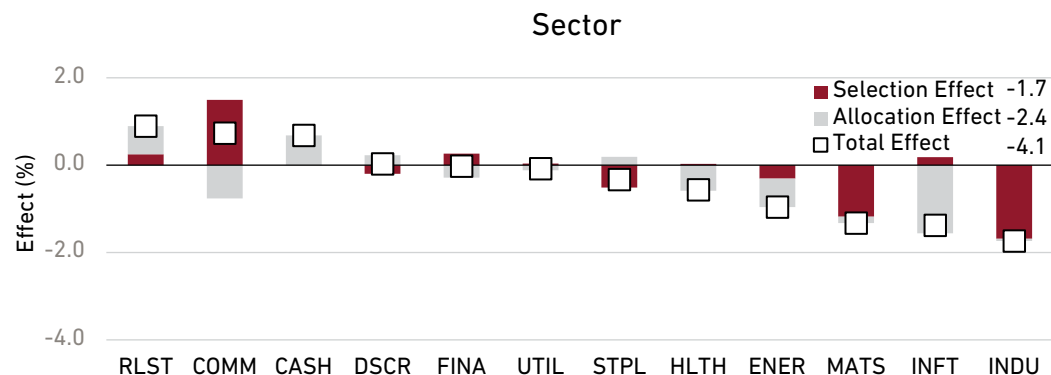


Source: FactSet, MSCI Inc. Data as of December 31, 2022. Composite performance is gross of fees. Please refer to the Composite Performance Summary page, which includes net of fee performance for the same time period. Past performance does not guarantee future results. Past performance does not guarantee future results. Please read the disclosures, which are an integral part of this presentation.



# Performance Attribution: Composite vs. Benchmark

Trailing 12 Months as of December 31, 2022



## Top 5 Contributors

to Relative Returns	Avg. Wt. % Port.	Index	Effect %
Bank of Georgia	1.9	<0.1	1.03
Localiza	2.0	–	0.59
EMIS Group	0.9	<0.1	0.55
Tecan	1.2	0.1	0.41
Chr. Hansen	0.5	–	0.35

## Top 5 Detractors

from Relative Returns	Avg. Wt. % Port.	Index	Effect %
Hoa Phat Group	2.8	–	-0.96
Dechra	2.0	0.1	-0.89
Reply	2.8	0.1	-0.83
Bechtle	1.7	–	-0.64
Infomart	0.9	<0.1	-0.56

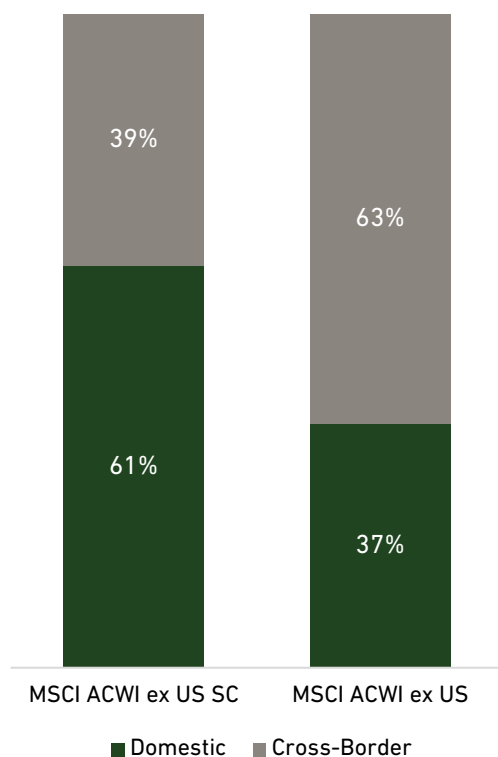
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# De-Globalization and Geopolitical Risks in ISC Strategy

Most ISC holdings have primarily domestic or regional revenue exposures and supply chains

Average Domestic vs. Cross-border Revenue Exposure for International Benchmarks

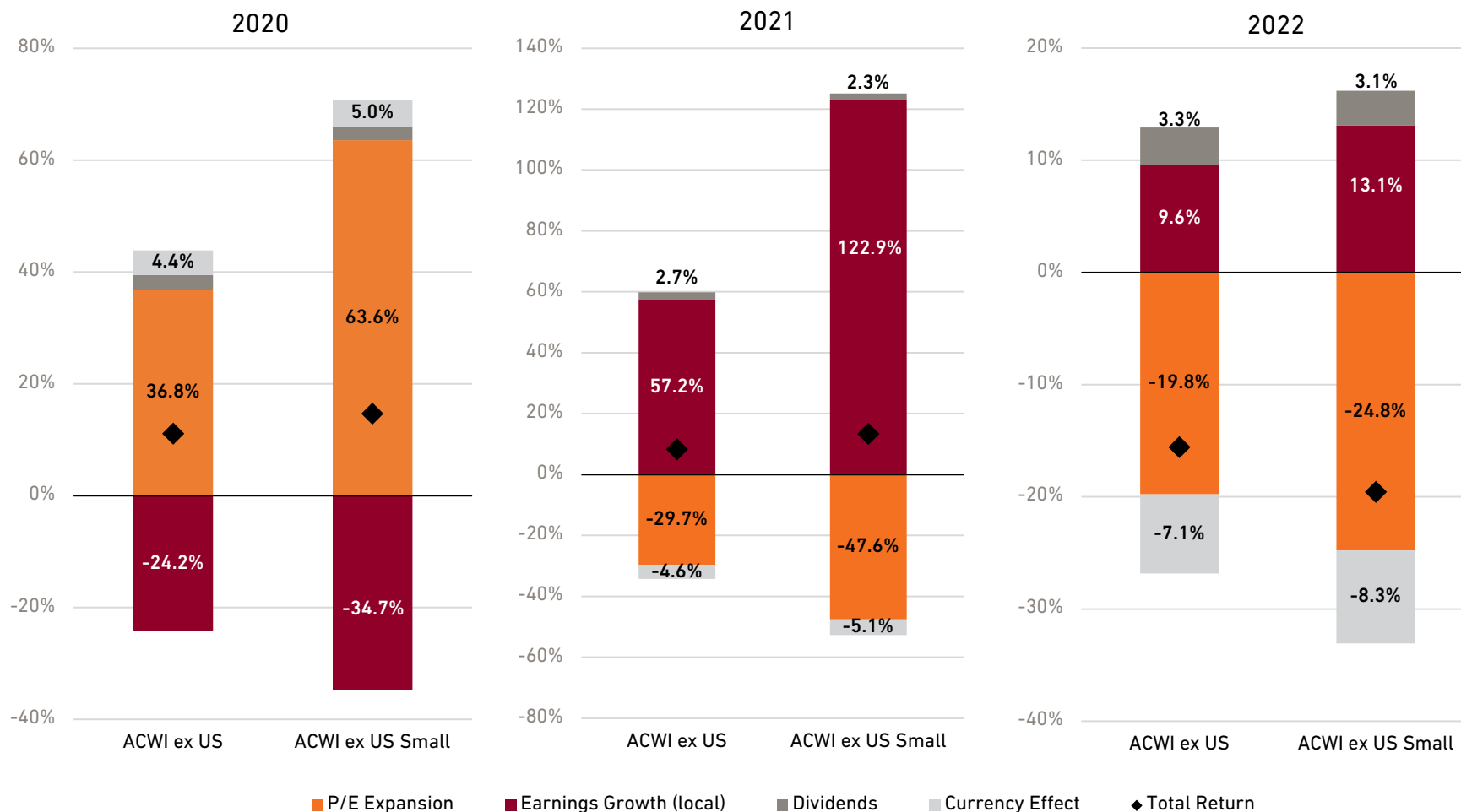


HL ISC Holdings: Exposure by Revenues, Supply Chains, and Manufacturing Base

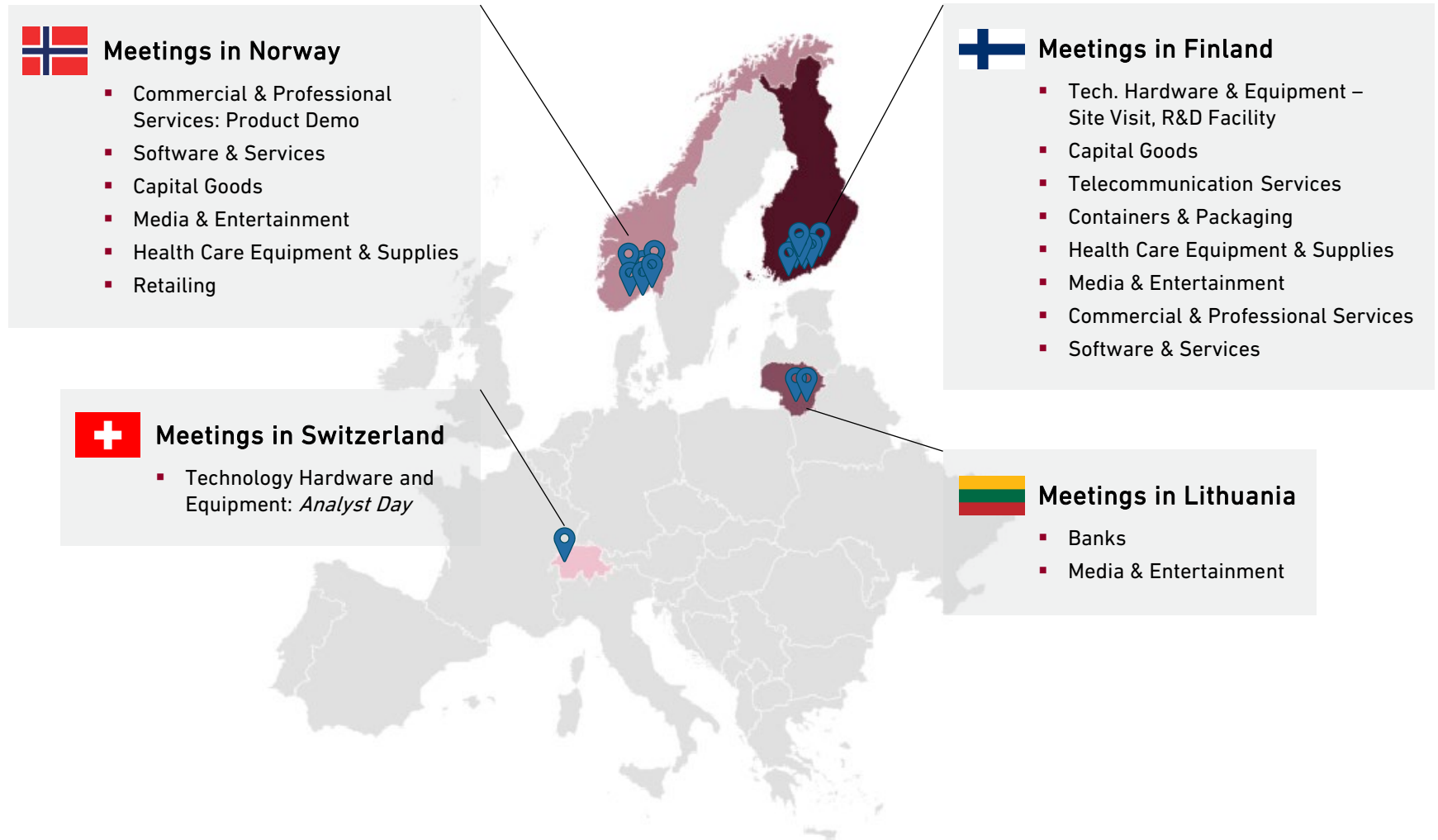


# Total Return Decomposition (USD)

Multiples have compressed

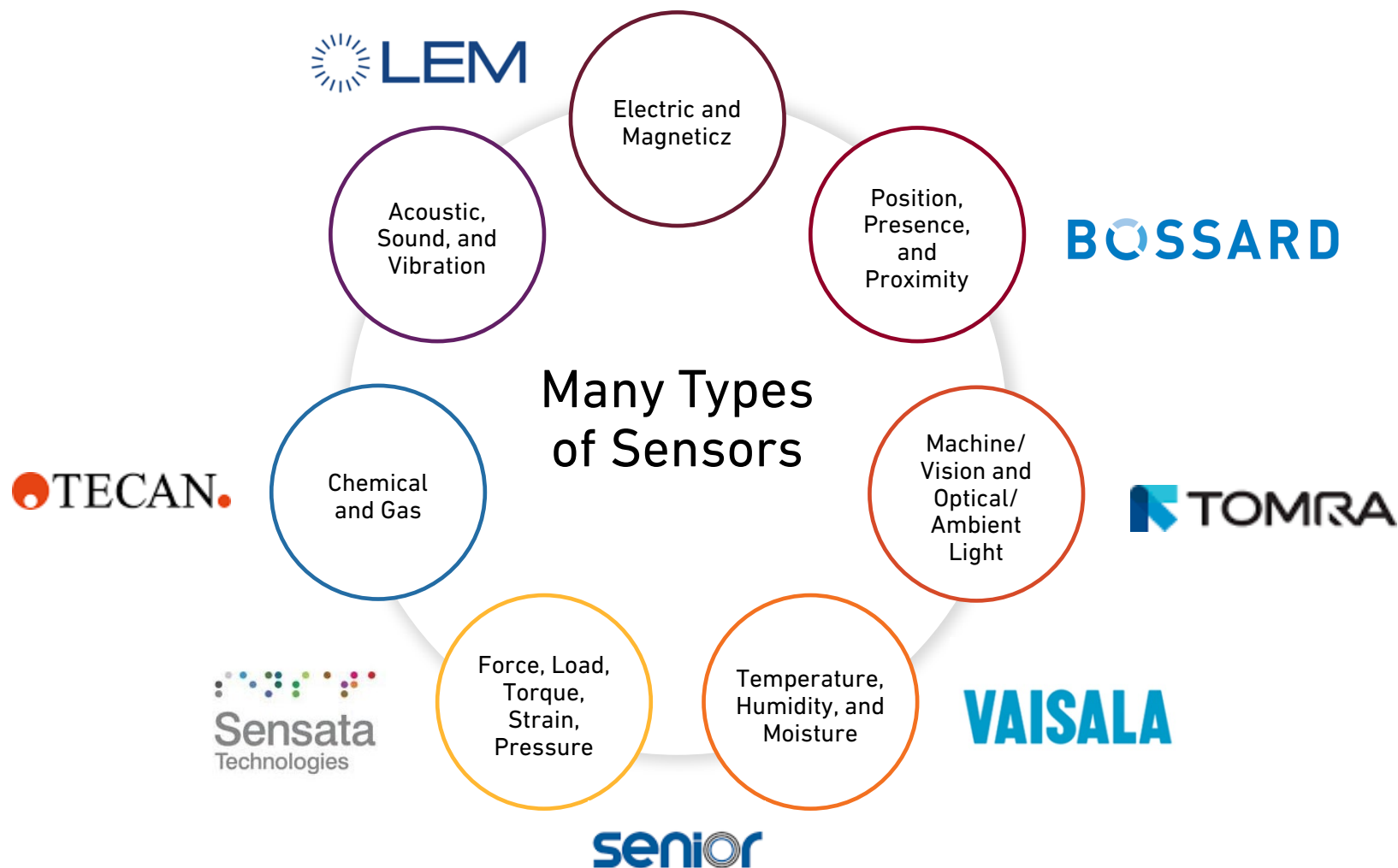


# Recent Research Trip – Nordics, Lithuania, and Switzerland



## Sensor-y Appeal

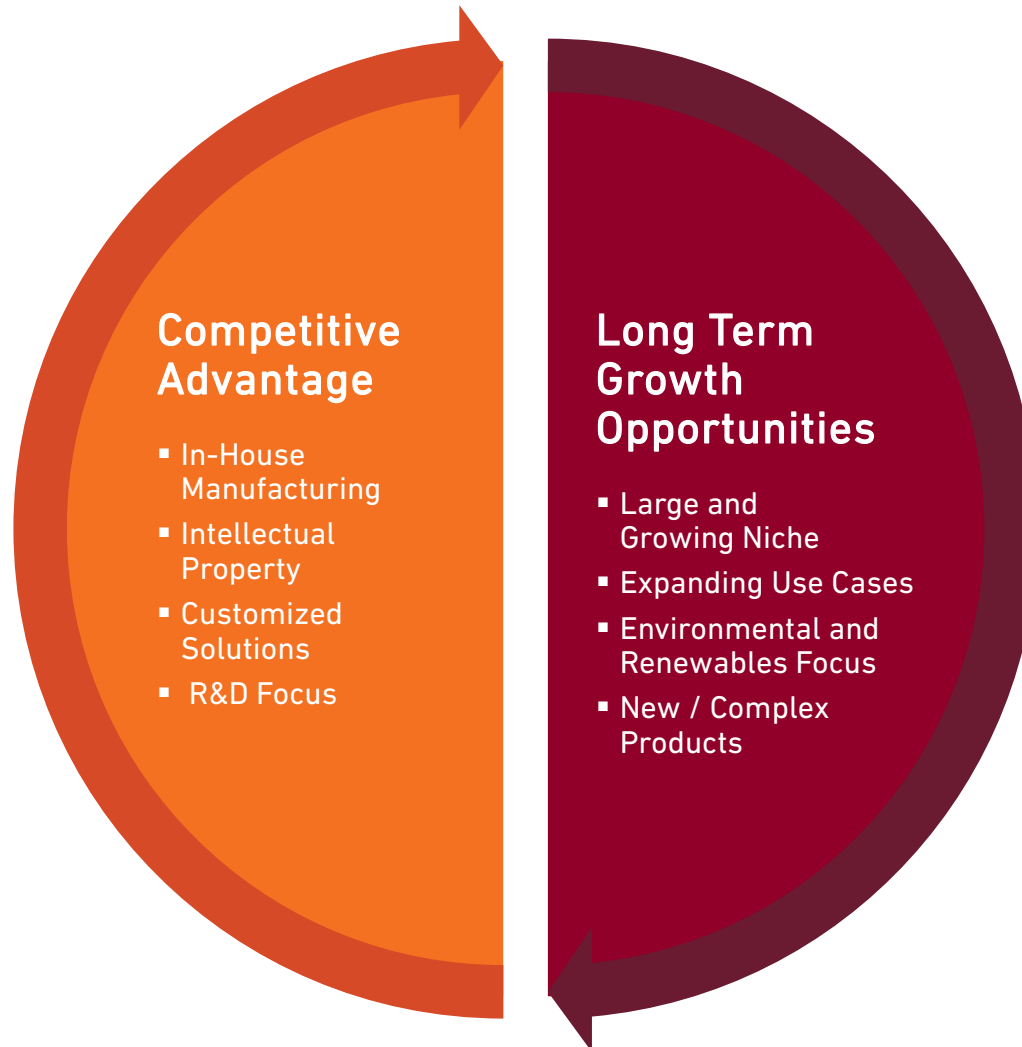
Sensors are critical to industrial applications used for process control, monitoring, and safety



Source: Harding Loevner. The portfolio is actively managed therefore holdings shown may not be current. 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. To request a complete list of portfolio holdings for the past year, contact Harding Loevner. Holdings are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

# High Quality Sensor Companies

Competitive advantages compound long-term growth opportunities



# Stock Example: Vaisala

## Finland, Industrial

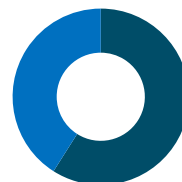
- Technology leader and strong market position
  - Leading technologies in environmental + industrial sensing
  - Most accurate and reliable instruments, algorithms, and software
- Continuous investments in R&D – sensors, semis, software
- New products and technologies, broad range of use cases
- In-house manufacturing (custom designed machines from third parties or own machines)
- Strong cash flow generation capabilities and good financial position

### Multi-Dimensional Growth Potential

- Increased monitoring of air/water pollution
- Focus on environment, extreme weather phenomena
- Weather, road, maritime, defense, aviation
- Solar and wind sensors/lidars
- Monitoring of indoor environments in manufacturing (semi cleanrooms, data centers, food industry, pharma manufacturing)
- Chemical sensors – battery manufacturing; biogas; hydrogen in power transformers; semi foundries

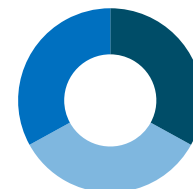
# VAISALA

2021 Net Sales by Business Area



■ Weather and Environment - 59%  
■ Industrial Measurements - 41%

2021 Net Sales by Geography



■ EMEA - 33%  
■ Americas - 34%  
■ Asia Pacific - 33%

### Long-Term Financial Targets

Growth → Average annual growth → 7%

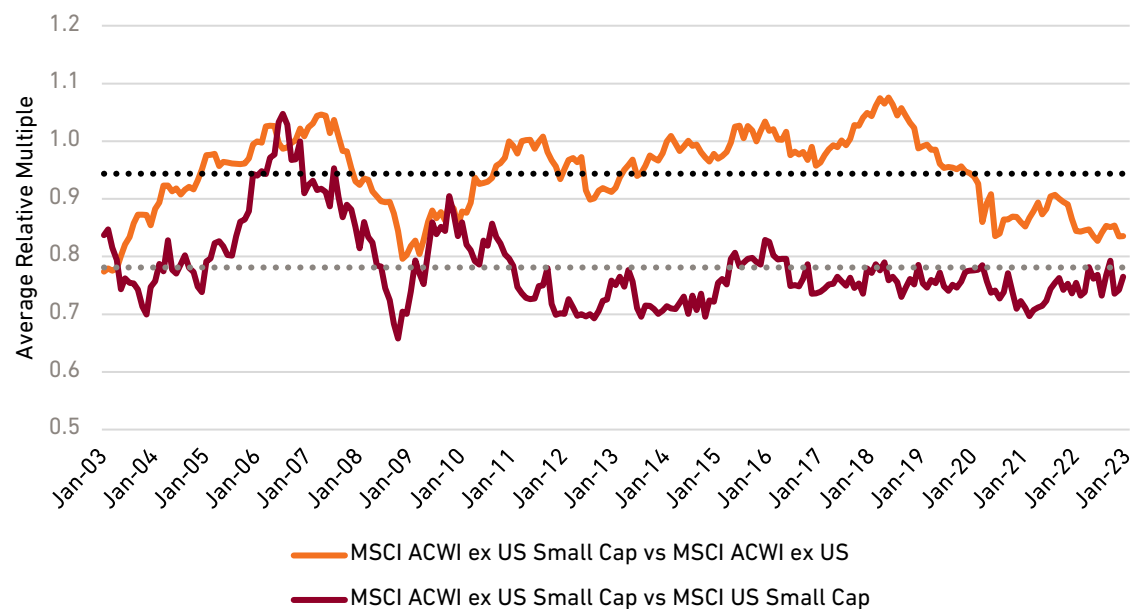
Profitability → Operating result margin (EBT) → 15%

Dividend → Stable dividend which will increase in line with net profit development

Source: Vaisala, Harding Loevner. The information provided in this presentation should not be considered a recommendation to purchase or sell a particular security. The portfolio is actively managed therefore securities shown may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner. Holdings are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

# Relative Valuation

International Small Cap Relative Valuation vs. International Large Cap and vs. US Small Cap  
(Equal-weighted composite of relative P/E, P/B, and P/CF multiples)

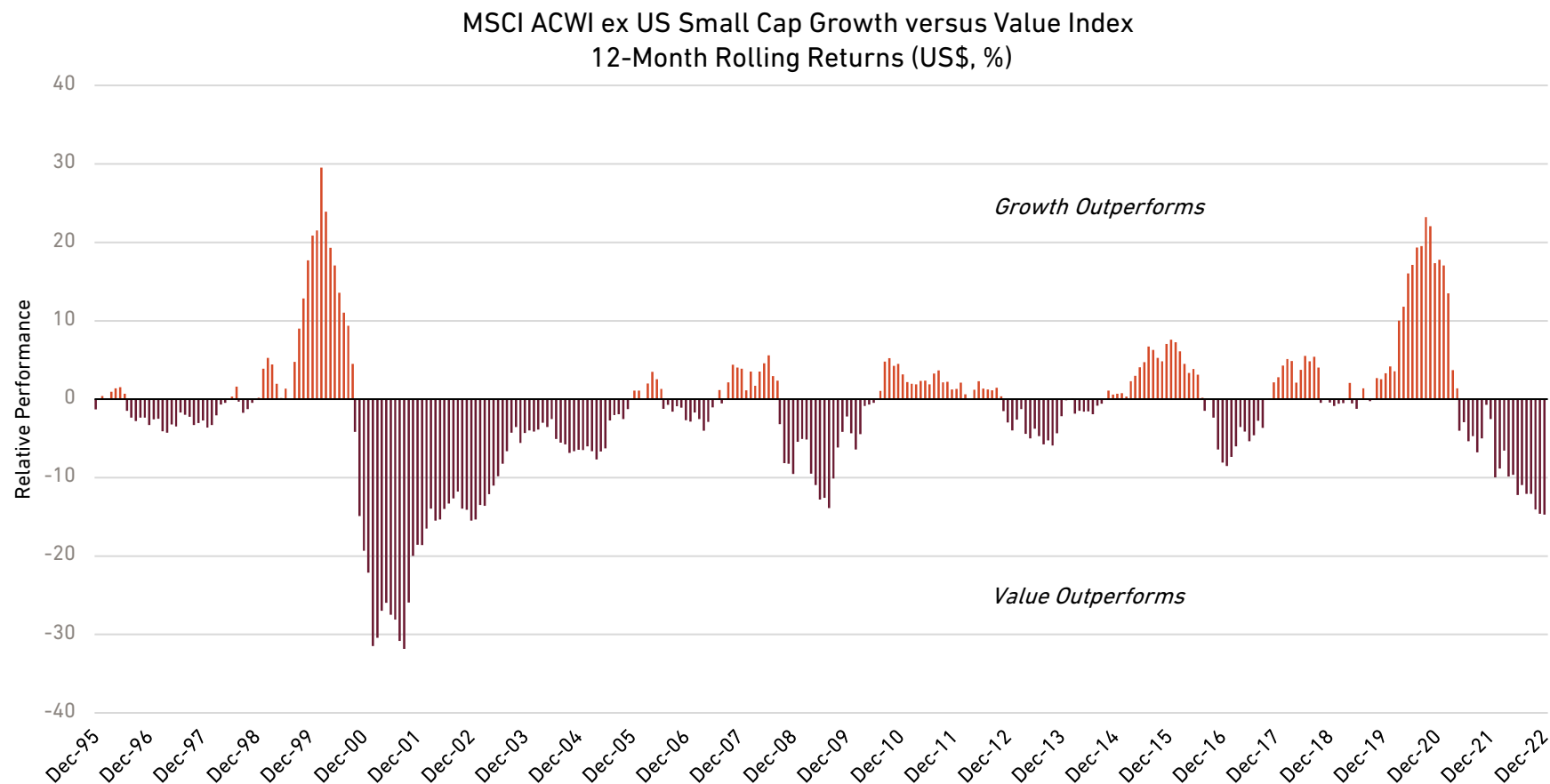


Valuation as of December 31, 2022  
(Based on most recent annual data)

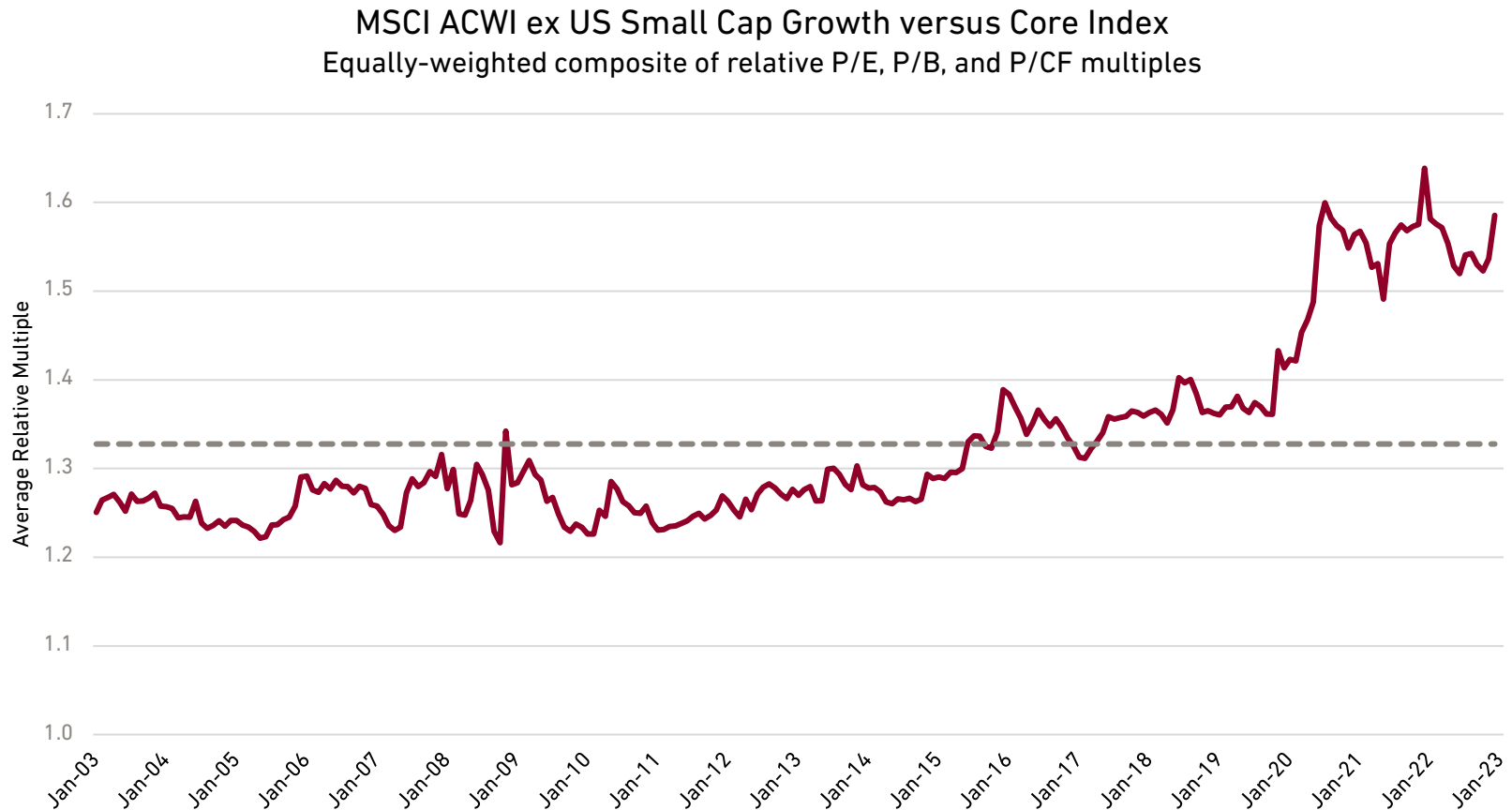
	P/E	P/B	P/CF
HL Intl. Small Cos.	17.0	2.3	11.5
ACWI ex US SC	10.3	1.2	6.9
ACWI ex US	11.8	1.6	7.8
US SC	12.3	2.0	8.1



# Growth Versus Value in Small Caps

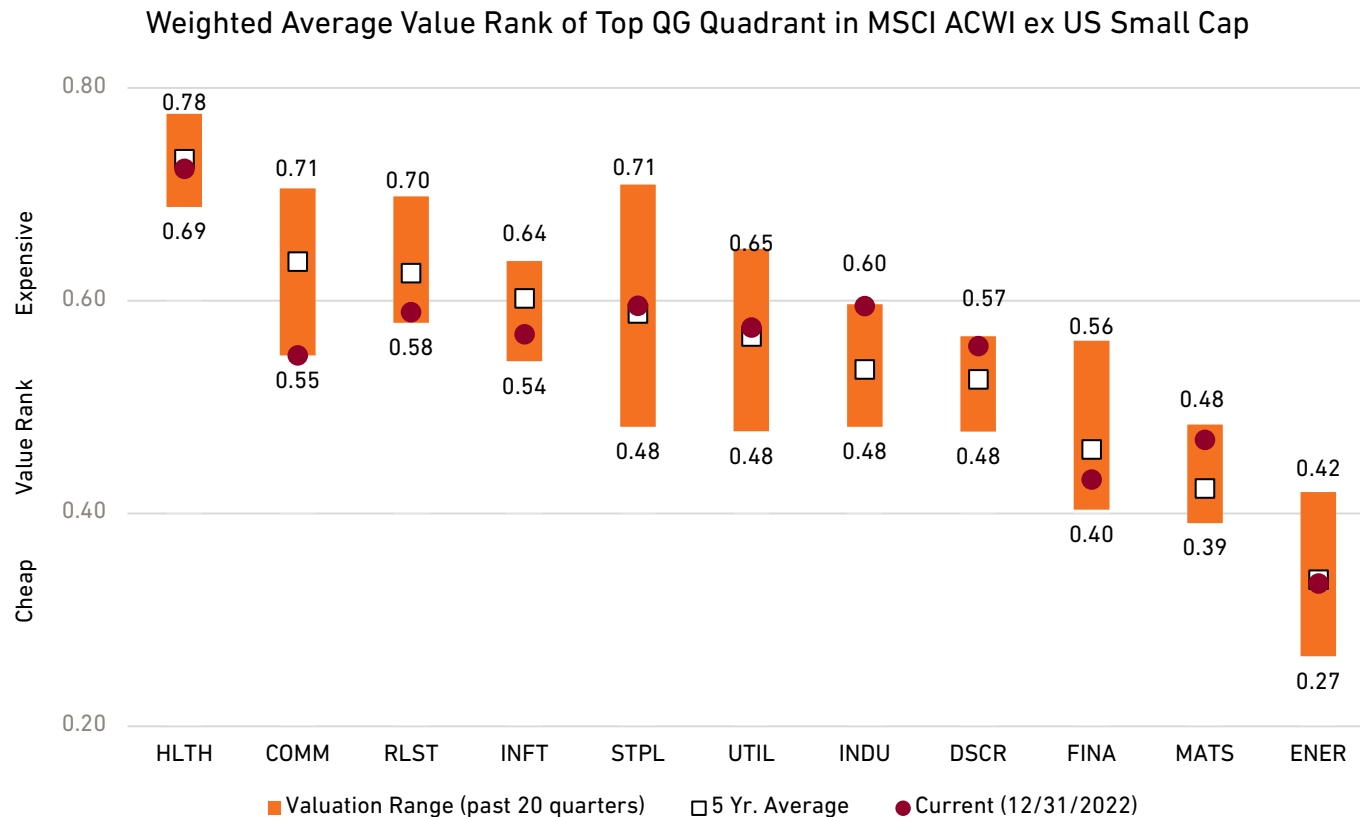


# Growth Stocks Still Look Expensive



# Valuation Snapshot by Sector – Top Quality-Growth Quadrant

Communication Services and Information Technology look attractive



# Completed Portfolio Transactions

Trailing 12 Months as of December 31, 2022

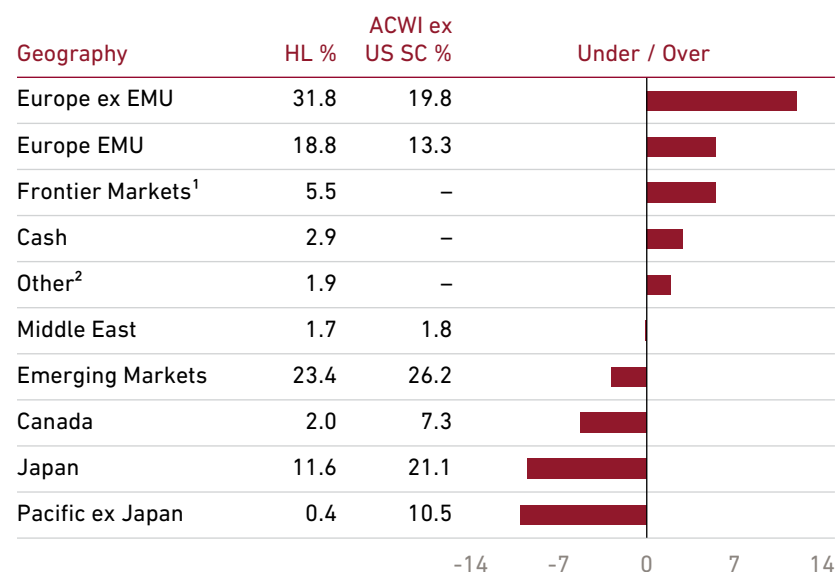
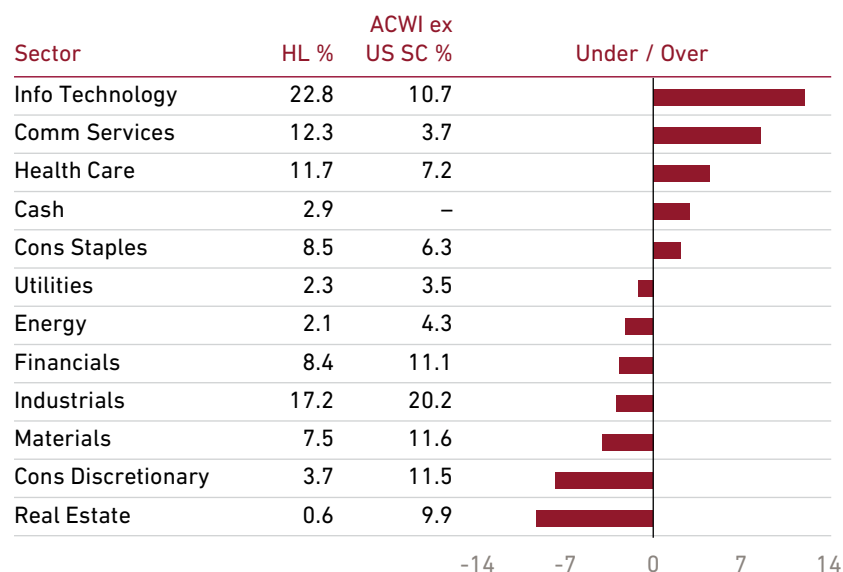
	1Q22	2Q22	3Q22	4Q22
Positions Established	Linea Directa		Airtel Africa	
	Meyer Optoelectronic		Baltic Classifieds	
	Scout24		Chr. Hansen	
	Tecan	Prodia	Evotec	Commercial International Bank
	Yantai China Pet Foods	TravelSky	Grafton	Robinsons Retail
Positions Sold	HomeServe	Agthia	NCSOFT	
	Kernel	LISI	CD Projekt	Edita Food Industries
	Nihon M&A Center Inc.		EMIS Group	
			Rohto Pharmaceutical	

- Portfolio Turnover (5-year annualized average): 17.0%

The portfolio is actively managed therefore holdings shown may not be current. 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. To request a complete list of portfolio holdings for the past year, contact Harding Loevner. Holdings are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

# Portfolio Positioning

As of December 31, 2022



Ten Largest Holdings – Total Weight: 20.9%

Company	Market	Sector	Wt. (%)
Rubis	France	Utilities	2.3
Megacable	Mexico	Comm Services	2.2
Keywords Studios	UK	Info Technology	2.2
Reply	Italy	Info Technology	2.1
Diploma	UK	Industrials	2.1

Company	Market	Sector	Wt. (%)
Alten	France	Info Technology	2.0
Hoa Phat Group	Vietnam	Materials	2.0
Abcam	UK	Health Care	2.0
Senior	UK	Industrials	2.0
Kinaxis	Canada	Info Technology	2.0

97% Active Share

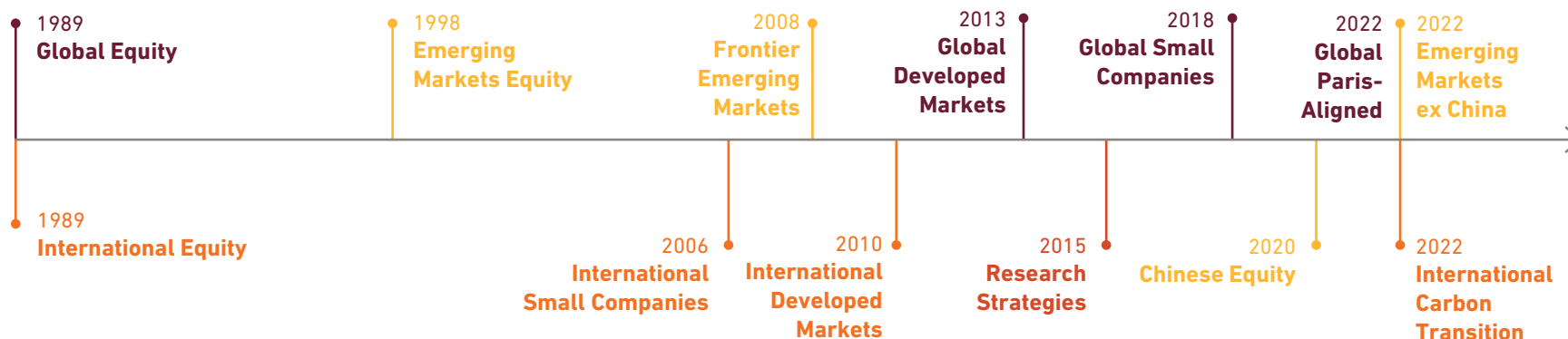
<sup>1</sup>Includes countries with less-developed markets outside the Index; <sup>2</sup>Includes companies classified in countries outside the Index.

Source: Harding Loevner International Small Companies Model; MSCI Inc. and S&P. Sector and region end weights, holdings, and active share are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

# Global Equity Specialist

A single investment philosophy, process, and research team drives all Harding Loevner strategies

Firm AUM: \$55.6 Billion					
Global Equities		International Equities		Emerging Markets Equities	
	\$15.1B AUM		\$33.1B AUM		\$7.4B AUM
Global Equity	\$12.5B	International Equity	\$20.5B	Emerging Markets Equity	\$7.2B
Global Equity ADR	\$0.7B	International Equity ADR	\$11.2B	Chinese Equity	<\$0.1B
Developed Markets	\$1.8B	Developed Markets	\$0.8B	Emerging Markets ex China	<\$0.1B
Paris-Aligned	\$0.1B	Developed Markets ADR	<\$0.1B	Frontier Emerging Markets	\$0.2B
Small Companies	<\$0.1B	Carbon Transition	<\$0.1B	Research	<\$0.1B
Research	<\$0.1B	Small Companies	\$0.6B		
		Research	<\$0.1B		

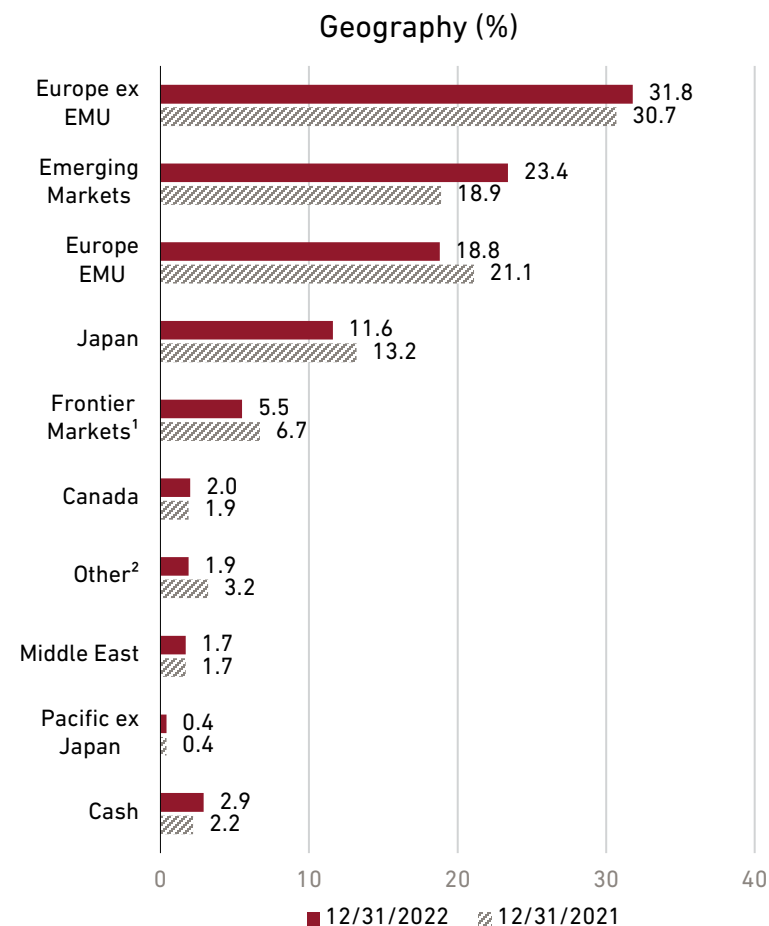
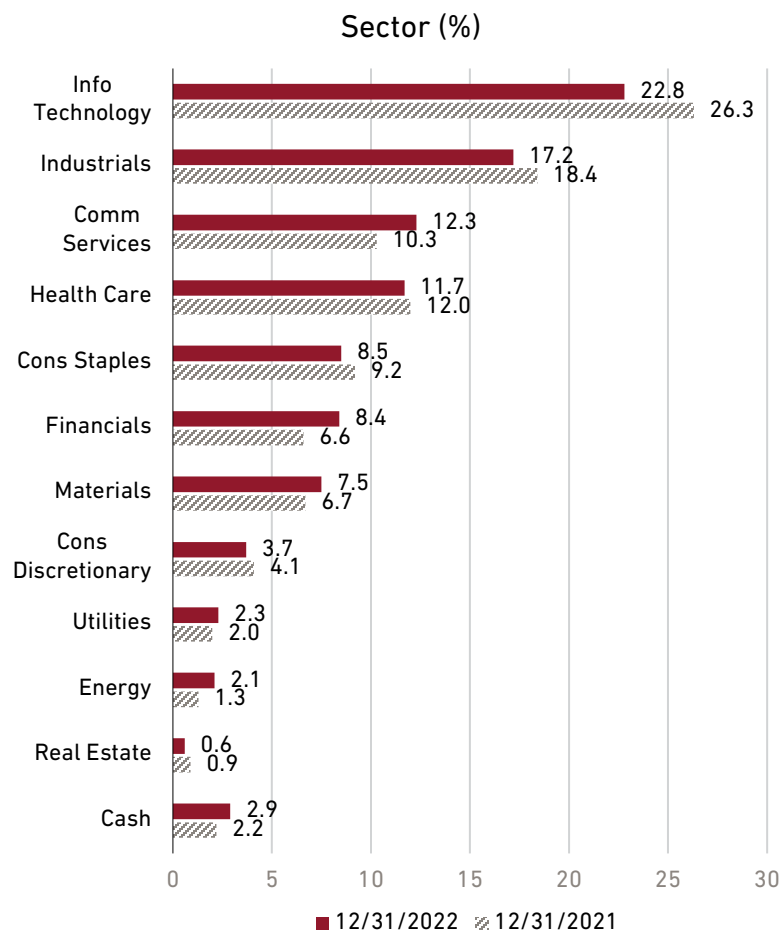


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## Appendix

# Portfolio Allocation Comparison

December 31, 2022 vs. December 31, 2021



<sup>1</sup>Includes countries with less-developed markets outside the Index; <sup>2</sup>Includes companies classified in countries outside the Index.

Sector and Region end weights are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.



# Completed Portfolio Transactions

Fourth Quarter 2022

## Positions Established

Company	Market	Sector
Commercial International Bank	Egypt	Financials
Robinsons Retail	Philippines	Cons Staples

## Positions Sold

Company	Market	Sector
Edita Food Industries	Egypt	Cons Staples

- Portfolio Turnover (5-year annualized average): 17.0%

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# Disclosures

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The information provided in this Presentation should not be considered a recommendation to purchase or sell a particular security. Unless otherwise stated, non-performance based criteria have been used to select the securities listed. The portfolio is actively managed therefore securities shown may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner. A complete list of holdings for the International Small Companies Model at December 31, 2022 is available on request.

All International Small Companies client accounts are based on the Harding Loevner International Small Companies Model, and are managed in strict accordance with this model. No deviation from the Harding Loevner International Small Companies Model is permissible except to accommodate unique, agreed-upon client guidelines or restrictions.

Investing in stocks entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards.

Quality and Growth Characteristics, Investment Statistics, Benchmark Returns, Performance Attribution, Portfolio Exposures and Portfolio Transactions are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation, which is available on request.

*Alpha*: a measure of risk-adjusted return. *Beta*: a measure of the portfolio's sensitivity to the market. *R-Squared*: a measure of how well a portfolio tracks the market. *Standard Deviation*: the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Information Ratio*: a measure of risk-adjusted return calculated by dividing the portfolio active return (i.e., portfolio returns minus benchmark return) by the standard deviation of the active return. *Sharpe Ratio*: the return over the risk free rate per unit of risk. *Up/Down Capture*: a measure of the manager's performance in up/down markets relative to the market itself. *Profit Margin*: relationship of net profits to net sales. *Return on Assets*: net income for past 12 months divided by total assets. *Return on Equity*: the net income divided by total common equity outstanding, expressed as a percent. *Debt/Equity Ratio*: total long-term debt divided by total shareholder's equity. *Sales Per Share*: the total revenue earned per share over a 12-month period, net of returns, allowances, and discounts. *Earnings Per Share*: portion of a company's profit allocated to each outstanding share of common stock. *Cash Flow*: a measure of the cash generating capability of a company calculated by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. *Turnover*: calculated by dividing the lesser of Purchases or Sales by Average Capital. *Active Share*: the proportion of holdings by weight that differ from holdings of the benchmark index.

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, excluding the US. The Index consists of 46 developed and emerging market countries, and is comprised of companies that fall within a market capitalization range of USD 126-8,504 million (as of December 31, 2022). You cannot invest directly in this index.

All performance and data shown are in US dollar terms, unless otherwise noted.

Harding Loevner's Quality, Growth, and Value rankings are proprietary measures determined using objective data. Quality rankings are based on the stability, trend, and level of profitability, as well as balance sheet strength. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected changes in earnings and profitability. Value rankings are based on several valuation measures, including price ratios.

The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is preliminary and 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.

Source (Benchmark Performance, Performance Attribution, Contributors and Detractors): FactSet, Harding Loevner International Small Companies Composite; MSCI Inc.

Source (Portfolio Positioning, Portfolio Transactions, Portfolio Allocation Comparison, Quality & Growth Characteristics [Run date: January 4, 2023, based on the latest available data in FactSet on this date.]): FactSet; Harding Loevner International Small Companies Model; MSCI Inc.

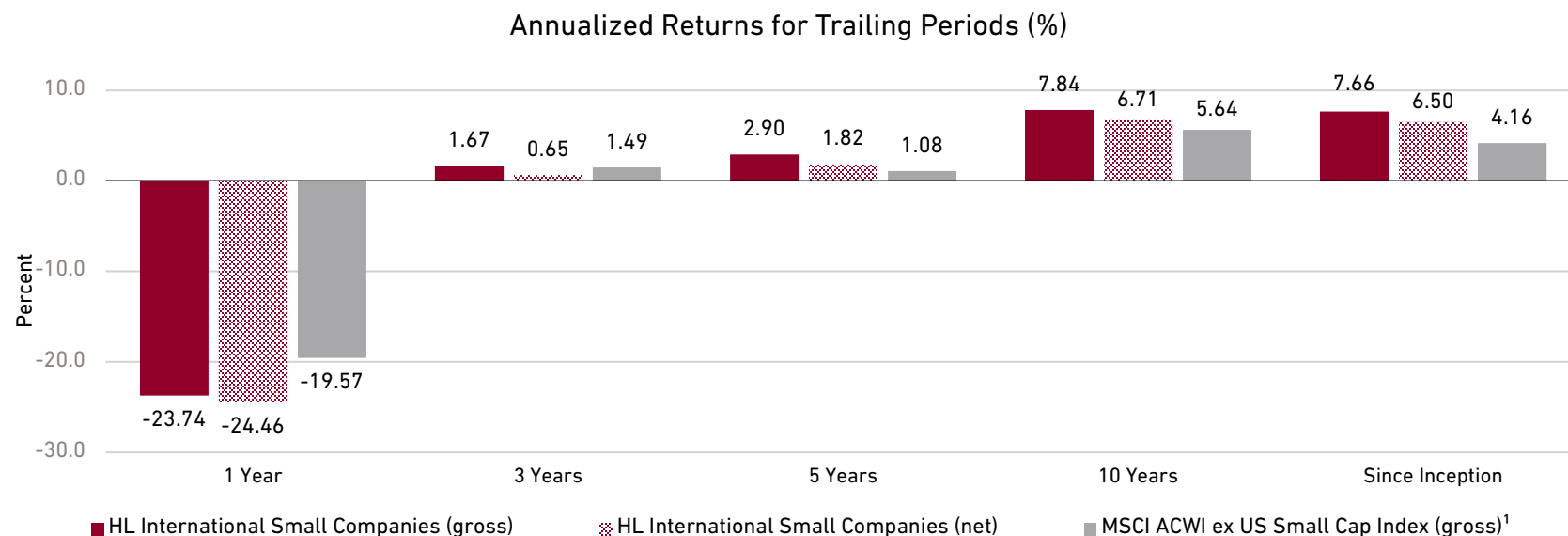
Source (Investment Statistics): eVestment Alliance; Harding Loevner International Small Companies Composite, based on composite returns.

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# Composite Performance

As of December 31, 2022



<sup>1</sup>The benchmark index, gross of withholding taxes. The 3-year, 5-year, 10-year, and since inception returns are annualized. Inception date of the International Small Companies Composite: December 31, 2006.

Investment statistics shown are trailing five years, annualized, gross of fees. Composite performance shown is preliminary. 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 September 30, 2022. 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 period January 1, 2007 through September 30, 2022. 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. Statistics are supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.