HARDING LOEVNER

WORLD EQUITY

2020 Year End Report

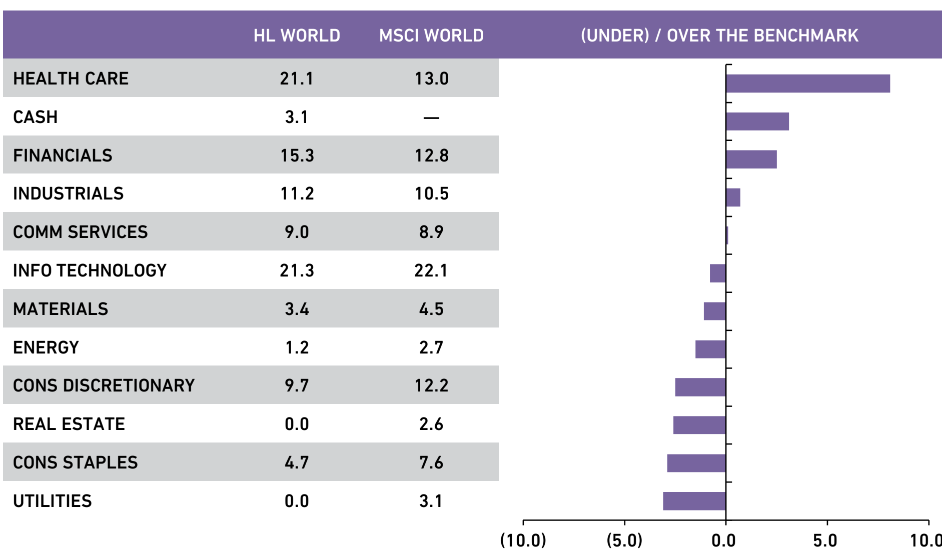
COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED DECEMBER 31, 2020[1]

	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	SINCE INCEPTION[2,3]
HL WORLD EQUITY (GROSS OF FEES)	13.96	35.09	17.17	17.76	15.10
HL WORLD EQUITY (NET OF FEES)	13.84	34.55	16.70	17.29	14.64
MSCI WORLD INDEX[4,5]	14.07	16.50	11.14	12.80	10.60
MSCI ALL COUNTRY WORLD INDEX[5,6]	14.79	16.82	10.63	12.85	10.18

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: September 30, 2013; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

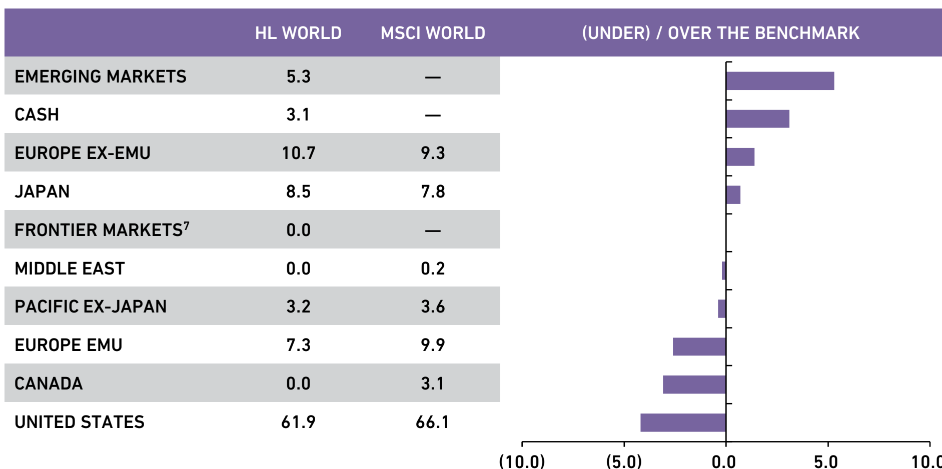
Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

SECTOR EXPOSURE (%)



	HL WORLD	MSCI WORLD
HEALTH CARE	21.1	13.0
CASH	3.1	—
FINANCIALS	15.3	12.8
INDUSTRIALS	11.2	10.5
COMM SERVICES	9.0	8.9
INFO TECHNOLOGY	21.3	22.1
MATERIALS	3.4	4.5
ENERGY	1.2	2.7
CONS DISCRETIONARY	9.7	12.2
REAL ESTATE	0.0	2.6
CONS STAPLES	4.7	7.6
UTILITIES	0.0	3.1

GEOGRAPHIC EXPOSURE (%)



	HL WORLD	MSCI WORLD
EMERGING MARKETS	5.3	—
CASH	3.1	—
EUROPE EX-EMU	10.7	9.3
JAPAN	8.5	7.8
FRONTIER MARKETS[7]	0.0	—
MIDDLE EAST	0.0	0.2
PACIFIC EX-JAPAN	3.2	3.6
EUROPE EMU	7.3	9.9
CANADA	0.0	3.1
UNITED STATES	61.9	66.1

[7]Includes countries in less-developed markets outside the Index.

Sector and geographic allocations are supplemental information only and complement the fully compliant World Equity Composite GIPS Presentation.

Source: Harding Loevner World 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.

WHAT'S INSIDE

Market Review ›

After a turbulent year, and despite an escalation in the global pandemic, global stock markets rose dramatically following positive results for COVID-19 vaccine trials.

Performance and Attribution ›

Sources of relative returns by region and sector.

Perspective and Outlook ›

We revisit our quaint worries from a year ago about a "world turned upside down" by unsustainable valuations and turn to some newer concerns about regulatory threats to Big Tech.

Portfolio Highlights ›

We weathered a fourth quarter "value" rally with some degree of aplomb, in part through owning some of the market's more unlikely "growth" stocks such as Disney and 184-year-old John Deere.

Portfolio Holdings ›

Information about the companies held in our portfolio.

Portfolio Facts ›

Contributors, detractors, characteristics, and completed transactions.

ONLINE SUPPLEMENTS

View other reports at hardingloevner.com/insights

This page intentionally left blank.

MARKET REVIEW

Global stock markets rose dramatically in the fourth quarter despite an escalation in the global pandemic. The starting gun for the run-up was Pfizer's announcement of better-than-expected results for its COVID-19 vaccine trials and was followed in rapid fire by positive reports from Moderna, AstraZeneca, and Sinopharm. Accelerated approvals gave investors further hope for some return to normal commerce in 2021, even as COVID-19 hospitalizations in the US and Europe soared. The market rally was broad, with all sectors and regions finishing in positive territory, an encouraging cap on a turbulent year.

The year began with news of a sinister respiratory illness spreading throughout Hubei province in China. By the end of March, the virus was raging across the globe, prompting governments to enact sweeping business and travel restrictions to slow its spread. The economic fallout was immediate, and the concomitant stock market decline was swift and severe.

Economic policymakers, however, were quick to respond with unparalleled levels of support aimed at arresting the decline. Central banks in developed countries slashed borrowing costs and rolled out a dizzying array of measures designed to support asset prices and keep liquidity flowing to businesses. Fiscal branches, for their part, authorized almost US$12 trillion in spending to prevent a collapse in consumption, an amount equivalent to almost 12% of global GDP.

Stock markets rebounded in response almost as fast as they had fallen. Despite the ongoing headwinds, the economic recovery gathered steam over the course of the year, and markets continued their upward march.

The US dollar was a barometer of investor fear, rallying during the height of the pandemic, as investors sought the safety of the world's principal reserve currency, only to reverse course over the rest of the year. Only a handful of currencies from commodity-exporting countries, like Russia and Brazil, were lower against the dollar for the year.

Companies that benefited from the abrupt shift to remote work and surge in e-commerce, many of them within Information Technology (IT) and Consumer Discretionary, far outpaced more cyclical sectors such as Energy, Financials, and Real Estate, all of which finished in negative territory. The fourth quarter saw an inversion of this pattern, with Financials and cyclicals benefiting disproportionally from a vaccine-fueled boost in growth expectations. Non-cyclical sectors such as Health Care, Consumer Staples, and Utilities lagged. IT, however, continued to perform well despite heightened scrutiny from regulators in Europe and the US.

Similar final quarter flip-flops occurred along geographical lines. The US, after leading the way thanks to its large IT industry, lagged the eurozone, particularly countries hit hardest by the virus such as Spain and Italy. Pacific ex-Japan also fared well, helped by Australia, which rebounded with a recovery in commodity prices.

Style effects, having favored fast-growing and high-quality companies most of the year heedless of their high valuations, also reversed in the quarter. Stocks of the slowest-growing companies, including many cyclicals such as Energy and banks, outperformed the fastest-growing by 900 basis points. The effect of quality was even more pronounced, as shares of companies with more leverage and less consistent returns outperformed those of the highest-quality companies by over 1,600 basis points. Valuation as a factor offered no guide to performance in the fourth quarter one way or the other.

MARKET PERFORMANCE (USD %)

MARKET	4Q 2020	TRAILING 12 MONTHS
CANADA	14.1	6.2
EUROPE EMU	17.7	8.5
EUROPE EX-EMU	13.5	3.2
JAPAN	15.3	14.9
MIDDLE EAST	19.3	15.2
PACIFIC EX-JAPAN	20.1	6.6
UNITED STATES	13.1	21.4
MSCI WORLD INDEX	14.1	16.5

SECTOR PERFORMANCE (USD %)
OF THE MSCI WORLD INDEX

SECTOR	4Q 2020	TRAILING 12 MONTHS
COMM SERVICES	15.7	23.4
CONSUMER DISCRETIONARY	16.3	37.0
CONSUMER STAPLES	6.6	8.5
ENERGY	27.1	-30.5
FINANCIALS	24.2	-2.2
HEALTH CARE	6.9	14.1
INDUSTRIALS	15.4	12.2
INFORMATION TECHNOLOGY	13.0	44.3
MATERIALS	15.9	20.5
REAL ESTATE	8.8	-4.2
UTILITIES	9.4	5.6

Source: FactSet (as of December 31, 2020). MSCI Inc. and S&P.

Companies held in the portfolio during 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, 2020 is available on page 9 of this report.

PERFORMANCE AND ATTRIBUTION

The World Equity Composite rose 14.0% in the fourth quarter, trailing the benchmark's gain of 14.1%. For the full year, the Composite rose 35.1%, exceeding the benchmark's 16.5% return.

Relative performance trends of 2020 reversed in the final quarter. For instance, many stocks within IT underperformed in the fourth quarter while outperforming on a year-to-date basis. **Salesforce.com**, which had surged in Q3, underperformed this quarter on the back of news that it would pay a huge premium to acquire Slack Technologies, an enterprise communication platform that competes with **Microsoft's** Teams. Our Consumer Discretionary stocks also lagged as investors digested the implications of **Alibaba's** withdrawal of its planned IPO for its Ant Financial affiliate under pressure from Chinese banking regulators, and the parent company later was put on notice about the potentially anti-competitive practices of its core e-commerce business.

On the other side, our off-benchmark EM banks forcefully reversed their recent poor relative performance. **Itaú Unibanco** excited investors with the prospect of spinning off its low-cost brokerage platform, XP, though the company still underperformed the sector for the year, a product of the pandemic's devastating effects on the Brazilian economy. Overall, our holdings in Financials contributed positively to 2020 performance, particularly two US-based banks, **First Republic Bank** and **SVB Financial Group**—both of which continue to gain traction in the affluent banking and wealth management niche.

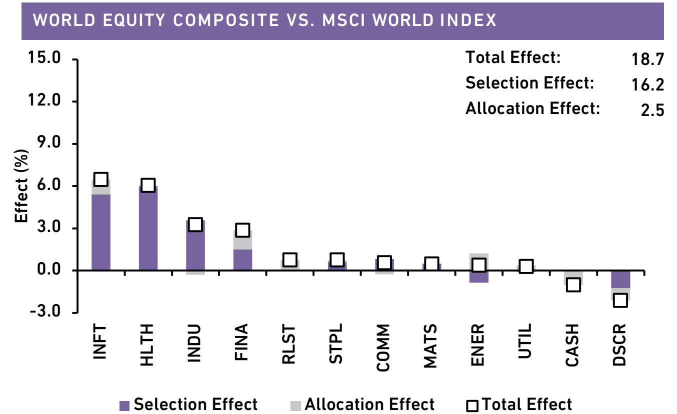
Regionally, on a one-year basis, strong stock selection in the US was the largest contributor, with COVID-19 beneficiaries such as **PayPal**, digital ad-buying platform **The Trade Desk**, drugmaker **Regeneron**, and graphics processor manufacturer **NVIDIA**, outweighing the negative performance from Energy stocks such as **Schlumberger** and **ExxonMobil**.

In fact, the portfolio enjoyed strong stock selection in every major region except EM in the year. In Japan, optical sensor specialist **Keyence** and hematology testing manufacturer **Sysmex** boosted returns. In Europe outside the eurozone, Swiss drug manufacturer **Lonza** delivered outsized gains due in part to its surging sales of anti-microbials used in cleaning agents, and in even larger part to its exclusive contract to manufacture Moderna's COVID-19 vaccine. Good returns from steady growers within the eurozone also helped. In EM, our stocks lagged, hurt by Alibaba, EM banks, and by **CD Projekt**, a Polish video game publisher whose *Cyberpunk 2077* release disappointed. Strong year-long performance of **NetEase** partially offset these disappointments, as the as the popular Chinese video game publisher rode the surge in gaming that has paralleled the pandemic.

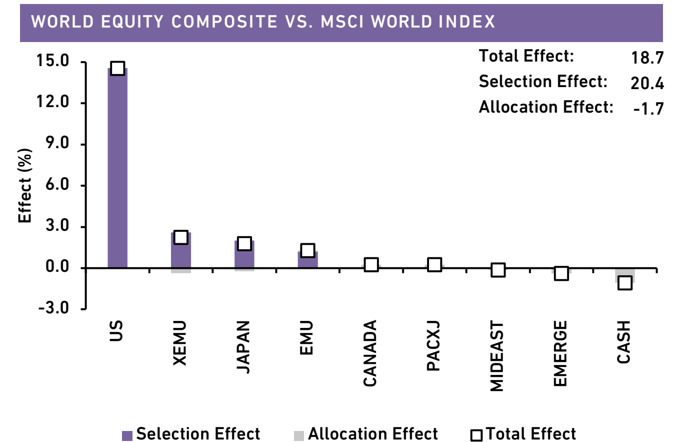
PERSPECTIVE AND OUTLOOK

When we wrote at the end of 2019 about a "world turned upside down," we had no idea just how upended the world

SECTOR PERFORMANCE ATTRIBUTION TRAILING 12 MONTHS



GEOGRAPHIC PERFORMANCE ATTRIBUTION TRAILING 12 MONTHS



Source: FactSet; Harding Loevner World Equity 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.

was about to become; no inkling that a novel coronavirus was replicating exponentially and about to upend our lives. Rather, we were focused on the mundane (by comparison) implications of negative interest rates, potential inflation, and the implied discount rates for stocks. We fretted that the prices commanded by stocks of our preferred high-quality and fast-growing companies had reached unsustainable levels. The heightened volatility of long-duration assets—long-dated Treasurys and growth stocks both—made us fret further, since rising volatility often foreshadows a reversal.

As the pandemic erupted with full force in the first quarter, companies prized for their resilient secular growth and financial strength defied our fears and expensive growth stocks became even more highly priced. Some companies, with their business models anchored in the virtual rather than the brick-and-mortar world, were instantly transformed into COVID-19 "winners." Meanwhile, any company with more immediate exposure to either the business cycle (think banks) or specific dislocations arising from the pandemic, such as travel, was

shunned by investors. Last quarter, we noted that a startling number of stocks—indeed, higher than at any time in the last fifty years outside of the 1999 tech bubble—were priced to deliver negative returns even just assuming a naïve (and rather unrealistic) extrapolation of current consensus earnings growth estimates. One difference, of course, between 1999 and now is that now bonds are also priced to disappoint their owners, perversely making stocks seem less risky.

Nevertheless, with the end of the pandemic at last in sight, our prior concerns have returned to the fore. One way prospects could change for long-duration growth stocks, as well as for long-duration bonds, is for long-term interest rates to rise. Ultra-low discount rates, like ultra-low bond yields, imply that cash flows far into the future have more value today; if ultra-low were to give way to merely *low*, those far-away cash flows would not be so compelling. Moreover, what could stimulate animal spirits more than a return to before-COVID-19 commerce, travel, and social interactions with a year of deferred consumption coiled like a spring? On the fire of pent-up demand throw gasoline in the shape of competition for resources from infrastructure spending programs, and suddenly not even "low" may be the right level for inflation or interest rates, let alone for the discount rates applied to stocks.

Interest rates have mirrored falling inflation expectations over the past forty years. Disinflation has been the result of technological innovation, globalization, and, pre-global financial crisis, disciplined monetary policy at the largest central banks. However, the future is clouded by many "ifs". If policymakers not only in China, but also in Europe and the US, start reducing the freedom historically afforded to the big tech companies like Alibaba, **Facebook**, Google, and **Amazon.com**, it may well reduce the disinflationary effects these companies have midwifed into the world. If globalization and free trade continue to face populist protest and political backlash, the price of goods and services, no longer sourced from the most efficient producers, will tend higher instead of lower. If the current escalation of US-China economic disagreements become further militarized, those inflationary effects could be large. If post-COVID-19 normalization demand and low inventories combine with debt financed infrastructure spending, interest rates may well lead, rather than follow, inflation higher. Some of these scenarios would be headwinds for profits; all, except a sustained, rapid economic expansion, are bad for stock valuations.

But there are also portents that endless growth of big tech profits itself could become less of a given. The commanding position of the dominant internet platforms and software companies flows in large part from benign competitive forces driven by powerful network effects and winner-take-all industry dynamics. Yet, in the final quarter of 2020, many of these companies found themselves beset by regulatory scrutiny in almost every jurisdiction. In Europe, the focus has shifted from data privacy toward taxing some of the revenues and profits generated in those countries. Among the recent actions, this strikes us as a modest blow to sustain (if, indeed, it stops there), and one that markets are probably good at discounting. In China, where Alibaba and Tencent dominate the previously largely freewheeling consumer economy, the situation is more treacherous, if only because of the opaque and unconstrained nature of China's regulatory authority. By encroaching onto the turf of the state-supported Chinese banking system via their payments platforms, Alibaba and **Tencent** were "poking the dragon" of politically powerful, entrenched vested interests, and potentially getting their business models singed in the process.

By encroaching onto the turf of the state-supported Chinese banking system via their payments platforms, Alibaba and Tencent were "poking the dragon" of politically powerful, entrenched vested interests.

Antitrust actions in the US, meanwhile, are being driven by both state governments as well as the federal government, which adds its own unpredictable twist. The common thread in all these efforts is the emergence of a cohesive political opposition to the monopoly-like power of the world's largest internet-based companies. A key difference between this and past periods of regulatory backlash is that more of the monopolies' power today has been directed at squeezing their suppliers and eliminating competitors rather than gouging their customers, who continue to delight in the broader availability of better and cheaper goods, and who may well yet offer a countervailing pull on the regulators' push. Earlier antitrust actions in the US against Microsoft in the 1990s, IBM in the 1980s, or AT&T in the 1970s, were costly and disruptive, but ultimately left the targeted incumbents plenty powerful and profitable until innovation and new competitive challenges unrelated to the regulatory onslaught disrupted their dominance. We believe such an outcome is possible from the current actions, but the journey is likely to be a rocky one.

However, there is a world of difference between identifying risks and having them come to pass. 2021 may well prove to be an *annus horribilis* for growth investing, but there is no way of knowing in advance. Moreover, there is far more to the growth investing story than falling discount rates and the monopolistic practices of a handful of mega-cap companies. The last decade may have witnessed previously unimaginably low interest rates, but we've also experienced a resurgence in innovation accompanied by secular and, albeit still narrow, explosive earnings growth fueled by rapid advances in technology. And herein lies the iron law of growth investing—you may overpay but, with careful selection and a long enough horizon, compounding revenues and, ultimately, earnings will eventually bail you out of the high price you paid. Of course, underlying the careful selection part is a paradox that is frequently overlooked and liable to snare the unwary. The iron law only applies to individual growth companies; by definition, it cannot be true for *all* of them. This fallacy of

composition is identical to the problem faced by a sports fan trying to get a better view of the field. Individually, they may stand up to get a better view, but it's obviously impossible for everyone to stand up and enjoy the view unimpeded. The best growth companies will ultimately justify even extreme valuations, but investors should have no illusion that all or even most growth companies can hope to join this unique cadre.

The problem faced by growth companies today is akin to that of a sports fan standing up to get a better view of the field. It's obviously impossible for everyone to stand up and enjoy the view unimpeded.

In our investment process we attempt to balance the emphasis among growth, sustained profitability, financial strength, and well-governed, able management. Our conviction lies in the belief that these attributes, elucidated through fundamental research, maximize our odds of picking out the few companies with the long-term ability to sustain their growth. And despite the many looming risks to growth stocks, we take encouragement from the pace of innovation that continues to hum along behind the cacophony.

Our portfolio has weathered the "value" rally in the fourth quarter with some degree of aplomb. That's a result, we suspect, of our steady and incremental reduction or exit from some of our holdings over the past few years that reached into the ranks of the highest priced stocks. It's also the result of owning some of the most innovative companies outside the spotlight of regulatory scrutiny, whose growth has continued untrammeled so far. If the narrowing of valuation spreads and the relative performance rebound of cheaper stocks is mostly—or even halfway—completed, and inflation stays quiescent, our portfolio should do fine. That's what happened after the global financial crisis, when we feared a sustained "low-quality" rally would hobble our chances of good relative performance for an extended period, but which didn't persist beyond a few months. We believed then that the damage from the debt crisis cut so deeply across the global economy that a strong rebound was never in the cards, especially with a robust austerity voice constraining most governments (a voice today seemingly lost in the wilderness). Compare that to the experience after the tech bubble of the late 1990s, when the burst affected the IT and Telecom sectors, but left the rest of the economy relatively unscathed and primed to respond dramatically to monetary stimulus. But looking even further back to other periods of equally distended valuations for growth companies, such as the Nifty Fifty of the early 1970s, we're reminded that markets have a history of being unprepared for tectonic shifts in politico-economic conditions, when the only warning signs are stretched valuations alongside the usual markers of speculative fever. Wariness is warranted.

PORTFOLIO HIGHLIGHTS

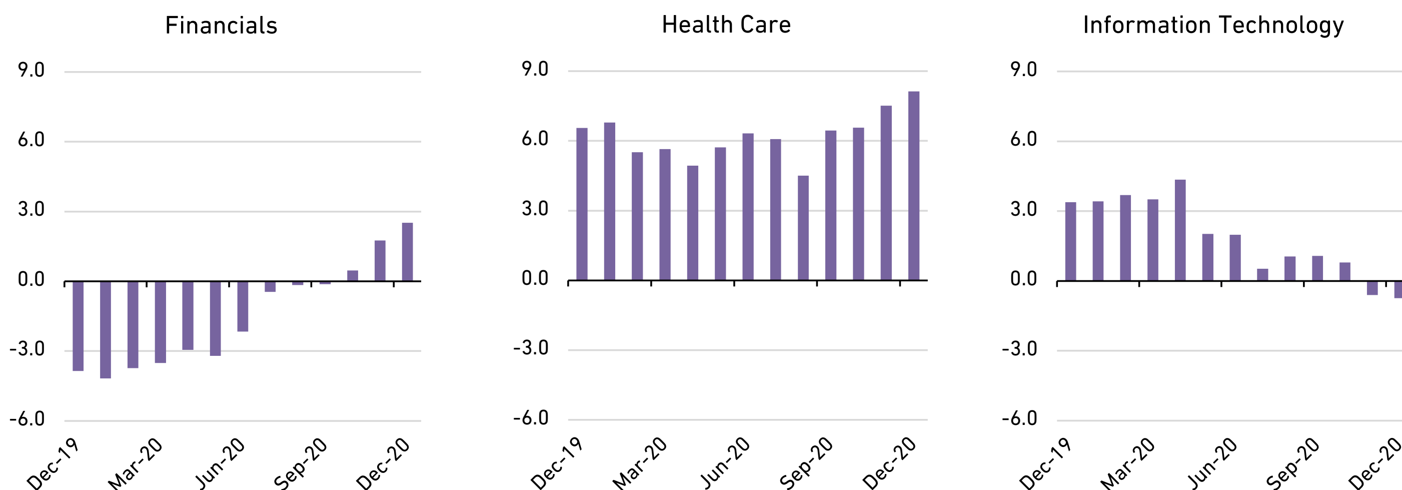
One of the original constituents of the Nifty Fifty holds a place in our portfolio today. When we bought Disney three years ago, we wrote that "we view Disney theme parks in the US, Europe, and China as resistant to online substitution." We did not reckon on a pandemic, which closed all of them, and sent all of *us* to our couches. Disney, however, was ready for us, brilliantly illustrating the importance of management foresight and change management. Or, as Louis Pasteur said, "chance favors the prepared mind."

A century after its founding in 1923, Disney is in the middle of a bold shift from its legacy media networks & entertainment model—with cable TV, theme parks, and theater films dominating its earnings—to a direct-to-consumer streaming media model. The keys to Disney's transition: matchless storytelling, coupled with financial strength. The company reliably creates content that people all over the world are eager to consume. It also hastened spending on original content to attract subscribers to its new steaming platform. These factors have allowed Disney to weather the pandemic having expanded its direct engagement with customers. Such connections yield a rich harvest of insights used to customize offerings on a mass scale, reinforcing that engagement in a virtuous circle and thereby raising the lifetime value of each customer. Subscribers to Disney+ reached 86.8 million one year after launch, compared to the 60-90 million management projected to reach in 2024. To be sure, Netflix, **Apple**, and Amazon remain formidable competitors in new-era streaming entertainment (mind what we said about everyone standing up at once), but there's fight left in this old dog.

Disney exemplifies how, amid rapid technological disruption and consumer behavior changes, management foresight has become especially important. But if innovation can deliver growth it's likely to be hotly pursued by investors, so we may also do well to look for growth in less likely locales. Like Moline, Illinois, for instance. In 1837, pioneer blacksmith John Deere invented a new type of plow made from steel that was more effective than existing plows made from cast iron. In 2021, John Deere, the 184-year-old company and undisputed global leader in equipment for row crop agriculture, is again poised to revolutionize the business of farming, this time with precision agriculture technology.

Deere is equipping its machines with the capability to gather and analyze data to improve farmers' productivity. Its Blue River Technology subsidiary, acquired in 2017, offers a "see and spray" farming implement that uses computer vision to identify and assess individual plants in real time, and to apply herbicides only to weeds and fertilizers only to crops. Trained on millions of images, Blue River's AI algorithms can instantly distinguish an endless variety of plants and their condition, simultaneously adding to the data set plant genomic and phenotypic information. Deere estimates that farmers will

HL WORLD EQUITY ACTIVE WEIGHTS VS. MSCI ALL COUNTRY WORLD INDEX



Source: HL World Equity model, MSCI, Inc. FactSet; Data as of December 31,2020.

be able to reduce their herbicide application by up to 90% this way, a boon for their profitability, for the environment, and for Deere—as more farms consolidate their operations on the company's products and services. Early 2020, when Deere plummeted along with other industrials, afforded us an attractive entry point; were Deere just another cyclical company, its stock would still be rebounding in the current value rally, but we see it as something altogether different: a growth company in an otherwise mature cyclical neighborhood.

John Deere's "see and spray" technology uses computer vision to identify and assess individual plants in real time, and to apply herbicides only to weeds and fertilizers only to crops.

We've been concerned about extended valuations for the most rapidly growing companies in our universe, as we have written about extensively, and accordingly we've made changes to the portfolio throughout the year, with the explicit aim of moderating valuation. As a consequence, we have increased portfolio diversification by sector.

As illustrated by the chart above, the most significant change was increasing holdings in Financials. We increased our EM-oriented banks exposure (adding to Brazil's Itaú Unibanco and initiating a new holding in India's **HDFC Bank**) after the dramatic declines of the first quarter. We then bought two financial marketplace business in the third quarter, one old (**CME Group**, AKA the Chicago Mercantile Exchange, née the Chicago Butter and Egg Board, ca. 1898) and one new (**TradeWeb**), and this quarter another new holding, in Singapore-based banking group **DBS Group**, which stands to benefit from Hong Kong's political turmoil. The shift from underweight the sector to a 250 bps overweight proved timely, given Financials' role in November's rally. We have also been trimming our IT exposure due to high valuation, ending the year at nearly 100 bps underweight, a 350 bps reduction in active weight over the year.

Health Care increased during the year and remains the portfolio's largest active weight, as it has been for four years, and also among our leading contributors to relative performance in 2020, chiefly due to innovation by our companies.

If you must head to one of the economy's hot spots, perhaps look for soft *wear* rather than software. **Align Technology** was founded in 1997 in a Silicon Valley duplex with a singular vision: use technology to straighten teeth. Align pioneered computer-aided invisible orthodontics as an alternative to metal braces and has now treated over 9 million patients with its Invisalign clear aligners. Align utilizes direct-to-consumer advertising to pull patients into participating dentists' offices, equipping practitioners with real-time visualization and algorithm-assisted treatment planning to create and fit bespoke flexible plastic aligners. The company has been expanding its acceptance among practitioners for decades, but during the pandemic the numbers of those seeing the benefits of being able to treat patients with less chair time and fewer visits seems to have reached a tipping point. Like Disney, Align has also used the crisis to expand its digital marketing, reaching stay-at-home teens and adults spending hours on Zoom, increasingly focused on how their teeth look on camera. As dental offices have reopened, Align's earnings have benefitted from pent-up demand. It is emerging from the pandemic with a larger market share in orthodontics and a larger mind share with consumers.

A dog that didn't bark was the potential for forced portfolio transactions related to the Trump administration's (largely incoherent) executive order last month promulgating a list of purportedly Chinese military-controlled companies that US persons will very shortly be precluded from purchasing and, within a year, from selling as well. The portfolio held no companies subject to this draconian and near-immediate

sanction, not to be confused with the slowly-moving sanction of eventual (December 2023) de-listing from US exchanges potentially faced by a longer list of Chinese companies whose accounting transparency thus far has failed to meet the standards of US securities regulators. With respect to those companies, we envision myriad possible ways in which they may avoid de-listing, including outright compliance or Chinese compromise with a new US administration, or we may be able to gain or maintain investment exposure without recourse to US exchanges.

Portfolio Management Team Update

As previously announced, Jingyi Li, a 10-year Harding Loevner analyst veteran who has been a portfolio manager of the Global Equity Strategy since February 2019, became a co-lead portfolio manager of the strategy on January 1, 2021, replacing Ferrill Roll, CFA. Peter Baughan, CFA continues as the strategy's other co-lead portfolio manager. Scott Crawshaw, Chris Mack, CFA and Rick Schmidt, CFA remain the other portfolio managers of the strategy. The assignment change was made as part of a long-term succession plan in which Ferrill becomes the firm's sole Chief Investment Officer, a role he previously shared with Simon Hallett, CFA. In addition to his expanded CIO responsibilities, Ferrill remains co-lead PM of the International Equity Strategy. Simon also continues to advise on strategic matters as vice chairman of the firm's Executive Committee. The World Equity Strategy is managed based on the Global Equity model portfolio, but has a more limited exposure to emerging markets.

WORLD EQUITY HOLDINGS (AS OF DECEMBER 31, 2020)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
COMMUNICATION SERVICES		
ALPHABET Internet products and services	US	3.3
CD PROJEKT Video game developer	Poland	0.4
DISNEY Diversified media and entertainment provider	US	1.5
FACEBOOK Social network	US	2.9
NETEASE Gaming and internet services	China	0.4
TENCENT Internet and IT services	China	0.4
CONSUMER DISCRETIONARY		
ALIBABA E-commerce retailer	China	0.9
AMAZON.COM E-commerce retailer	US	2.0
EBAY E-commerce retailer	US	0.9
ETSY E-commerce retailer	US	1.7
NIKE Athletic footwear and apparel retailer	US	2.5
TRIP.COM GROUP Online travel services	China	0.5
VF CORPORATION Footwear and apparel retailer	US	1.2
CONSUMER STAPLES		
ESTÉE LAUDER Cosmetics manufacturer	US	1.2
L'ORÉAL Cosmetics manufacturer	France	1.3
NESTLÉ Foods manufacturer	Switzerland	0.9
SHISEIDO Consumer products manufacturer	Japan	1.3
ENERGY		
EXXONMOBIL Oil and gas producer	US	1.2
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	1.9
BANK CENTRAL ASIA Commercial bank	Indonesia	0.4
BBVA Commercial bank	Spain	0.5
CME GROUP Derivatives exchange and trading services	US	2.0
DBS GROUP Commercial bank	Singapore	1.3
FIRST REPUBLIC BANK Private bank and wealth manager	US	3.1
HDFC BANK Commercial bank	India	0.7
ICICI BANK Commercial bank	India	0.6
ITAÚ UNIBANCO Commercial bank	Brazil	1.0
STANDARD CHARTERED Commercial bank	UK	1.3
SVB FINANCIAL GROUP Commercial bank	US	1.5
TRADEWEB Electronic financial trading services	US	1.0
HEALTH CARE		
ABCAM Life science services	UK	1.3
ALCON Eye care products manufacturer	Switzerland	1.6
ALIGN TECHNOLOGY Orthodontics products manufacturer	US	1.8
EDWARDS LIFESCIENCES Medical device manufacturer	US	1.2
GENMAB Biotechnology producer	Denmark	1.0
ILLUMINA Life science products and services	US	2.7
INTUITIVE SURGICAL Medical equipment manufacturer	US	1.1
LONZA Life science products manufacturer	Switzerland	1.9

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
ROCHE Pharma and diagnostic equipment manufacturer	Switzerland	1.4
SONOVA HOLDING Hearing aids manufacturer	Switzerland	1.2
SYSMEX Clinical laboratory equipment manufacturer	Japan	2.2
THERMO FISHER SCIENTIFIC Health care products and services	US	1.6
VERTEX PHARMACEUTICALS Pharma manufacturer	US	2.1
INDUSTRIALS		
FANUC Industrial robot manufacturer	Japan	0.7
JOHN DEERE Industrial equipment manufacturer	US	1.4
KONE Elevator and escalator manufacturer	Finland	1.4
KUBOTA Industrial and consumer equipment manufacturer	Japan	1.3
MAKITA Power tool manufacturer	Japan	1.0
MISUMI GROUP Machinery-parts supplier	Japan	0.5
PROTOLABS Prototype manufacturing services	US	1.2
ROPER Diversified technology businesses operator	US	1.0
SCHNEIDER ELECTRIC Energy management products	France	1.2
VERISK Risk analytics and assessment services	US	1.5
INFORMATION TECHNOLOGY		
APPLE Consumer electronics and software developer	US	3.2
COGNIZANT IT consultant	US	0.9
EPAM IT consultant	US	1.5
KEYENCE Sensor and measurement equipment manufacturer	Japan	1.4
MASTERCARD Electronic payment services	US	2.7
MICROSOFT Consumer electronics and software developer	US	1.8
NETWORK INTERNATIONAL Electronic payment services	UK	0.2
NVIDIA Semiconductor chip designer	US	1.3
PAYPAL Electronic payment services	US	4.3
SALESFORCE.COM Customer relationship management software	US	1.1
SYNOPSYS Chip-design software developer	US	1.5
TEAMVIEWER Remote connectivity software developer	Germany	0.3
WORKDAY Enterprise resource planning software	US	1.1
MATERIALS		
AIR LIQUIDE Industrial gases producer	France	1.0
LINDE Industrial gases supplier and engineer	US	0.9
SYMRISE Fragrances and flavors manufacturer	Germany	1.6
REAL ESTATE		
No Holdings		
UTILITIES		
ENN ENERGY Gas pipeline operator	China	0.0
CASH		3.1

Model Portfolio holdings are supplemental information only and complement the fully compliant World Equity 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.

4Q20 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
FIRST REPUBLIC BANK	FINA	3.6	1.14
SVB FINANCIAL GROUP	FINA	1.9	0.97
ALIGN TECHNOLOGY	HLTH	1.7	0.86
PAYPAL	INFT	4.4	0.80
ALPHABET	COMM	3.6	0.72

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
PAYPAL	INFT	4.6	4.75
LONZA	HLTH	3.0	2.44
NVIDIA	INFT	1.7	2.19
APPLE	INFT	3.0	2.02
FACEBOOK	COMM	2.9	1.83

4Q20 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
VERTEX PHARMACEUTICALS	HLTH	2.2	-0.41
SYMRISE	MATS	2.2	-0.23
SALESFORCE.COM	INFT	1.3	-0.16
KONE	INDU	1.5	-0.13
ALIBABA	DSCR	0.5	-0.08

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
BOOKING HOLDINGS	DSCR	0.9	-1.79
SCHLUMBERGER	ENER	0.3	-1.41
STANDARD CHARTERED	FINA	1.1	-0.81
WALGREENS BOOTS ALLIANCE	STPL	0.3	-0.53
ESSILORLUXOTTICA	DSCR	0.4	-0.50

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL WORLD	MSCI WORLD
PROFIT MARGIN[1] (%)	14.5	12.8
RETURN ON ASSETS[1] (%)	9.2	7.2
RETURN ON EQUITY[1] (%)	16.4	16.9
DEBT/EQUITY RATIO[1] (%)	50.1	82.4
STD DEV OF 5 YEAR ROE[1] (%)	3.5	5.1
SALES GROWTH[1,2] (%)	10.5	5.1
EARNINGS GROWTH[1,2] (%)	11.1	9.3
CASH FLOW GROWTH[1,2] (%)	15.9	9.1
DIVIDEND GROWTH[1,2] (%)	7.2	8.4
SIZE & TURNOVER	**HL WORLD**	**MSCI WORLD**
WTD MEDIAN MKT CAP (US $B)	57.5	87.1
WTD AVG MKT CAP (US $B)	287.7	330.3
TURNOVER[3] (ANNUAL %)	24.4	—

RISK AND VALUATION	HL WORLD	MSCI WORLD
ALPHA[4] (%)	4.97	—
BETA[4]	0.96	—
R-SQUARED[4]	0.93	—
ACTIVE SHARE[3] (%)	86	—
STANDARD DEVIATION[4] (%)	14.91	15.01
SHARPE RATIO[4]	1.12	0.78
TRACKING ERROR[4] (%)	3.9	—
INFORMATION RATIO[4]	1.29	—
UP/DOWN CAPTURE[4]	112/91	—
PRICE/EARNINGS[5]	36.4	26.2
PRICE/CASH FLOW[5]	30.9	15.7
PRICE/BOOK[5]	4.4	2.8
DIVIDEND YIELD[6] (%)	0.7	1.8

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Trailing five years, annualized; [5]Weighted harmonic mean; [6]Weighted mean. Source (Risk characteristics): eVestment Alliance (eA); Harding Loevner World Equity Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: January 6, 2021, based on the latest data available in FactSet on this date.); Harding Loevner World Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
DBS GROUP	SINGAPORE	FINA
EDWARDS LIFESCIENCES	UNITED STATES	HLTH
INTUITIVE SURGICAL	UNITED STATES	HLTH
MISUMI GROUP	JAPAN	INDU
ROCHE	SWITZERLAND	HLTH

POSITIONS SOLD	COUNTRY	SECTOR
3M COMPANY	UNITED STATES	INDU
ABBOTT LABS	UNITED STATES	HLTH

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 in the charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall 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.

WORLD EQUITY COMPOSITE PERFORMANCE (AS OF DECEMBER 31, 2020)

	HL WORLD EQUITY GROSS (%)	HL WORLD EQUITY NET (%)	MSCI WORLD[1] (%)	MSCI ACWI[2] (%)	HL WORLD EQUITY 3-YR STD DEVIATION[3] (%)	MSCI WORLD 3-YR STD DEVIATION[3] (%)	MSCI ACWI 3-YR STD DEVIATION[3] (%)	INTERNAL DISPERSION[4] (%)	NO. OF ACCOUNTS	COMPOSITE ASSETS ($M)	FIRM ASSETS ($M)
2020[5]	35.09	34.55	16.50	16.82	17.94	18.26	18.12	N.M.[6]	5	3,140	74,496
2019	30.60	30.07	28.40	27.30	12.28	11.13	11.21	N.M.	5	2,431	64,306
2018	-8.79	-9.16	-8.20	-8.93	11.53	10.39	10.48	N.M.	4	1,688	49,892
2017	30.93	30.41	23.07	24.62	10.66	10.24	10.37	1.1	7	3,933	54,003
2016	7.59	7.14	8.15	8.48	10.91	10.94	11.07	0.6	7	3,092	38,996
2015	5.94	5.48	-0.32	-1.84	+	+	+	N.M.	7	2,903	33,296
2014	7.49	7.04	5.50	4.71	+	+	+	N.M.	5	2,138	35,005
2013[7]	7.49	7.48	8.11	7.42	+	+	+	N.A.[8]	3	1,540	33,142

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the composite, gross of fees, and the Index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]The 2020 performance returns and assets shown are preliminary; [6]N.M.-Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year; [7]2013 represents the partial year October 1, 2013 to December 31, 2013; [8]N.A.–Internal dispersion less than a 12-month period +Less than 36 months of return data.

The World Equity Composite contains fully discretionary, fee-paying accounts investing in US and non-US equity and equity-equivalent securities and cash reserves, and is measured against the MSCI World Total Return Index (Gross) for comparison purposes. 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 World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. The Index consists of 23 developed market countries. The MSCI All Country World Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The Index consists of 50 developed and emerging market countries. You cannot invest directly in these Indices.

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. 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. Harding Loevner has been independently verified for the period November 1, 1989 through September 30, 2020.

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 World Equity Composite has been examined for the periods October 1, 2013 through September 30, 2020. The verification and performance examination reports are available upon request.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

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 World Equity accounts is 1.00% annually of the market value up to $20 million; 0.50% of amounts from $20 million to $100 million; 0.45% of amounts from $100 million to $250 million; above $250 million on request. 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 World Equity Composite was created on September 30, 2013 and the performance inception date is October 1, 2013.

This page intentionally left blank.

400 CROSSING BLVD, FOURTH FLOOR • BRIDGEWATER, NJ 08807
T (908)218-7900 • F (908)218-1915 • HARDINGLOEVNER.COM
©2021 HARDING LOEVNER