HARDING LOEVNER

EMERGING MARKETS EQUITY

2016 First Quarter Report

COMPOSITE PERFORMANCE (%) FOR PERIODS ENDING MARCH 31, 2016[1]

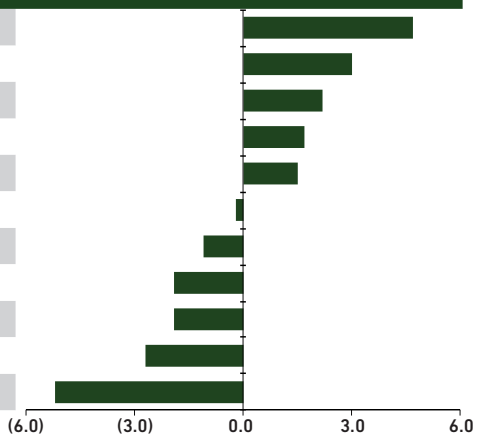
	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EMERGING MARKETS (GROSS OF FEES)	7.05	-7.70	-0.28	1.01	5.32	12.81
HL EMERGING MARKETS (NET OF FEES)	6.81	-8.50	-1.14	0.11	4.36	11.91
MSCI EMERGING MARKETS INDEX[4,5]	5.75	-11.70	-4.15	-3.79	3.34	8.78

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1998; [4]The Benchmark Index; [5]Gross of withholding taxes.

Please read the above performance in conjunction with the footnotes on page 11 of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

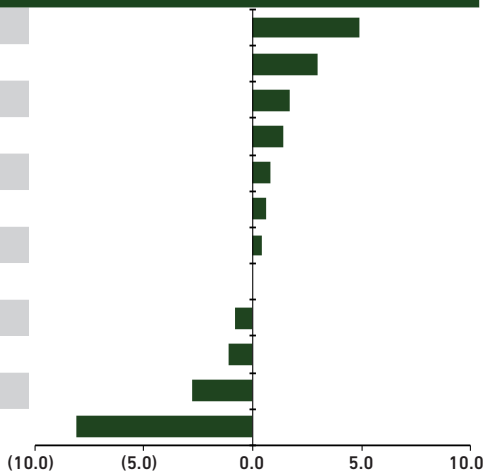
SECTOR EXPOSURE (%)

	HL EM	MSCI EM
CONS DISCRETIONARY	14.5	9.8
CASH	3.0	–
HEALTH CARE	4.8	2.7
FINANCIALS	29.1	27.4
CONS STAPLES	9.7	8.2
INDUSTRIALS	6.6	6.8
ENERGY	6.6	7.7
INFO TECHNOLOGY	18.8	20.7
UTILITIES	1.3	3.2
TELECOM SERVICES	4.2	6.9
MATERIALS	1.4	6.6



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
DEVELOPED MARKET LISTED[6]	4.9	–
CASH	3.0	–
MEXICO	6.2	4.5
FRONTIER MARKETS[7]	1.4	–
BRAZIL	7.4	6.6
RUSSIA	4.3	3.7
INDIA	8.5	8.1
SOUTH AFRICA	7.3	7.3
CHINA + HONG KONG[8]	23.1	23.9
SMALL EMERGING MARKETS[9]	16.8	17.9
TAIWAN	9.6	12.4
SOUTH KOREA	7.5	15.6



[6]Emerging markets or frontier markets companies listed in developed markets, excluding Hong Kong; [7]Includes countries with less-developed markets outside the Index; [8]The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 16.8% and Hong Kong is 6.3%. The Benchmark does not include Hong Kong; [9]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index.

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

Source: Harding Loevner Emerging Markets Model; MSCI Barra and S&P. MSCI Barra 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

EMs reversed their recent downward trend this quarter to outperform developed markets by the largest margin since 2009.

The weaker dollar was a powerful influence on commodity and EM financial asset prices this period.

We welcome the Chinese government's recent initiatives to address the risks of high corporate indebtedness.

PORTFOLIO HIGHLIGHTS

Our focus on company fundamentals has kept us invested in Brazil through both up and down markets; we trimmed some positions following Brazil's recent surge.

The portfolio is overweight banks from investing in individual high-quality businesses that we considered undervalued.

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MARKET REVIEW

The new year brought no immediate respite to the bear market that had afflicted emerging markets (EMs) since early last year, as the prospect of a tighter US monetary policy and dual concerns about China—currency weakness and a slowing economy—continued to worry investors. The MSCI Emerging Markets Index declined almost 35% between April 2015 and late January 2016. But a reversal began in the third week of January, accelerating into a 13% return for March alone. In the end, the 5.8% quarterly return of the MSCI Emerging Markets Index surpassed that of the developed-market MSCI World Index by 6.0%, the largest outperformance by EMs since the post-crisis revival in second-quarter 2009.

Three interconnected developments helped inspire an EM recovery this quarter. First, China, which has been the major swing factor influencing investor sentiment toward EMs, offered encouraging news, including more monetary easing, more banking industry reform (discussed further below), and signs of economic stabilization including resilience in the property sector. The People's Bank of China also calmed fears over the yuan, citing it had no intention to devalue the currency significantly. China's market was down 5% for the quarter, despite rising nearly 12% in March. Its currency also rose nearly 1% in the quarter.

Second, commodity prices rallied strongly across the board starting from mid-January, with the S&P GSCI commodity market index gaining almost 25% from trough to peak during the quarter. The oil price ended up unchanged for the period—at around $40—after falling steeply until mid-quarter then rising sharply as US production fell and major producing states, led by Saudi Arabia and Russia, agreed to keep their production levels steady. Iron ore was volatile as well but ended higher, settling about 40% above its recent lows.

Third, the US Federal Reserve adopted a more dovish tone. Chair Janet Yellen signaled that the pace of additional rate hikes would take into consideration the fragility in EMs and the potential impact of dollar strength on the tenuous US growth. In response, US bond yields compressed and the dollar weakened, reversing its prolonged bull trend. The weaker dollar was arguably the most powerful influence on commodity and EM financial asset prices. Indeed, every major EM currency strengthened against the dollar starting in late January, with the greatest gains from those of commodity exporters (see chart below).

MARKET PERFORMANCE (USD%)

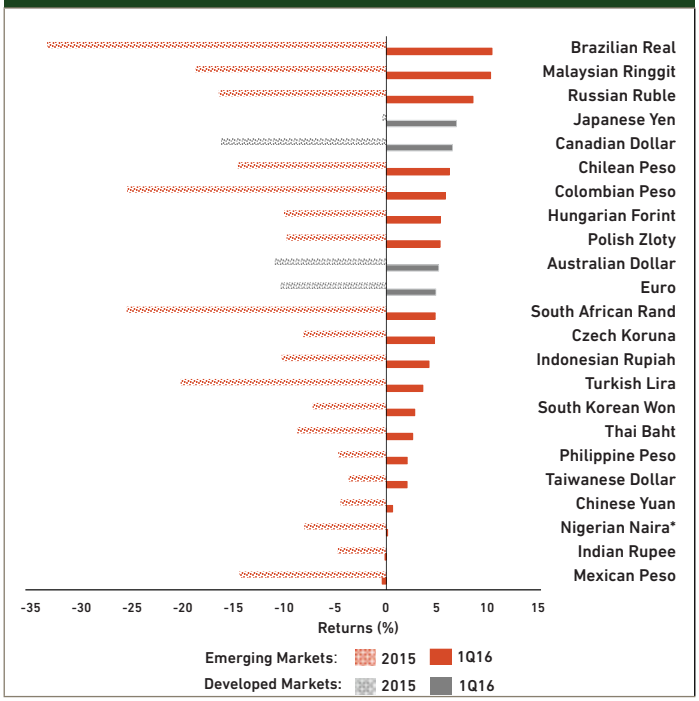
REGION/COUNTRY	1Q 2016	TRAILING 12 MONTHS
LATIN AMERICA	19.2	-8.9
BRAZIL	28.6	-11.4
MEXICO	8.5	-5.1
ASIA	2.0	-12.3
CHINA	-4.8	-18.7
INDIA	-2.5	-13.1
SOUTH KOREA	5.2	-5.5
TAIWAN	7.7	-7.7
AFRICA	13.3	-17.8
SOUTH AFRICA	13.8	-17.5
EUROPE	14.3	-6.9
RUSSIA	15.8	2.8
MSCI EM INDEX	5.8	-11.7

SECTOR PERFORMANCE (USD%)
OF THE MSCI EM INDEX

SECTOR	1Q 2016	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	3.2	-11.9
CONSUMER STAPLES	6.3	-5.1
ENERGY	15.0	-6.5
FINANCIALS	3.4	-16.2
HEALTH CARE	-1.0	-11.6
INDUSTRIALS	3.1	-14.5
INFORMATION TECHNOLOGY	4.9	-9.8
MATERIALS	15.4	-7.4
TELECOM SERVICES	6.7	-15.0
UTILITIES	9.4	-10.2

Source: FactSet (as of March 31, 2016); MSCI Barra and S&P.

2015 AND 1Q16 CURRENCY RETURNS



**Denotes frontier market. Source: Bloomberg.*

Returns by country largely reflected the differential impact on markets and currencies of rising commodity prices. In Latin America (the best-performing region this period), Peru and Colombia rallied as the beneficiaries of strengthening metals

and oil prices, respectively. Less exposed to commodities, Mexico lagged, perhaps also impacted by softer economic data from the US. A resurgent Brazil dominated the region, as the market applauded a weaker dollar, higher global iron ore prices, and, most importantly, the increasing likelihood that scandal-engulfed President Dilma Rousseff might actually be impeached.

European EMs were also strong except for Greece. Turkey benefited from a renewed appetite for higher-yielding assets, while Russian shares and the ruble were boosted by the bounce in oil as well as falling inflation. Asia was relatively weak—a reversal of the recent pattern—reflecting how most countries in the region (particularly in the north) are net importers of commodities.

From a sector perspective, Materials and Energy were the best performers, both up about 15%; metals and mining stocks within the Index rallied 25%. By contrast, the more-defensive Health Care sector was the only one to post a negative return. EM Financials modestly underperformed the EM Index, but there was large geographic dispersion within the sector. Financials in China fell 10% amid lingering concerns over capital adequacy and the impact of government banking reforms at a time when most Chinese banks reported an increase in non-performing loans. By contrast, Financials soared by 47% in Brazil and 37% in Peru after large declines in recent years.

PERFORMANCE AND ATTRIBUTION

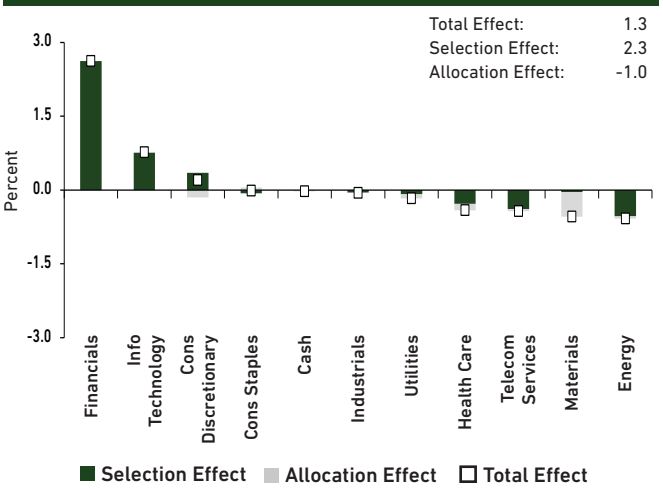
The EM composite returned 7.1% this quarter, ahead of the MSCI Emerging Markets Index, which rose 5.8%. Strong stock selection in the Financials, IT, and Consumer Discretionary sectors were the main sources of our outperformance. Sector allocation was a moderate headwind, primarily due to our underweight to Materials and our overweight to Consumer Discretionary and Health Care. The following charts illustrate the sources of relative return by sector and region.

Our outperformance during a commodity-driven rally may appear surprising given our very low weight in the strong Materials sector including zero exposure to mining stocks. However, this quarter we reaped the benefits of holding fast and remaining invested in high-quality companies (especially banks) in Latin America amidst their declining economies and weakening currencies over the past year. In fact, we added to some of our most beaten-down bank stocks in Brazil, which put us modestly overweight this market.

Companies held in the portfolio during 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. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at March 31, 2016 is available on page 8 of this report.

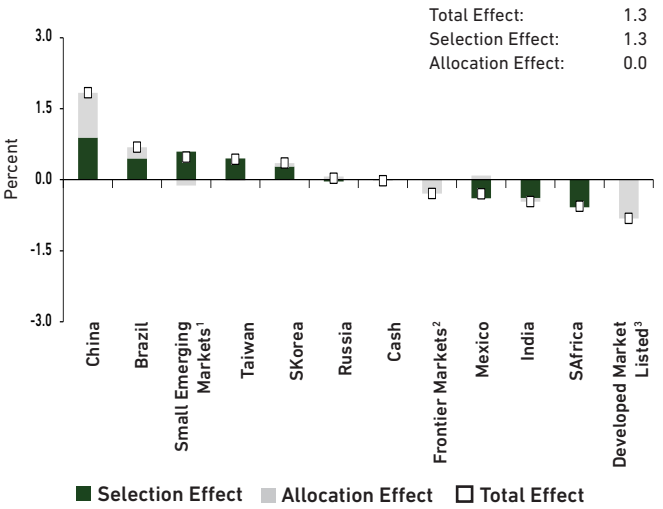
SECTOR PERFORMANCE ATTRIBUTION FIRST QUARTER 2016

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION FIRST QUARTER 2016

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



[1]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index; [2]Includes countries with less-developed markets outside the Index; [3]Emerging markets or frontier markets companies listed in developed markets, excluding Hong Kong. Source: FactSet; Harding Loevner Emerging Markets Composite; MSCI Barra and S&P. The total effect shown here may differ from the variance of the Composite performance and benchmark performance shown on page 1 of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS presentation.

In Financials, Brazil's **Banco Bradesco** and stock exchange **BM&F Bovespa** both leapt up amidst rising prospects for political change, and new tailwinds from a stronger currency and rising iron ore prices. Banks in other Latin American markets that benefit from stronger commodities, such as **Credicorp** and **Bancolombia**, also rallied. Our performance was further buoyed by the absence of any holdings in Chinese banks.

In Consumer Discretionary, we had strong contributions from **Arçelik**, a Turkish producer of household appliances, and

Sands China, a Macao-based casino operator. Arçelik reported stronger cash flows in the fourth quarter as management's efforts to reduce working capital needs paid off. Also, a 30% increase in Turkey's minimum wage instituted in January has made Arçelik's products more broadly affordable. Sands China was boosted by gaming figures for the first two months of 2016 that indicated the casino business in Macau is improving, which may reflect recent moderation in the Chinese government's anti-corruption campaign. The company will be opening a new property this year, the Parisian—featuring a half-scale replica of the Eiffel tower—which should aid the company's growth prospects.

Stock selection was poor in Health Care and Energy. Jordan's **Hikma Pharmaceuticals** sold off after announcing that it had renegotiated terms for its acquisition of US-based Roxane Laboratories to reflect lowered near-term earnings expectations from this business. The size of the price reduction seemed to us to more than compensate for any reduction in value, but the market disagreed. **Nostrum Oil & Gas** of Kazakhstan underperformed the surging Energy sector as it announced a delay in the completion of its third gas-treatment facility as well as lower production targets for 2017.

From a geographic perspective, strong stocks and favorable allocations in China and Brazil were the largest contributors to outperformance, largely because of our relative weights (under and over, respectively) in Financials. Improved sentiment about the Chinese economy benefited the shares of two Chinese industrial automation companies, **AirTAC**, a manufacturer of pneumatic equipment, and **Hiwin Technologies**, a manufacturer of linear motion-control products. The strengthening yen is also aiding both companies as their key competitors are Japanese.

The detractors by region included positions in South Africa (**Naspers**, **Discovery Holdings**) and our EM-focused companies that are classified in developed markets, such as London-listed Hikma Pharmaceuticals and Netherlands-listed Nostrum Oil & Gas.

INVESTMENT PERSPECTIVES

China and the New Five-Year Plan

China's 13th Five-Year Plan, which its leadership launched on March 17, includes an ambitious roadmap for accelerating the country's economic development, including promoting innovation in science and technology and increasing investment in urban infrastructure. China's leaders consider these measures critical to cultivating a modern industrial workforce, improving productivity and stabilizing unit labor costs. The Plan envisions sustained annual GDP growth above 6% over the next five years.

The pursuit of higher value-added activities and improved productivity is music to the ears of growth investors. However, given the stresses increasingly evident in the Chinese financial system, the massive scale of implied investment gives us concern. Non-performing loans (NPLs) for China's banks are already rising, and these are generally thought to be underreported.[1] In this context, we appreciate Premier Li Keqiang's acknowledgement of the extent of the risks arising from corporate indebtedness, and his government's creative new initiatives to address bad debts, such as allowing banks to accept equity stakes in exchange for impaired loans, or securitizing and marketing them abroad to distressed-debt investors.

That Chinese banks continue to perform quite poorly (-7% in the quarter, versus +6% for the EM bank index) may be a sign, however, that continued large-scale public investment coupled with reforms of the banking industry may be good for the Chinese economy overall but bad for bank profits. Recent liberalization of savings and deposit rates, for instance, are liable to narrow the banks' interest margins, while the push to develop alternative forms of financing—including deeper equity and bond markets—challenges banks' dominant position intermediating the savings pool.

Meanwhile, Chinese internet companies have been demonstrating impressive growth. Internet search heavyweight **Baidu** and social networking/gaming leader **Tencent** continue to deepen their connections with customers by offering greater variety and quality of content and services. Both posted revenue growth of about 30% year-on-year in the fourth quarter. **Ctrip.com**, an online agency that has gathered an impressive breadth of travel services under its umbrella, reported growth in revenues of 40% from hotel bookings and 60% from air and rail.

If the latest Five-Year Plan meets expectations, by the end of the decade China's economy will have grown to four-fifths the size of the US economy today. Because of its sheer scale and the complexities around its ongoing economic transition from asset-intensive toward services and consumption, China will continue to be a major source of joy and angst for investors, oscillating between a tailwind and a headwind for overall EM returns. Our aim in China, like elsewhere, is to identify high-quality businesses that occupy industries enjoying long-term growth trends and that command sustainable competitive advantages. This quarter we welcomed to our research team a new China specialist, Wenting Shen, who will help us deepen our efforts to identify companies positioned to navigate the opportunities and risks that China presents.

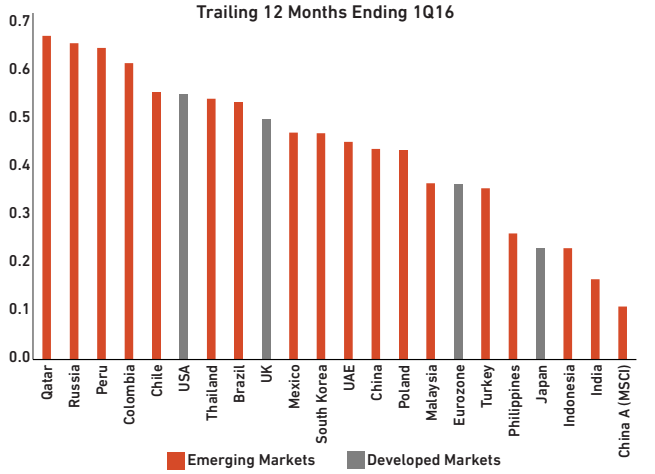
Comments on Commodities and EMs

This quarter demonstrated once again the strong influence of commodity prices on EM returns. Based on market history,

[1] HSBC Global Research, "NPLs: Why this time is different," *China Onshore Insights* (April 6, 2016).

EMs in aggregate are unlikely to offer strong performance during periods of slumping commodity prices. And, as their recent recovery demonstrated, when commodities stop falling, or even just moderate, the shift—always difficult to predict—can be a sufficient catalyst for stronger EM returns. One should not, however, conflate EM investing with a simple bet on commodities, for two reasons. First, EMs comprise a diverse set of markets whose correlations with commodity prices vary (see chart). North Asian countries, in particular, are generally poor in resources and therefore, as net importers of commodities, benefit from low prices. Second, as we discussed last quarter, the past decade has brought significant changes to the underlying stock market structure of many EMs, in which the relative market capitalization of the IT and consumer sectors has grown tremendously at the expense of resource-related sectors, with the obvious effect of weakening the strong historical relationship between commodity prices and overall EM stock market returns.

CORRELATIONS OF MSCI COUNTRY INDEXES (USD) WITH S&P GSCI COMMODITIES INDEX



Source: Bloomberg. Correlation calculation is based upon 52 weekly observations of the returns of each MSCI country index and the S&P GSCI.

Aside from select Energy holdings, we have had little direct exposure to commodities in the recent history of this strategy. We typically struggle to find companies in the Materials sector that can earn strong returns on capital on a relatively consistent basis. Our only holding in the sector currently is an Indian cement company, **Ambuja Cements**, which is geared toward the domestic housing market rather than global trade. It also benefits from lower prices for the substantial energy it needs to produce and transport cement. That said, the portfolio has significant *indirect* exposure to commodities via its holdings in companies in other sectors in countries, such as South Africa, Indonesia, Saudi Arabia, and throughout Latin America, where specific commodity prices are key to national economic prospects. Given the volatility and unpredictability of commodity prices, these indirect exposures carry risks to the portfolio. We mitigate those risks by investing only in financially strong businesses and by constructing the portfolio with limits to individual country weights to ensure broad diversification.

What to do in Brazil?

Brazil was the worst-performing major EM in 2013–2015, falling by almost 50%. It continued to fall into 2016 before turning on a dime toward the end of January, rallying over 50% as investors sensed the rising probability of political change, and making Brazil the strongest market so far this year. Meanwhile, the real economy still looks awful. Brazil's industrial sector has been pulverized by the consequences of the Petrobras scandal and lack of confidence among companies, both local and foreign, to undertake new capital investments. The consumer sector, likewise, is reeling from rising unemployment and slowing credit growth, now near zero in real terms. Brazil's GDP shrank nearly 4% in 2015, its largest contraction in 25 years, and economists predict 2016 will be just as bad, if not worse. In the decade prior to the recent peak, Brazil's GDP per capita increased fourfold, propelled in part by China's appetite for commodities. Perhaps a set-back should have been expected.

We will have to wait for another commodity cycle tailwind before Brazil returns to rapid growth, but the prospect of new leadership ready to practice more orthodox economic management and institute reforms can restore confidence sooner. On a visit to São Paulo in March, we saw how quickly popular opinion regarding the likelihood of political change swung within a single week from very unlikely to almost certain. In several of our meetings, senior managers told us they were canceling meetings later in the day so they and their staff could attend anti-Rousseff protest rallies! The market's recovery this quarter has priced in a less-bleak future before any of the hard work to achieve this future has even been started. But that's the way markets work.

Our strategy for Brazil, as elsewhere, is to focus on the growth potential and financial strength of individual companies and be prepared when markets offer us attractive price opportunities. In 2015 we increased our stakes in several companies whose shares had declined significantly, yet whose businesses could, in our view, withstand a prolonged tough economy, including grocer **Pão de Açúcar** and the banks Bradesco and **Itaú**. At the end of the quarter, we trimmed our positions in the latter two following the jump in their shares.

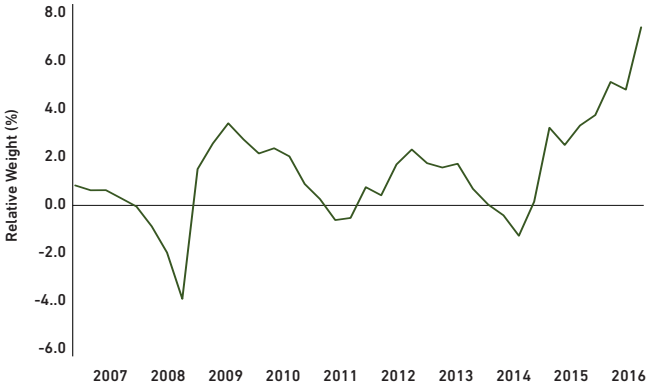
PORTFOLIO HIGHLIGHTS

The portfolio currently has a significant overweight to banks relative to the Index; we hold 17 different banks across 16 countries, including two in frontier markets. (Our overall weight in the Financials sector is nearer that of the Index, however, due to our lack of exposure to real estate and our underweight in "diversified" financials.) We have increased our exposure to banks on a stock-by-stock basis over time as EM economies have slowed, credit cycles have matured, currencies have devalued, and fear of looming "debt bombs" has risen—all of which caused banks' shares to decline. We

believed that, for the top-quality banks we follow, the risks reflected in their stock prices were exaggerated, failing to reflect their prudent management of credit. So far, NPLs have not blown up across EMs, but have edged up only marginally and, in some cases, declined. The NPL ratio at Russia's **Sberbank** has even been improving in recent quarters—despite oil at $35.

In qualifying banks for research, we seek those that occupy leadership positions in their markets and have demonstrated their consistent ability to generate attractive returns relative to their costs of capital. A conservative and skilled approach to risk management is also important. We prefer markets where the penetration of basic financial products remains relatively low. Our selective approach is reflected in the portfolio's distinctive geographic exposure: we have zero bank holdings in four of the five largest banking markets in the Index (China, Taiwan, South Korea, and Malaysia).

HL EM STRATEGY WEIGHT IN BANKS RELATIVE TO MSCI EM INDEX



Source: FactSet; MSCI Barra; HL EM Model. Overweight/Underweight is calculated as the HL EM model weight minus the MSCI EM Index weight.

Elsewhere in the portfolio, we purchased opportunistically several high-quality, growing companies where we believe valuations presented good opportunities including those described below.

Shenzhou International is China's largest garment exporter and a preferred supplier to global clients such as Uniqlo and Nike. The company's success is built on two key strengths: First, Shenzhou has developed vertically integrated manufacturing capabilities that allow it to produce a large volume of high-quality garments with industry-leading turnaround times. Second, its cutting-edge production facilities and dyeing processes have a long track record of meeting ever-stricter global environment standards for water consumption, wastewater discharges, and toxic residues. Both capabilities are particularly important to premium apparel companies and are hard to find among small manufacturers. Recently Shenzhou finished the first phase of its expansion in Vietnam, which adds much-needed capacity and will provide the company the benefits of lower-cost labor and, potentially, a favorable trade framework under the Trans-Pacific Partnership (TPP).

Universal Robina is a Filipino food manufacturing company with several strong brands—Chiz Curls, Dewberry biscuits, 3in1 coffee among many others—that enjoy significant customer loyalty in its home market and are gaining popularity elsewhere in southeast Asia. The firm is also expanding its presence in the higher-end market, building upon its purchase in 2014 of Griffin's, a leading premium snack-food producer based in New Zealand. Robina sells its products through a vast distribution network that reaches thousands of mom-and-pop shops across the multi-island nation. Multinationals eager to gain access to this network have partnered with Robina, including Danone of France and Calbee Foods of Japan. One of the Robina's competitive advantages is its integrated business model—including in-house flour mills and sugar refineries that supply itself and others—reducing the impact of raw material price volatility on its revenues and margins.

AmorePacific is South Korea's leading cosmetics manufacturer, representing a quarter of the domestic beauty and personal care market. The company has successfully cultivated a dual image of local authenticity and global modernity by incorporating Asian medicinal herbs and up-to-date scientific techniques into its cosmetics. AmorePacific has historically enjoyed strong growth in the duty-free channel as Chinese tourists have enthusiastically embraced South Korean fashion, and its business is supported by the South Korean government's efforts to encourage tourism from China and a powerful domestic entertainment industry that energetically promotes South Korean celebrity culture throughout Asia. The company has also expanded market share within China to about 2%, primarily through the success of its "masstige" (mass + prestige) brands Laneige, Innisfree, and Mamonde. Growth in duty-free sales and China may have peaked in 2015 (at around 50% and 60%, respectively), but we think AmorePacific's long-term growth should remain rapid as it continues to satisfy Chinese consumers' growing demand for cosmetics. The company also has scope to expand into Southeast Asian as well as the potential to grow via acquisitions.

Bharti Infratel of India builds telecom towers and related communications infrastructure, which it then leases to and manages for wireless telecom companies under long-term contracts. The company owns over 37,000 towers across 18 of India's 29 states, with 76,000 tenants on these towers, making it the country's largest tower operator. Growing data usage and the migration to more-advanced wireless technology (from 4G to 5G) should mean further rises in demand for the company's towers.

We made room for new purchases by trimming a number of positions whose shares had risen sharply and or grown too large. These reductions included—along with the two Brazilian bank holdings mentioned earlier—Arçelik, Ctrip.com, and **Maruti Suzuki**, India's leading manufacturer of small automobiles.

EMERGING MARKETS HOLDINGS (AS OF MARCH 31, 2016)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
ARCELIK White goods producer	Turkey	0.9
ASTRA INTERNATIONAL Conglomerate, auto mfg. & distrib	Indonesia	1.4
CTRIP.COM Travel agent	China	1.7
ECLAT TEXTILE Technology-based textile company	Taiwan	0.6
EL PUERTO DE LIVERPOOL Department store chain	Mexico	0.4
HANKOOK TIRE Tire manufacturer	South Korea	1.7
JARIR MARKETING Bookstore & electronics wholesale chain	Saudi Arabia	0.6
MARUTI SUZUKI Automobile manufacturer	India	0.8
NASPERS Media, internet, pay TV company	South Africa	2.0
SANDS CHINA Integrated resorts and casinos operator	Hong Kong	2.3
SHENZHOU INTERNATIONAL Textile manufacturer	China	0.5
TELEVISA Media, broadcasting, and entertainment	Mexico	1.7
CONSUMER STAPLES		
AMBEV Brazil's dominant brewer	Brazil	1.2
AMOREPACIFIC Cosmetics company	South Korea	0.6
COCA-COLA HBC 28-Country Coke bottler	UK	1.0
DABUR INDIA Personal care and household products	India	1.0
EAST AFRICAN BREWERIES Beverage manufacturer	Kenya	0.4
FEMSA Beer and soft drinks producer	Mexico	0.7
LG HOUSEHOLD & HEALTH CARE Personal care & cosmetics	South Korea	0.6
MAGNIT Discount supermarket operator	Russia	1.0
MASSMART HOLDING Food and general retailer	South Africa	0.4
MHP Integrated poultry producer	Ukraine	0.4
PÃO DE AÇÚCAR Brazilian foods retailer	Brazil	1.1
TINGYI HOLDING Food and drinks manufacturer	China	0.3
UNIVERSAL ROBINA Branded consumer foods	Philippines	0.5
WANT WANT Snack food and beverage manufacturer	China	0.3
ENERGY		
CNOOC Oil and gas producer	China	2.1
LUKOIL Integrated oil and gas company	Russia	1.3
NOSTRUM OIL & GAS Kazakhstani oil and gas company	Netherlands	0.4
SASOL Refined product and chemicals group	South Africa	1.6
TENARIS Steel pipe manufacturer	Italy	1.2
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	2.7
AXIS BANK Commercial bank	India	1.6
BANCO BRADESCO Commercial bank	Brazil	1.6
BANCO SANTANDER CHILE Commercial bank	Chile	1.0
BANCOLOMBIA Commercial bank	Colombia	0.9
BANK OF GEORGIA Commercial bank	UK	1.2
BANK PEKAO Commercial bank	Poland	1.7
BANK RAKYAT Commercial bank	Indonesia	1.7
BM&F BOVESPA Clearing house and stock exchange	Brazil	1.2
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.3
CREDICORP Commercial bank	Peru	1.4
DISCOVERY HOLDINGS Health and life insurance	South Africa	1.0
GARANTI BANK Commercial bank	Turkey	1.1
GF BANORTE Commercial bank	Mexico	1.9
HDFC CORP. Financial conglomerate	India	1.4
HONG KONG EXCHANGES Clearing house & exchange	Hong Kong	0.5
ITAU UNIBANCO Commercial bank	Brazil	1.4
KOMERČNÍ BANKA Commercial bank	Czech Rep.	1.4
QATAR NATIONAL BANK Retail and corporate bank	Qatar	1.0
SBERBANK Commercial bank	Russia	2.0
SIAM COMMERCIAL BANK Commercial bank	Thailand	1.4
STANDARD BANK Commercial bank	South Africa	0.7
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer & distributor	South Africa	1.6
GEDEON RICHTER Branded-generic pharmaceuticals	Hungary	1.2
HIKMA PHARMACEUTICALS Generic pharma mfg.	UK	1.1
SINO BIOPHARMACEUTICAL Drug developer & mfg.	China	0.9
INDUSTRIALS		
51JOB INC. Online job ads	China	1.3
AIRTAC Pneumatic component manufacturer	Taiwan	0.4
ASUR Airport operator	Mexico	1.5
CHINA MERCHANTS Container terminal operator	China	1.4
DP WORLD Container terminal operator	UAE	0.9
HIWIN TECHNOLOGIES Linear motion products producer	Taiwan	0.5
JIANGSU EXPRESSWAY Toll road operator	China	0.7
INFORMATION TECHNOLOGY		
ADVANTECH Manufacturer & marketer of industrial PCs	Taiwan	1.1
ASM PACIFIC TECHNOLOGY Semiconductor equipment	Hong Kong	0.8
BAIDU Internet search provider	China	1.7
CIELO Credit and debit card processor	Brazil	0.9
HON HAI PRECISION Electronics mfg. services provider	Taiwan	0.6
LARGAN PRECISION Lens module of smartphone camera	Taiwan	1.6
MEDIATEK Smartphone and tablet chip designer	Taiwan	0.5
SAMSUNG ELECTRONICS Electronic devices & components	South Korea	4.5
TAIWAN SEMICONDUCTOR Semiconductor chip foundry	Taiwan	4.3
TENCENT Internet, mobile, and telecom provider	China	2.8
MATERIALS		
AMBUJA CEMENTS Cement manufacturer	India	1.4
TELECOM SERVICES		
BHARTI AIRTEL Integrated telecom services	India	1.5
BHARTI INFRATEL Telecom tower infrastructure provider	India	0.7
CHINA MOBILE Mobile telecom company	China	2.0
UTILITIES		
ENN ENERGY Natural gas distributor	China	1.3
CASH		3.0

Model Portfolio holdings are supplemental information only and complement the fully compliant Emerging Markets 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.

1Q16 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
BANCO BRADESCO	FINA	1.4	0.80
ARCELIK	DSCR	1.7	0.68
TAIWAN SEMICONDUCTOR	INFT	3.7	0.63
ITAU UNIBANCO	FINA	1.5	0.52
BM&F BOVESPA	FINA	1.0	0.51

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
CRRC	INDU	0.1	0.79
SBERBANK	FINA	1.6	0.79
TAIWAN SEMICONDUCTOR	INFT	3.8	0.67
ARCELIK	DSCR	1.6	0.46
CTRIP.COM	DSCR	1.8	0.41

1Q16 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
MARUTI SUZUKI	DSCR	1.2	-0.45
NOSTRUM OIL & GAS	ENER	0.4	-0.32
HIKMA PHARMACEUTICALS	HLTH	1.2	-0.30
SINO BIOPHARMACEUTICAL	HLTH	1.0	-0.27
AIA GROUP	FINA	2.8	-0.27

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
ASPEN PHARMACARE	HLTH	1.8	-0.80
PÃO DE AÇÚCAR	STPL	1.0	-0.68
JARIR MARKETING	DSCR	1.1	-0.67
SUN PHARMACEUTICAL	HLTH	1.0	-0.57
NOSTRUM OIL & GAS	ENER	0.5	-0.49

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
AMOREPACIFIC	South Korea	STPL
BHARTI INFRATEL	India	TCOM
ECLAT TEXTILE	Taiwan	DSCR
HONG KONG EXCHANGES AND CLEARING	Hong Kong	FINA
SHENZHOU INTERNATIONAL	China	DSCR

POSITIONS SOLD	COUNTRY	SECTOR
SABMILLER	United Kingdom	STPL

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 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. Portfolio attribution and characteristics are supplemental information only and complement the fully compliant Emerging Markets Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	16.0	12.5
RETURN ON ASSETS[1] (%)	7.1	6.5
RETURN ON EQUITY[1] (%)	16.0	14.6
DEBT/EQUITY RATIO[1] (%)	52.1	54.9
STD DEV OF 5 YEAR ROE[1] (%)	3.3	3.5
SALES GROWTH[1,2] (%)	8.9	7.4
EARNINGS GROWTH[1,2] (%)	8.1	6.5
CASH FLOW GROWTH[1,2] (%)	10.0	7.2
DIVIDEND GROWTH[1,2] (%)	7.9	7.8
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	15.7	16.5
WTD AVG MKT CAP (US $B)	41.1	45.5
TURNOVER[3] (ANNUAL %)	24.6	–

RISK & VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	4.68	–
BETA[2]	0.95	1.00
R-SQUARED[2]	0.98	1.00
ACTIVE SHARE[3] (%)	72	–
STANDARD DEVIATION[2] (%)	16.26	16.88
SHARPE RATIO[2]	0.06	-0.23
TRACKING ERROR (%)[2]	2.3	–
INFORMATION RATIO[2]	2.08	–
UP/DOWN CAPTURE[2]	118/81	–
PRICE/EARNINGS[4]	16.1	12.3
PRICE/CASH FLOW[4]	9.9	8.1
PRICE/BOOK[4]	2.1	1.4
DIVIDEND YIELD[5] (%)	2.3	2.7

[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 Emerging Markets Composite, based on the Composite returns; MSCI Barra. Source (other characteristics): FactSet (Run Date: April 7, 2016); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Barra.

Portfolio characteristics are supplemental information only and complement the fully compliant Emerging Markets 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. Quarterly data not annualized.

EMERGING MARKETS COMPOSITE PERFORMANCE (AS OF MARCH 31, 2016)

	HL EM GROSS (%)	HL EM NET (%)	MSCI EM INDEX[1] (%)	HL EM 3-YR STD DEVIATION[2] (%)	MSCI EM INDEX 3-YR STD DEVIATION[2] (%)	INTERNAL DISPERSION[3] (%)	NO. OF ACCOUNTS	COMPOSITE ASSETS ($M)	FIRM ASSETS (%)
2016 YTD[4]	7.05	6.81	5.75	15.69	16.42	N.A.[5]	20	10,960	30.85
2015	-12.85	-13.59	-14.60	13.61	14.04	1.2	20	9,670	29.04
2014	0.74	-0.11	-1.82	14.06	14.99	0.5	14	8,212	23.46
2013	5.74	4.80	-2.27	17.56	19.03	0.6	12	5,649	17.04
2012	23.92	22.79	18.63	20.15	21.49	0.4	10	3,772	16.65
2011	-15.55	-16.36	-18.17	24.72	25.76	0.5	9	3,136	23.06
2010	22.22	21.06	19.20	31.54	32.59	0.1	7	3,881	35.25
2009	68.45	66.95	79.02	30.92	32.35	0.2	6	2,716	42.44
2008	-52.01	-52.46	-53.18	27.61	28.68	0.4	6	1,545	47.31
2007	38.81	37.55	39.78	17.78	18.11	N.M.[6]	5	3,443	54.17
2006	30.96	29.72	32.59	17.51	17.32	N.M.	5	2,233	47.31

[1]Benchmark Index; [2]Variability of the composite and the Index returns over the preceding 36-month period, annualized; [3]Asset-weighted standard deviation (gross of fees); [4]The 2016 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 Emerging Markets Composite contains fully discretionary, fee-paying emerging markets accounts investing in non-US equity and equity equivalent securities of companies domiciled predominantly in emerging markets countries with the objective of long-term capital appreciation. For comparison purposes, the Composite is measured against the MSCI Emerging Markets Index (gross of withholding taxes). 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 Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Index consists of 23 emerging market countries. 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 by Ashland Partners & Company, LLP for the period November 1, 1989 through December 31, 2015.

Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. The Emerging Markets Composite has been examined for the periods December 1, 1998 through December 31, 2015. 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. The firm maintains a complete list and description of composites, which is 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. Past performance does not guarantee future results. Policies for valuing portfolios, calculating performance, and preparing compliant presentations 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 Emerging Markets Equity accounts is 1.25% annually of the market value up to $20 million; 0.90% of amounts from $20 million to $100 million; above $100 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 Emerging Markets Composite was created on November 30, 1998.

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