International Small Companies Equity

HARDING LOEVNER

Quarterly Report | First Quarter 2022

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Composite Performance

Total Return (%) — Periods Ended March 31, 2022[1]

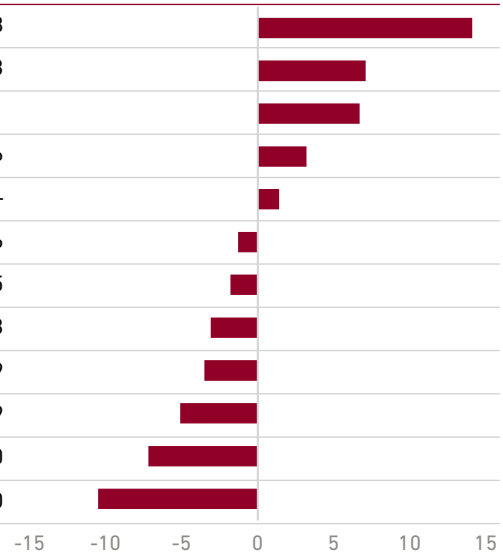
	3 Months	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL International Small Cos. (Gross of Fees)	-13.41	-0.26	11.27	10.54	10.03	8.96
HL International Small Cos. (Net of Fees)	-13.61	-1.21	10.10	9.38	8.86	7.78
MSCI All Country World ex-US Small Cap Index[4,5]	-6.43	0.44	10.65	8.30	7.68	5.42

[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.

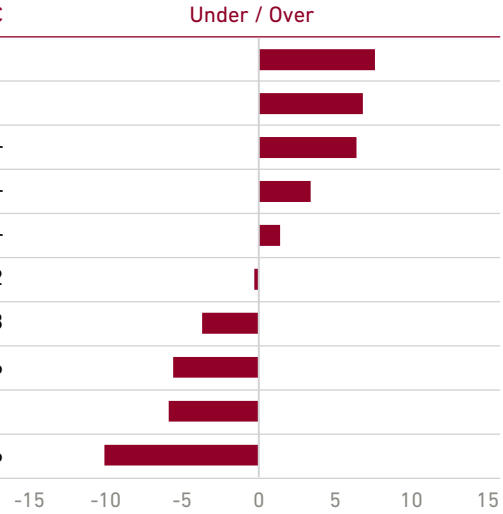
Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL ISC	ACWI ex-US SC
Info Technology	25.9	11.8
Health Care	13.4	6.3
Comm Services	10.8	4.1
Cons Staples	8.8	5.6
Cash	1.4	–
Utilities	2.3	3.6
Energy	1.7	3.5
Industrials	17.2	20.3
Financials	7.4	10.9
Materials	6.8	11.9
Cons Discretionary	3.8	11.0
Real Estate	0.5	11.0



Geography	HL ISC	ACWI ex-US SC
Europe EMU	21.7	14.1
Europe ex-EMU	28.9	22.1
Frontier Markets[6]	6.4	–
Other[7]	3.4	–
Cash	1.4	–
Middle East	1.9	2.2
Emerging Markets	21.6	25.3
Canada	2.0	7.6
Japan	12.2	18.1
Pacific ex-Japan	0.5	10.6



[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

Stock markets fell in the quarter, as the world watched Russia's invasion of Ukraine in horror. International small caps declined 6.4%,[1] underperforming global large caps modestly.

The reaction to the invasion by Western governments was swift and emphatic as they sought to tread a delicate balance between punishing Russian aggression and avoiding an escalating military conflict. The US and its allies enacted crippling economic sanctions against Russia, including freezing a significant share of the Russian central bank reserve assets, cutting off many of the country's banks from the SWIFT global financial messaging system, and outlawing the export of a variety of industrial and luxury goods. The revulsion at Russian aggression also provoked an exodus of Western companies from Russian markets. The sanctions initially led to a collapse in the ruble, forcing the central bank to raise overnight interest rates to 20% per annum to bolster the currency, while the Moscow stock exchange closed for almost a month before re-opening for domestic investors only. With foreign investors effectively unable to trade, major market index providers expunged all Russian securities from their broad market indices. Prices for a wide range of commodities for which Russia is a major producer—including oil, gas, grains, and metals—surged on fears of disruption, prompting billions of US dollars in margin calls to cover futures positions.

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

Geography	1Q 2022	Trailing 12 Months
Canada	6.2	20.1
Emerging Markets	-4.3	6.0
Europe EMU	-8.4	-1.0
Europe ex-EMU	-13.7	-4.6
Japan	-7.0	-11.9
Middle East	-0.6	32.9
Pacific ex-Japan	-0.2	7.1
MSCI ACWI ex-US Small Cap Index	-6.4	0.4

Sector	1Q 2022	Trailing 12 Months
Communication Services	-11.7	-7.4
Consumer Discretionary	-12.4	-14.2
Consumer Staples	-4.8	-10.0
Energy	22.9	42.1
Financials	-3.1	4.7
Health Care	-16.2	-15.5
Industrials	-6.9	3.5
Information Technology	-12.9	-0.4
Materials	1.5	9.8
Real Estate	-4.8	7.1
Utilities	0.6	8.2

Source: FactSet (as of March 31, 2022). MSCI Inc. and S&P.

Headline inflation, which had already been rising rapidly around the world prior to the invasion, received a fillip from the shock to energy and food supplies stemming from the war, increasing the pressure on central banks to tighten monetary policy. The Bank of England—along with the South Korean, South African, and Brazilian central banks—continued raising short-term policy rates to beat back rising prices. In the US, the Federal Reserve lifted rates for the first time since December 2018 and signaled a willingness to do whatever it takes to bring inflation under control, announcing an aggressive rate hike path for the months ahead. The yield curve flattened dramatically; in March the US two-year yield briefly exceeded the ten-year yield for the first time since 2019, flashing a recession warning as bond investors bet that higher yields would crimp growth.

The prospect of tighter monetary conditions further undermined the case for highly priced growth stocks, whose expected cash flows, in lying further out into the future, are more sensitive to interest rates.

The prospect of tighter monetary conditions further undermined the case for highly priced growth stocks, whose expected cash flows, in lying further out into the future, are more sensitive to interest rates. The MSCI ACWI ex-US Small Cap Growth Index declined over 10%, while its value counterpart was only down 2.5%, highlighting the impact of increasing economic uncertainty from higher inflation and the war in Ukraine. High-quality companies were no refuge from the sell-off of growth companies, with the highest quality quintile underperforming the lowest by nearly 11%.

Sector performance reflected the meteoric rise in commodity prices caused by supply shocks from war and sanctions, with both Energy and Materials finishing in positive territory. Demand for commodities could be set to fall, though, given that consumer confidence (critical to the slumping Consumer Discretionary sector) and business confidence (a big influence on swooning Information Technology, or IT, stocks) seem to be flagging. Health Care was dragged down by the double whammy of a post-COVID slowdown in health care funding and higher interest rates.

Canada was the best performing region, helped by its heavy weight in Energy and Financial stocks. Close proximity to the war in Ukraine and lack of NATO membership, weighed on several European countries including Finland and Sweden. In Emerging Markets (EMs), exceptional returns in several commodity-rich countries, such as Peru, Brazil, and Chile, were

[1]As measured by the MSCI All Country World Small Cap Index.

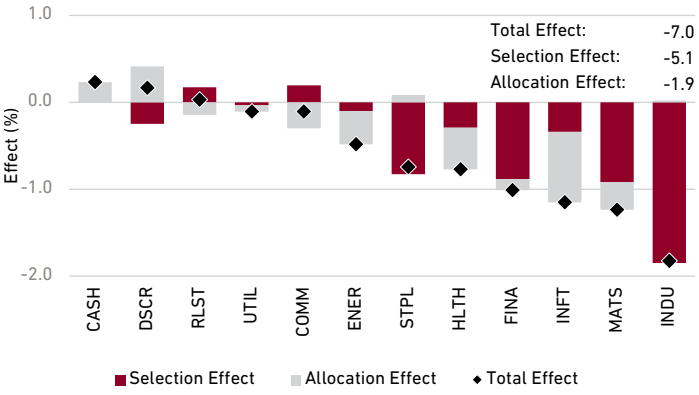
Companies held in the portfolio at the end of the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. A complete list of holdings at March 31, 2022 is available on page 9 of this report.

offset by weakness in China, which faces an economic slowdown aggravated by difficulties in maintaining its zero-COVID policy and the government's attempts to deflate its colossal real estate bubble. China's "no limits" friendship with Russia also threatened to expose the country to retaliatory Western economic sanctions. Worsening the sentiment toward China, the US Securities and Exchange Commission began the procedural implementation of the Holding Foreign Companies Accountable Act, identifying several US-listed Chinese companies whose latest financial reports fail to adhere to US audit standards and could be subject to delisting. Shortly after, Chinese officials signaled room for compromise on a mutually agreeable auditing framework, suggesting this is at least one area where the sentiment is likely worse than reality.

First Quarter 2022 Performance Attribution

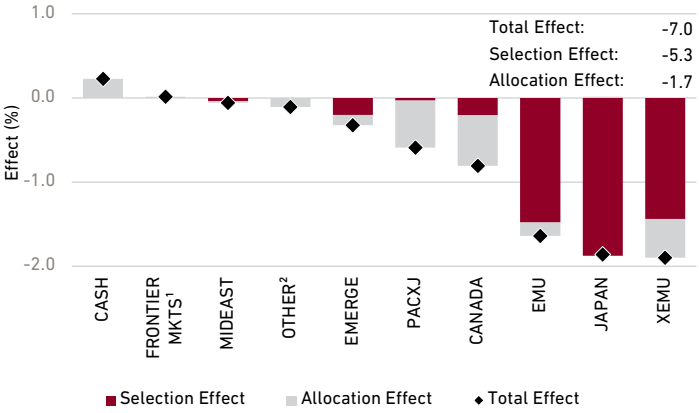
Sector

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



Geography

International Small Cos. 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.

Performance and Attribution

The International Small Companies composite declined 13.4% gross of fees in the first quarter, well beyond the 6.4% decline of the MSCI ACWI ex-US Small Cap Index.

The portfolio's concentration in expensive stocks, a hazard of our commitment to investing in the stocks of high-quality rapidly growing businesses, hurt relative performance in a quarter during which investors fled from richly priced companies. So stiff was this style headwind that, when viewed through the standard lenses of sector and geographic attribution, our portfolio underperformed in all but a handful of sectors and regions. Walking through sector by sector or region by region would add little to that overarching explanation.

> The risk that rising US-China tensions would further tangle its supply chains added to the negativity surrounding Bossard, a Swiss fastener distribution and logistics company.

A more informative parsing of sources of underperformance comes from viewing our returns in terms of the portfolio's exposure to growth and valuation factors. According to our growth and valuation rankings, the portfolio's emphasis on companies in the fastest-growing cohorts—or, inseparably, its tolerance of their rankings among the most richly priced cohorts—accounted for over half of our underperformance in the quarter. Our parallel emphasis on quality provided no defense in the period. But within these faster-growing and richly priced cohorts, some of our holdings performed even worse than their peers. Their shares, having previously been priced for perfection, saw *im*perfections that were revealed by these companies in the quarter seized upon amid the market's general retreat from high-priced shares. The shares of **Bossard**, a Swiss fastener distribution and logistics company, saw worsening global supply chain problems finally catch up with its ability to procure industrial fasteners from its suppliers, many of which are located in China and Southeast Asia, for its automobile, electronics, and other manufacturing clients, mostly in Europe and the US. Management issued lower-than-expected 2022 revenue and profit guidance due to rising personnel and logistics costs and the impact on demand for screws from shortages of other parts. The risk that rising US-China tensions would further tangle its supply chains added to the negativity, notwithstanding positive trends suggested by improving growth prospects at key customers such as John Deere and Tesla. The shares of **Diploma**, a UK-based specialty controls and instruments producer, also detracted from returns, despite 16% revenue growth in its 2022 fiscal first quarter ending in December; here, the market seemed to worry about logistics problems and rising personnel costs. There were some bright spots in Energy, where Netherlands-based (and US-listed) energy services company **Core Laboratories** saw a boost from rising oil prices and increased spending on oil and gas exploration and production.

The direct impact of Russia's invasion of Ukraine on our portfolio was small. We exited Kernel, a vertically integrated sunflower oil producer and our sole holding in Ukraine, in late January, about a month before the invasion, and have held no securities in Russia since our sale of Moscow Exchange in early 2019. Two banks neighboring Russia that we have owned for several years accounted for about 100 bps of our underperformance: **Bank of Georgia**, whose country was attacked by Russia in 2008 in a prequel to the invasions of Ukraine, and Lithuanian bank **Siauliu Bankas**. They hold dominant franchises in their respective markets and are well managed. Doing business in emerging democracies along Russia's border means they trade at a discount, but their geopolitical risks are uncorrelated with most other risks embedded in our portfolio. While most fast-growing, resilient businesses command historically high valuations today, Bank of Georgia and Siauliu Bankas represent inexpensive growth and diversification.

Perspective and Outlook

Well before the Ukraine crisis, headline inflation had been rising almost everywhere and intruding on the discount rates used to value shares. The energy and food shocks emanating from the conflict and consequent sanctions have supercharged the existing trends for expected inflation, bond yields, and equity discount rates, and the prospects for tighter monetary policies to combat the rise in prices. These trends have the largest effects on the present value (and therefore the current price) of distant future earnings—and thus pointedly on the price of growth stocks whose expected cash flows lie far in the future. The damage from these style headwinds was almost as great in the first quarter of 2022 as in the prior 14 months, since the first COVID vaccine was approved and the retreat began from higher growth and quality towards less-expensive, lower-growth companies that will earn more of their cash flows in the near and medium term.

The monetary policy tightening now underway by central banks is intended to dampen speculative or less productive demand for goods, services, and assets by raising borrowing costs. Those policies, when combined with the demand destruction likely to emanate from soaring food and energy prices, may contain the seeds of their own reversal. If consumer and producer confidence take more than a temporary hit from the war in Ukraine and its ramifications, a recession—either in Europe or more globally—could conspire to reduce the inflationary impulse from COVID re-openings and offset some of the need for monetary tightening. We're not in the business of making such forecasts but, were that scenario to unfold, it's possible that the headwinds for our quality/growth investment style would abate.

Much has been written recently about "the end of globalization" being another result of the war in Ukraine, and about the reluctance of some large countries—notably China and India—to sign onto the sanctions imposed by Western and Asian-Pacific governments. We, like many observers, worry that China, ostensibly aiming to be neutral, might risk some consequences by facilitating sanctions workarounds for Russia, and misjudge the West's resolve. The economic disincentives would appear to work against the possibility. China's total trade with Russia in 2020 was around a tenth of its US$1.4 trillion total trade with the US and Europe. Given China's flagging growth as it manages its deflating property market—a multi-year prospect, if previous property bubbles are anything to go by—and its stated priority to improve "common prosperity" for its people, the last thing it's likely to want is to court rejection by its largest customers and impair its access to the global trading system.

Indeed, the statement by economic policy czar and Vice Premier Liu He on March 16th, affirming the importance of economic growth and markets, offered insight into the government's leanings and helped reverse a dramatic swoon in Chinese stocks that had coincided with reports that China might be contemplating military aid to Russia. The separate salutary comments from the Chinese securities regulator regarding its ongoing negotiations with the US over audit inspections added to the more reassuring narrative (although the US legislation that sparked the whole audit and delistings issue has a long fuse that could allow negotiations and decisions to be tortuously slow).

> It would throw a considerable monkey wrench in Bossard's business if some of its best suppliers in China were to find themselves trapped behind new Western tariffs or trade sanctions. At the same time, we need to be careful not to underrate the ability of Bossard or its customers to prepare for and adapt to such scenarios.

While risks of unforeseen consequences arising from the Ukraine conflict are high, on this front we are cautiously optimistic that China will work hard to maintain its neutrality in a credible way, as it is a huge beneficiary of trade with the rest of the world, especially the rich developed nations. We think it likely that China, along with India, will continue to buy oil and gas from Russia (just as Europe, at least for now, plans to keep its gas pipelines open), and do not expect that fact to alter China's trade relations with the West much. Nevertheless, we must contemplate that our optimism is misplaced on the importance of membership in the global network of exchange. If our central and optimistic case—admittedly an educated guess—is wrong, then we'd need to modify our views of which companies in our opportunity set will face new barriers to profitable growth, and which companies might stand to benefit, relatively, from a further receding of globalization. (Global trade, after all, has never matched the peak share of GDP it reached in 2008, before the global financial crisis.) We'd expect such a world to be less efficient, as the cold logic of comparative advantage is demoted as a determinant of which goods or services are produced and where. That would lead to a less prosperous world, since exploiting comparative advantage is a cornerstone of wealth creation. If regional blocs began to raise limits on the movement of capital as well as goods, we'd need to parse which of our companies were at risk of declining sales from increasingly hostile, siloed countries.

Bossard, for example, has built its business upon today's web of global supply chains. Its specialty is helping a company like Tesla obtain for each model the optimal fasteners, whether bespoke or ready-made[2]. It sources them from its network of 4,500 manufacturing partners, ensuring that Tesla always has the ideal level of inventory as cheaply as possible. It would throw a considerable monkey wrench in Bossard's business if some of its best suppliers in China were to find themselves trapped behind new Western tariffs or trade sanctions. At the same time, we need to be careful not to underrate the ability of Bossard or its customers to prepare for and adapt to such scenarios. Tesla, for one, makes increasing numbers of its cars *in* China, destined for the domestic market, for which it could continue to source locally; and, in the case that Bossard runs into difficulty servicing the company's factories in California and Texas, it has plenty of suppliers in Mexico it can turn to. In a world of new barriers and shifting trade patterns, it would become more difficult for companies to manage their fastener sourcing internally. Bossard had a record year in 2021, growing revenues by 22%, as more manufacturers sought out its specialized expertise to help them contend with seized-up supply chains.

Kinaxis, an Ottawa-based supply chain management software company, could directly benefit from near-shoring initiatives and other efforts to build more resilience into supply chains. The company saw strong demand in response to the pandemic's logistics challenges, and in its March update management said demand continues to pick up. Their guidance is now for 2022 revenue growth of between 34%-38% with improving profitability.

While some small companies are heavily geared toward globalization or helping with the transition away from it toward some other retrenchment, others have more of a domestic focus. Indeed, around 56% of revenues for small companies come from their home markets, compared to 40% for large companies.

While some small companies are heavily geared toward globalization or helping with the transition away from it toward some other retrenchment, others have more of a domestic focus. Indeed, around 56% of revenues for small companies come from their home markets, compared to 40% for large companies, which means small companies are somewhat less exposed to the risk of losing foreign customers.

For some small companies with high foreign sales revenues, sources may align neatly with the trading bloc in which they are likely to find themselves. Take Diploma, the other small cap industrial mentioned above that took it on the chin. While the UK-based controls, seals, and life science equipment supplier only generates 15% of its sales from the UK, it generates a further 62% of its sales in Continental Europe and the US, markets to which the UK will remain tightly bound.

[2]The typical car manufactured today contains about 3,500 screws; a smart phone contains about 75, and a jetliner, 1.5 million.

Portfolio Highlights

With the volatility of stock prices this quarter, portfolio activity picked up as a handful of high-quality growth companies we had long admired, but regarded as too expensive, saw their valuations fall into range.

We purchased Germany-based **Scout24**, the dominant internet platform for real estate agents, landlords, and sellers in Germany and Austria, with agents in particular using the product for a wide range of functions within their organizations. Its market share of over 70% gives it a scale advantage over rivals, allowing the company to invest more in the utility of its product, making it indispensable for users. We think that its services are under-monetized compared to those of counterparts in developed markets, so the company should be able to raise prices over time.

We added to Financials with the purchase of Spanish based insurer **Linea Directa**. The company, founded in 1995 as a joint venture between **Bankinter**, a Spanish bank we also own, and the UK's Direct Line Group, was among the first companies in Spain to sell insurance directly by telephone. Linea Directa is now the fifth-largest car insurer in Spain, with 7% of all premiums, the twelfth-largest home insurer, and a small but rapidly growing health insurer. Its direct sales approach should lead to improved returns from cost savings as user-acquisition and claims-processing migrate online. The company's combined ratio—the key metric of underwriting discipline that relates outflows from administrative expenses and claims payments to inflows from premiums—is 5% lower than the average Spanish auto underwriter. The company has an opportunity to cross-sell its home and health insurance products to its established auto insurance customers. Of the customers for its nascent health insurance business, 71% are existing car or home insurance customers; given the car policyholder base is 25 times the size of the health business and cross-sale penetration is still low, its runway for growth is long.

In Health Care, the sector hardest hit by valuation headwinds this quarter, we made a new purchase in Switzerland-based **Tecan**, a leading provider of lab automation products. Labs that use its equipment to replace slow and error-prone humans can significantly increase volumes and reduce turnaround times. The company's recent acquisition of Paramit, a leading manufacturer of medical devices, diagnostics, and life science instruments, provides new verticals with important synergies with Tecan's core lab systems. Sales are currently focused on the US (46%) and Europe (37%) but are growing in Asia (16%), including China. In its 2021 annual report, Tecan highlighted the growth potential for the company in China, whose health care market is already one of the world's largest despite per capita health care spending just a fraction of what's spent in Western industrialized countries.

Falling prices created opportunities to add two companies in China to the portfolio. **Meyer Optoelectronic** makes sophisticated optical sensors. The company is currently focused on applications in food-

sorting machines (including some of the world's most advanced and popular systems for sorting rice grains by color, shape, and quality); dental imaging machines; and a range of other industrial and commercial applications such as tire inspection, airport security, and mining. Domestic sales represent 75% of total sales, with the balance coming mostly from South and Southeast Asia. The machine vision market in China alone is a US$2 billion market, and it is growing over 20% per annum, driven by a combination of factors, including the low penetration of dental equipment in China and the general push toward industrial automation. There is also a large and as-yet untapped opportunity in China for recycling sorting machines, which could be a natural focus of China's ambitious climate initiatives. Norway-based **TOMRA** has similar technology, with which it has carved out a dominant position in the European and US recycling sorting market. China, to date, has not been a target market for TOMRA, however, so we suspect direct rivalry between the two companies to be years away.

Domestic sales represent 75% of total sales for China-based Meyer Optoelectronic, with the balance coming mostly from south and southeast Asia. The machine vision market in China alone is a US$2 billion market, and it is growing over 20% per annum.

We also added **Yantai China Pet Foods**, a supplier of white-label pet foods to international customers, and seller of its own branded products in China. China's pet industry, which grew roughly 20% last year, is still immature. In addition to its brand equity in China, Yantai's huge manufacturing scale helps keep existing rivals and new entrants at bay.

Our new positions were funded from a combination of cash and sales of holdings that either had excessive valuations, like Japan-based management consulting firm Nihon M&A, elevated risks (Kernel), or were simply squeezed out (UK-based home repair portal HomeServe) to make room for more attractively priced quality growth opportunities.

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International Small Companies Holdings (as of March 31, 2022)

Communication Services	Market	End Wt. (%)
CD Projekt (Video game developer)	Poland	0.5
Cheil Worldwide (Marketing and advertising services)	South Korea	1.5
Megacable (Cable operator)	Mexico	1.7
Paradox Interactive (Video game publisher)	Sweden	1.5
Rightmove (Online property listings operator)	UK	0.9
Sarana Menara Nusantara (Telecom tower operator)	Indonesia	1.6
Scout24 (Real estate information services)	Germany	0.5
TIME dotCom Berhad (Telecom services)	Malaysia	0.7
Tower Bersama (Telecom infrastructure provider)	Indonesia	0.6
YouGov (Market research and data analytics services)	UK	1.4
Consumer Discretionary		
Eclat Textile (Technology-based textile manufacturer)	Taiwan	0.5
Jarir Marketing (Consumer products retailer)	Saudi Arabia	1.1
Rinnai (Consumer appliances manufacturer)	Japan	0.5
Stanley Electric (Automotive lighting manufacturer)	Japan	1.1
Thule Group (Lifestyle consumer products manufacturer)	Sweden	0.5
Consumer Staples		
Agthia (Foods and beverages manufacturer)	UAE	0.7
Ariake (Natural seasonings manufacturer)	Japan	1.2
Clicks Group (Drugstores operator)	South Africa	0.4
Cosmos Pharmaceutical (Drugstores operator)	Japan	1.1
Cranswick (Foods manufacturer)	UK	0.8
Edita Food Industries (Foods & cons. products retailer)	Egypt	0.8
Grupo Herdez (Processed foods manufacturer)	Mexico	0.6
KWS SAAT (Agricultural products producer)	Germany	1.3
Pigeon (Consumer products manufacturer)	Japan	0.8
Rohto Pharmaceutical (Health & consumer products mfr.)	Japan	0.6
Yantai China Pet Foods (Pet food manufacturer)	China	0.6
Energy		
Core Laboratories (Oilfield services)	US	0.6
Dialog Group Berhad (Petrochemical services)	Malaysia	0.7
Romgaz (Natural gas producer)	Romania	0.4
Financials		
Bank of Georgia (Commercial bank)	UK	1.4
Bankinter (Commercial Bank)	Spain	0.8
Discovery Holdings (Insurance provider)	South Africa	0.5
Linea Directa (Insurance provider)	Spain	1.2
Max Financial (Financial services and insurance provider)	India	1.3
Rathbones (Wealth manager)	UK	0.5
Siauliu Bankas (Commercial bank)	Lithuania	1.7
Health Care		
Abcam (Life science services)	UK	2.0
BML (Oil distributor)	Japan	0.6
Dechra (Veterinary pharma manufacturer)	UK	2.3
EMIS Group (Health care software developer)	UK	1.5
Integrated Diagnostics (Medical laboratory services)	Egypt	0.7
Santen Pharmaceutical (Pharma manufacturer)	Japan	1.0

Health Care	Market	End Wt. (%)
Solasto (Medical admin outsourcing)	Japan	1.1
Square Pharmaceuticals (Pharma manufacturer)	Bangladesh	0.8
STRATEC (Life science products manufacturer)	Germany	1.8
Tecan (Life science products and services)	Switzerland	1.5
Industrials		
Bossard (Industrial components supplier)	Switzerland	1.4
Clarkson (Shipping services)	UK	1.4
Diploma (Specialized technical services)	UK	1.9
Haitian International (Injection-molding machines mfr.)	China	1.6
Intrum Justitia (Credit management services)	Sweden	1.2
LISI (Industrial components manufacturer)	France	0.1
Localiza (Automobile rental services)	Brazil	2.2
Meyer Optoelectronic (Optical machine manufacturer)	China	0.8
MISUMI Group (Machinery-parts supplier)	Japan	0.4
Pfeiffer Vacuum (Vacuum pump manufacturer)	Germany	0.9
Senior (Aerospace and auto parts manufacturer)	UK	1.9
Sensata Technologies (Industrial sensors manufacturer)	US	0.6
SMS (Health care employment services)	Japan	1.7
TOMRA (Industrial sensors manufacturer)	Norway	1.3
Information Technology		
Advantech (Industrial PCs manufacturer)	Taiwan	0.6
Alten (Technology consultant and engineer)	France	2.6
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	0.5
Bechtle (IT services and IT products reseller)	Germany	1.9
Chipbond Technology (Electronic chip packager)	Taiwan	0.8
Cyberark (Cybersecurity software developer)	Israel	1.9
Globant (Software developer)	US	2.1
Infomart (Restaurant supply chain operator)	Japan	0.8
Keywords Studios (Video game technical services)	UK	2.0
Kinaxis (Supply chain software developer)	Canada	2.0
LEM Holdings (Electrical components manufacturer)	Switzerland	2.1
Network International (Electronic payment services)	UK	1.0
Reply (IT consultant)	Italy	3.9
SimCorp (Asset management software provider)	Denmark	0.4
TeamViewer (Remote connectivity software developer)	Germany	1.1
Vaisala (Atmospheric measuring devices manufacturer)	Finland	2.0
Materials		
Fuchs Petrolub (Lubricants manufacturer)	Germany	1.5
Hoa Phat Group (Steel producer)	Vietnam	3.5
JCU (Industrial coating manufacturer)	Japan	1.1
SH Kelkar (Fragrances and flavors manufacturer)	India	0.7
Real Estate		
Mabanee (Real estate developer and manager)	Kuwait	0.5
Utilities		
Rubis (Liquid chemical storage and distribution)	France	2.3
Cash		1.4

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.

1Q22 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
Localiza	INDU	1.7	–	0.58
Mabanee	RLST	1.0	–	0.19
Core Laboratories	ENER	0.5	–	0.19
Discovery Holdings	FINA	0.4	–	0.14
TeamViewer	INFT	1.1	0.1	0.14

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	–	1.19
Reply	INFT	3.7	0.1	0.90
Localiza	INDU	0.6	–	0.70
TOMRA	INDU	1.9	0.1	0.59
Alten	INFT	2.4	0.1	0.58

1Q22 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
Bossard	INDU	1.6	<0.1	-0.50
Dechra	HLTH	2.3	0.1	-0.47
STRATEC	HLTH	2.0	<0.1	-0.47
Reply	INFT	3.8	0.1	-0.46
Bank of Georgia	FINA	1.7	<0.1	-0.43

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL ISC	Avg. Weight ACWI ex-US SC	Effect
TeamViewer	INFT	0.8	<0.1	-0.86
Rubis	UTIL	2.1	0.1	-0.84
Stanley Electric	DSCR	1.4	–	-0.61
Fuchs Petrolub	MATS	1.7	–	-0.54
Network International	INFT	1.1	<0.1	-0.53

Portfolio Characteristics

Quality and Growth	HL ISC	ACWI ex-US SC
Profit Margin[1] (%)	10.0	8.2
Return on Assets[1] (%)	8.0	5.3
Return on Equity[1] (%)	15.5	11.1
Debt/Equity Ratio[1] (%)	24.4	50.5
Std. Dev. of 5 Year ROE[1] (%)	3.7	5.2
Sales Growth[1,2] (%)	10.3	6.9
Earnings Growth[1,2] (%)	9.8	9.3
Cash Flow Growth[1,2] (%)	11.7	8.2
Dividend Growth[1,2] (%)	6.3	5.5
Size and Turnover	**HL ISC**	**ACWI ex-US SC**
Wtd. Median Mkt. Cap. (US $B)	3.3	2.3
Wtd. Avg. Mkt. Cap. (US $B)	3.9	2.8
Turnover[3] (Annual %)	19.8	–

Risk and Valuation	HL ISC	ACWI ex-US SC
Alpha[2] (%)	2.68	–
Beta[2]	0.94	–
R-Squared[2]	0.88	–
Active Share[3] (%)	97	–
Standard Deviation[2] (%)	17.37	17.28
Sharpe Ratio[2]	0.55	0.42
Tracking Error[2] (%)	6.2	–
Information Ratio[2]	0.37	–
Up/Down Capture[2]	103/93	–
Price/Earnings[4]	18.0	12.1
Price/Cash Flow[4]	13.3	8.2
Price/Book[4]	2.9	1.5
Dividend Yield[5] (%)	1.7	2.4

[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: April 5, 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
Linea Directa	Spain	FINA
Meyer Optoelectronic	China	INDU
Scout24	Germany	COMM
Tecan	Switzerland	HLTH
Yantai China Pet Foods	China	STPL

Positions Sold	Market	Sector
HomeServe	UK	INDU
Kernel	Ukraine	STPL
Nihon M&A Center Inc.	Japan	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 March 31, 2022)

	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)
2022 YTD[4]	-13.41	-13.61	-6.43	19.59	19.99	N.A.[5]	1	541	64,240
2021	14.71	13.60	13.36	18.81	19.85	N.M.[6]	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

[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 2022 YTD performance returns and assets shown are preliminary; [5]N.A.–Internal dispersion less than a 12-month period; [6]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 46 developed and emerging market countries, and is comprised of companies that fall within a market capitalization range of USD 56-10,590 million (as of March 31, 2022). 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 December 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 Equity Composite has had a performance examination for the periods January 1, 2007 through December 31, 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 for the first $20 million; 0.80% for the next $80 million; 0.70% above $100 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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