HARDING LOEVNER

FRONTIER EMERGING MARKETS EQUITY

2016 Third Quarter Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDING SEPTEMBER 30, 2016[1]

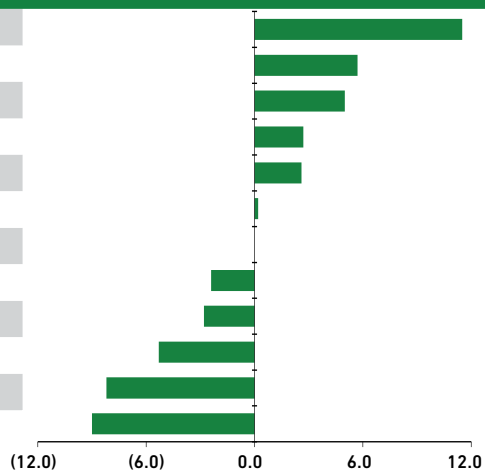
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	SINCE INCEPTION[2,3]
HL FRONTIER EMERGING MARKETS (GROSS OF FEES)	0.73	5.99	1.02	-0.01	6.90	-0.50
HL FRONTIER EMERGING MARKETS (NET OF FEES)	0.36	4.81	-0.49	-1.48	5.33	-1.91
MSCI FRONTIER EMERGING MARKETS INDEX[4,5]	0.85	10.09	7.21	-0.47	4.31	-3.41

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: May 31, 2008; [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.

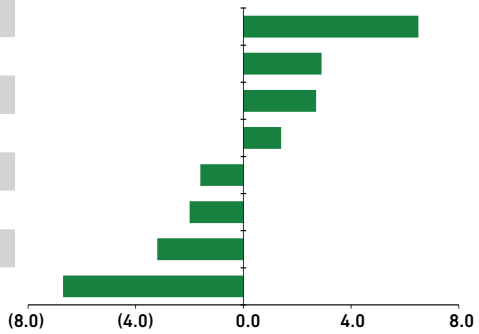
SECTOR EXPOSURE (%)

	HL FEM	MSCI FEM
CONS STAPLES	19.0	7.5
CONS DISCRETIONARY	7.5	1.8
MATERIALS	13.1	8.1
CASH	2.7	–
HEALTH CARE	4.1	1.5
ENERGY	5.8	5.6
INFO TECHNOLOGY	0.6	0.6
TELECOM SERVICES	7.3	9.7
UTILITIES	0.0	2.8
INDUSTRIALS	2.8	8.1
REAL ESTATE	1.9	10.1
FINANCIALS	35.2	44.2



GEOGRAPHIC EXPOSURE (%)

	HL FEM	MSCI FEM
EUROPE	11.3	4.8
DEVELOPED MARKET LISTED[6]	2.9	–
CASH	2.7	–
AFRICA	17.8	16.4
ASIA	37.7	39.3
MIDDLE EAST	0.2	2.2
GULF STATES	8.9	12.1
LATIN AMERICA	18.5	25.2



[6]Includes frontier markets or small emerging markets companies listed in developed markets.
Current Frontier Markets exposure in the portfolio is 58.7% and Emerging Markets exposure is 38.6%.

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

Source: Harding Loevner Frontier Emerging Markets Model; MSCI 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

All regional markets posted positive returns except Asia, which was hurt by political uncertainty in the Philippines.

Africa advanced overall despite volatility in individual country markets.

Consumer Staples declined following the poor performance of companies in the Philippines and Nigeria.

PORTFOLIO HIGHLIGHTS

Unexpected regulatory changes in frontier markets can disrupt company operations in the short term.

Vietnam's fast-growing economy sets a strong foundation for increased infrastructure development.

Many Consumer Staples companies in frontier markets meet our criteria of strong competitive positions and sustainable growth.

MARKET REVIEW

Frontier emerging markets (FEMs) gained modestly in the third quarter of 2016, with the MSCI FEM Index rising 0.9%. Every region except Asia recorded a positive return.

Asia was dragged down primarily by the Philippines. The market, which represents roughly 30% of the Index, declined 5% during the quarter, as investors were rattled by the political spectacle of President Rodrigo Duterte. The president's violent "war on crime" policies, inflammatory rhetoric directed against the US, and insinuation of closer relations with China indicate a potential major shift in the Philippines' foreign and economic policy.[1] Such a development would adversely impact the Philippines' relationship with the US, a top trading partner and its largest foreign investor.[2]

Latin America gained in the quarter. In Colombia, the peso advanced on the back of stabilizing oil prices. **Bancolombia** was a notable performer, as it reported good loan growth and expanding net interest margin. In Peru, rising copper output jumped more than 50% in the first half of the year, boosting hopes for growth across the economy.[3] The Argentinian peso, which declined almost 50% in 2015, gained about 1% versus the US dollar in the third quarter. Foreign direct investment (FDI) flows into Argentina are increasing; since pro-business President Mauricio Macri took power in December 2015, a variety of multinational companies such as Toyota, Coca-Cola, Unilever, and Procter & Gamble have announced close to US$30 billion in new investments.[4]

Africa advanced during the quarter despite weakness in Nigeria, where a fall in its currency, the naira, reflected rising inflation and declining oil output. Nigerian inflation accelerated in September to an eleven-year high of nearly 18% (year-on-year), the eighth consecutive monthly rise, while crude oil production in the country has dropped by one-third as a result of continued militant attacks on pipelines in the Niger Delta.[5]

The Egyptian market saw the largest gains in Africa, rising over 21% in reaction to news of an agreement with the International Monetary Fund (IMF). Egypt's economy has struggled with a shortage of foreign currency amidst weak tourism activity and declining exports. But following the IMF agreement, the country is expected to devalue its currency and adopt a floating exchange rate regime, which should in turn make foreign currency more available. These moves could well unlock pent-up capital spending previously constrained by companies' inability to source adequate amounts of foreign currency.

Elsewhere in Africa, Kenya posted a positive return, but shares of its banks were volatile as investors attempted to assess the impact of a recently signed banking bill. The bill caps the rate banks can charge on loans and sets a floor on the rate they must pay on savings deposits, prospectively squeezing net interest margins. We discuss our thoughts on the impact of the regulatory measure later in this report.

Frontier Europe, up over 12%, showed the strongest returns during the quarter due to strengths in Romania, Kazakhstan, Slovenia, and Croatia. In particular, **Banca Transilvania**, the third-largest bank in Romania, continued to gain market share in loans to small- and medium-sized enterprises (SMEs) while maintaining stable asset quality.

MARKET PERFORMANCE (USD %)

COUNTRY	3Q 2016	TRAILING 12 MONTHS
PHILIPPINES	-5.2	7.2
COLOMBIA	2.8	17.3
KUWAIT	1.9	-10.1
PERU	1.1	39.5
ARGENTINA	2.8	50.4
PAKISTAN	6.6	21.1
VIETNAM	0.7	5.3
MOROCCO	8.5	17.9
NIGERIA	-11.0	-39.2
EGYPT	21.6	6.5
MSCI FEM INDEX	0.9	7.2

SECTOR PERFORMANCE (USD %)
OF THE MSCI FEM INDEX

SECTOR	3Q 2016	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	7.5	29.9
CONSUMER STAPLES	-9.7	-22.8
ENERGY	-1.6	8.9
FINANCIALS	2.5	8.5
HEALTH CARE	8.0	6.8
INDUSTRIALS	-4.4	6.4
INFORMATION TECHNOLOGY	7.0	19.8
MATERIALS	2.9	13.9
REAL ESTATE	2.2	14.1
TELECOM SERVICES	-0.4	5.6
UTILITIES	5.0	19.8

Source: FactSet (as of September 30, 2016). MSCI Inc. and S&P. Selected countries are the 10 largest by weight, representing 83% of the MSCI Frontier Emerging Markets Index.

[1]Bryan Harris, "Philippines Pivots Away from the US," *Financial Times* (September 14, 2016).

[2]"Philippines," *Office of the United States Trade Representative* (May 2, 2014).

[3]Andres Schipani, "Peru Economy to Remain One of LatAm's Best Performers," *Financial Times* (August 28, 2016).

[4]Benedict Mander, "Results of Foreign Direct Investments in Argentina Remain Flat," *Financial Times* (September 19, 2016).

[5]Tife Owolabi, "Nigerian Militant Group Claims Attack on Oil Pipeline Niger Delta," *Reuters* (September 29, 2016).

The three Gulf States in the FEM Index kept pace on the back of a stabilizing oil price, as OPEC member nations reached an agreement in late September to cut oil production.

Sector performance in the Index was mixed during the quarter. In Consumer Staples, Philippines-based food producer **Universal Robina**, which accounts for over 20% of the sector in the Index, declined as the company was faced with allegations of elevated lead content in its beverage products produced in Vietnam. Though the company's products were subsequently cleared, the product recalls and audit by the Ministry of Health caused a loss of sales in one of Universal Robina's largest markets. Nigerian consumer companies also contributed to the poor performance of the Consumer Staples sector. These companies generate most of their revenue in the naira, so its depreciation leads to reduced profitability as companies struggle to pass on higher costs to consumers without negatively impacting volume and revenue growth.

Telecom Services declined marginally as the positive share-price performance of Egyptian and Pakistani telecom operators was offset by declines in their Philippine peers. The sector's returns were bolstered by **Safaricom** in Kenya as the company continues to see robust growth and increasing revenue contribution from mobile data and its payment platform M-Pesa, together accounting for almost half of revenue. Yet the 3G network is used by only one-third of Safaricom's customers, suggesting further room for growth in data usage.

Materials advanced in part due to the strong returns of Vietnamese steelmaker **Hoa Phat Group** (**HPG**). HPG, Vietnam's largest producer of construction steel, has achieved record profitability in the first half of the year with strong volume growth, stabilizing finished product price and favorable raw material input costs. Its vertically integrated production gives it a cost advantage that has helped facilitate market share gains over smaller producers. We discuss HPG in detail later in our report.

PERFORMANCE AND ATTRIBUTION

The Frontier Emerging Markets composite slightly underperformed its benchmark this quarter, returning 0.7% while the MSCI Frontier Emerging Markets Index returned 0.9%. Year-to-date, the composite has risen 6.0%, underperforming the Index, which has risen 10.1%. The charts to the right illustrate performance attribution for the quarter by sector and region, respectively.

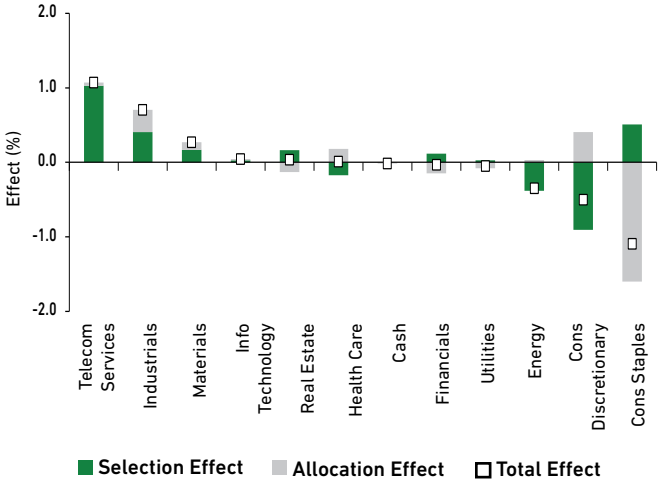
The largest contributor to relative performance was the portfolio's strong stock selection in Telecom Services, primarily owing to Safaricom. We also benefited from an underweight in the poorly performing Industrials sector. These gains were offset by our holdings in Consumer Discretionary, which detracted most from relative performance. Worst among them was Saudi Arabian electronics retailer **Jarir Marketing**, as it declined on lowered growth expectations following the pressure of sustained low oil prices on consumer spending. The portfolio's overweight in Consumer Staples also hurt performance.

Our portfolio's 19% exposure to Consumer Staples is significantly larger and more diverse than is the Index's 8%

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 list of the ten largest holdings at September 30, 2016 is available on page 6 of this report.

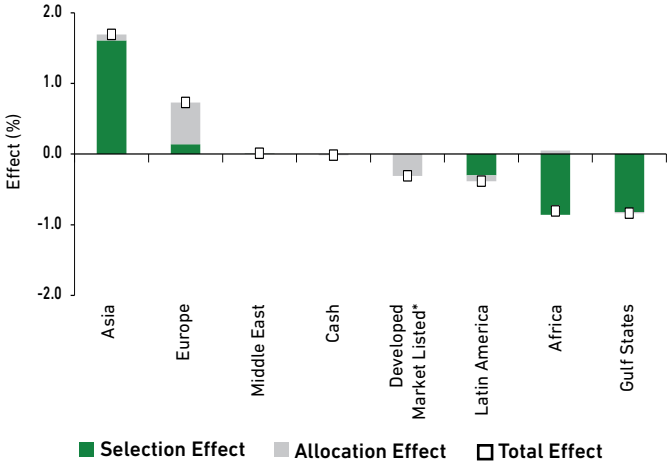
SECTOR PERFORMANCE ATTRIBUTION THIRD QUARTER 2016

FRONTIER EMERGING MARKETS COMPOSITE VS. MSCI FEM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION THIRD QUARTER 2016

FRONTIER EMERGING MARKETS COMPOSITE VS. MSCI FEM INDEX



**Includes frontier markets or emerging markets companies listed in developed markets. Source: FactSet; Harding Loevner Frontier Emerging Markets 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.*

weight in the sector, and includes a number of off-benchmark holdings. Typically, the frontier market consumer companies we invest in possess market leadership, economies of scale, and strong competitive advantages arising from well-established brands and superior distribution capabilities. They also enjoy growth tailwinds due to young populations and the increasing income levels of local consumers. For these reasons, we are able to find many consumer companies in frontier markets that meet our criteria of strong competitive positions and sustainable growth. Nevertheless, we remain aware that while these companies are typically regarded as defensive, they are not immune from external shocks, such as the ongoing currency crisis in Nigeria. Individual country risk is one reason why we maintain diversified exposure to every sector.

The portfolio's performance in Financials benefited from the strength of Banca Transilvania, **Halyk Bank**, and **Commercial International Bank of Egypt** (**CIB**), among others. In Kazakhstan, Halyk Bank reported good results due to strong fee-income generation and improved asset quality, which led to declining loan loss provisions. Management has increased its profit guidance for the year and hinted at the possibility of restarting dividend payments in 2017 after suspending them last year. In Egypt, CIB has continued to perform well as a result of solid earnings growth and lower credit provisioning charges. The IMF agreement should be supportive for the continued growth of CIB, a leader in corporate lending.

From a geographic perspective, we benefited most from strong stock selection in Asia, largely due to HPG. An underweight in the poorly performing Philippine market also helped relative performance. Our investments in the Gulf States detracted most, especially our Saudi Arabian holdings such as Jarir and fast-food retailer **Herfy Food Services**. The UAE was impacted by poor returns from food and consumer-staples producer **Agthia**, which retrenched due to recently implemented changes in Abu Dhabi's flour and animal feed subsidy policy, discussed later in this report.

INVESTMENT PERSPECTIVES

Regulatory Risk in Frontier Markets

In recent years, we have seen many frontier nations choose democratic, rather than authoritarian, forms of government and adopt more orthodox policies to manage their economies. However, many nations still lack the solid legal and regulatory frameworks that characterize more developed markets. This is true even for market-oriented economies that have, for the most part, pursued sound regulation in the past, such as Kenya.

In August, Kenyan President Uhuru Kenyatta and the Kenyan Parliament enacted the Banking (Amendment) Bill 2015, which intends to regulate interest rates that are applicable to banks' loans and deposits.[6] The bill effectively caps the rate banks can charge on loans at a maximum of 4% above the monetary policy rate (MPR), set by the Central Bank of Kenya (currently at 10%), and sets a floor rate that banks must pay on the savings deposit accounts at 70% of MPR. The passage of this controversial legislation despite opposition from central bank leadership is widely regarded as a populist measure designed to win votes ahead of Kenya's parliamentary and presidential elections in August 2017.[7]

Beyond the negative impact on banks' profitability, this abrupt regulatory change sharply raises systemic risk in the Kenyan banking system. Smaller banks in the country lack large branch networks and deposit-gathering capabilities and rely in part on interbank funding, the cost of which typically exceeds the lending rate cap mandated by the new legislation. Now these banks may be forced to curtail their lending, which will reduce the amount of credit available in the economy.

The legislation could also cause banks to shift their lending away from private-sector borrowers toward the government and ultimately lead to lower rates of economic growth in Kenya. As a result of this sudden regulatory decision and its threat to banks' profitability, we sold our two Kenyan banks, **Kenya Commercial Bank** (**KCB**) and **Equity Bank**, although not before their shares fell sharply.

The interest rate cap in Kenya is a case of a regulatory overreach that distorts the normal functioning of the market. Elsewhere in the frontier universe, we have seen governments adopt more market-oriented policies designed to limit their economic influence. While we generally applaud actions aimed at curbing excessive spending and solidifying the foundation of long-term competitiveness, we acknowledge that such changes will bring volatility to a market and can negatively impact companies that previously benefited from government policies. This has been the case with subsidy programs in several Gulf countries that have increasingly adopted austerity measures in response to low oil prices.

The government of Abu Dhabi (part of the UAE) has sponsored a subsidy program for flour and animal feed since 2007 to insulate the public from food price fluctuations. Under the program, our Consumer Staples holding Agthia sold its flagship products Grand Mills flour and Agrivita animal feed in Abu Dhabi at fixed prices significantly below those of its competitors, and was reimbursed for the difference by the government. This arrangement allowed the company to gain dominant market share in the emirate. But in early August, the government announced a plan to phase out the subsidy program over the next two years.[8]

Agthia is implementing several steps to counter the impact of subsidy cuts, including price increases, cost optimization,

[6]"Statement by H.E. Uhuru Kenyatta, President of the Republic of Kenya and Commander-in-Chief of the Defence Forces, on the Banking (Amendment) Act 2015," *The Official Website of the President* (August 24, 2016).

[7]John Aglionby, "Kenya to Cap Interest Rates on Bank Loans," *Financial Times* (August 24, 2016).

[8]Agthia Group PJSC, *Investor Presentation* (September 2016).

and a new range of value-priced products. Price increases, however, will negatively impact volumes, especially in the environment of overall slowdown in consumer spending in the UAE in the wake of lower oil prices. Moreover, competitors who were nearly absent from the Abu Dhabi market since 2007 given Agthia's price advantage will likely respond with aggressive sales efforts, offering discounts and promotions in an effort to win market share. This will prompt Agthia to step up its own marketing and promotion activity, putting pressure on margins.

In the long term, Agthia may be able to offset the impact on its flour and animal feed businesses by growing other portions of its product portfolio and ramping up exports outside the UAE. For now, its growth and profitability outlook remain challenged.

Ever-changing regulation is a risk inherent to investing in frontier markets. Our adherence to strict diversification guidelines helps mitigate the idiosyncratic company-specific risks on a portfolio level.

Vietnam

Vietnam boasts one of the fastest-growing economies in Asia, with GDP growth averaging 6% between 2000 and 2015.[9] Supported by the country's large, young, and highly literate population, competitive labor costs, and stable government that is relatively open to market reforms, this growth has made Vietnam a particularly attractive investment destination.

The Vietnamese government's policy of economic liberalization has allowed the country to benefit from international trade and foreign direct investment (FDI). Labor-intensive manufacturing firms have increasingly shifted their production plants to the country, drawn by its low-cost production base, generous tax incentives, and large workforce. Companies such as South Korean electronics giant Samsung, Japanese Mitsui Chemicals, and Taiwanese conglomerate Cheng Loong have all initiated multibillion-dollar investment projects in Vietnam over the past few years.

The influx of FDI is also supportive of the commercial real estate segment, and should continue to underpin demand for office and industrial space as more foreign companies set up operations in the country. The residential real estate market is flourishing as well due to a growing domestic middle class, the greater availability of mortgage financing, and the easing of regulations governing foreign property ownership.

When it comes to the quality of infrastructure, Vietnam ranks lower than its regional peers Malaysia, Thailand, and Indonesia.[10] However, Vietnam is one of the most active countries in Southeast Asia in terms of infrastructure development: over 25% of all planned infrastructure projects in Southeast Asia are to be developed in Vietnam.[11]

The infrastructure buildout and real-estate recovery bode well for steel demand, especially long steel used in high-rise buildings and transportation structures, such as bridges and highways. Portfolio holding Hoa Phat Group (HPG), one of the most efficient Vietnamese steelmakers, should thus benefit. HPG has a number of critical competitive advantages that have helped it increase its market share from 13% in 2010 to 22% in 2015. One advantage is its utilization of blast furnace technology, which uses iron ore and coking coal as inputs to produce steel. This technology affords HPG a cost advantage relative to its smaller competitors who rely on electric arc furnace technology, which uses more expensive steel scrap as an input in the production process.

HPG also benefits from its location in the Hai Duong province in the north of the country. This area is relatively less developed than Ho Chi Minh City, but is on the rise, creating high demand for steel for numerous construction projects. HPG's proximity to this center of demand is advantageous as the underdeveloped infrastructure makes it difficult for steelmakers to transport product far beyond their regional bases.

In 2015, selling prices for steel in Vietnam were negatively impacted by rising volumes of cheap imports from China. Earlier this year, the Vietnamese government introduced anti-dumping tariffs against Chinese imports to help support domestic steel prices. Although HPG was able to absorb price pressures in 2015 due to robust volume growth and falling iron ore and coking coal prices, it will now benefit from decreased foreign competition as a result of the new tariffs.

HPG continues to expand its capacity, most recently with the launch of a new integrated steel rolling mill, which increased construction steel production capacity by 18%, and plans to increase steel pipe capacity by 60% over the next two years. With this increased capacity, HPG is well positioned to take advantage of the construction-driven demand for steel in Vietnam.

PORTFOLIO HIGHLIGHTS

During the quarter we purchased two high-quality, growing companies:

Robinsons Retail is the second-largest multi-format retail group in the Philippines, with over 1,500 stores throughout the country. We believe Robinsons is poised to benefit from the increased purchasing power and changing lifestyles of Philippine consumers and from the ongoing formalization of the retail sector. Profitability should be boosted by increasing scale, allowing the company to obtain greater discounts and rebates from its suppliers.

[9] "2016 Real Estate Market Outlook," *CBRE Ltd.* (2015).

[10] "The Global Competitiveness Report," *World Economic Forum* (2016).

[11] "Vietnam – An Emerging Regional Logistics Hub," *Viet Capital Research* (March 2016).

We also purchased **Grupo Financiero Galicia**, a leading diversified financial services company in Argentina comprised of core banking operation Banco Galicia and an insurance arm. Banco Galicia enjoys strong competitive positioning in retail banking, catering to individual and SME customers.[12] It is particularly strong in the province of Buenos Aires, where the majority of its branches are located.

The company's credit card operation, Tarjetas Regionales, is the largest non-bank credit card issuer in Argentina. Credit card penetration in Argentina is in-line with global averages (at an average of 2.1 cards per capita), yet the ratio of credit card spending to personal consumption expenditures is significantly below both global averages and averages of its Latin American peers.[13] These lower rates of spending can be traced back to the Kirchner regime, during which bouts of inflation and devaluation inspired a general skepticism toward banks in many Argentines. Bringing down inflation is the key policy objective of current President Macri. As inflation normalizes and interest rates decline, credit growth should accelerate and credit card spending should increase, benefiting Grupo Financiero Galicia.

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[12]Grupo Financiero Galicia S.A., *Annual Report 17th Fiscal Year: January 2015 / December 2015: 66.*

[13]"Argentina Financial Institutions: A Primer on the Card Industry," *Morgan Stanley Research* (June 6, 2016).

FRONTIER EMERGING MARKETS TEN LARGEST HOLDINGS (AS OF SEPTEMBER 30, 2016)

COMPANY	COUNTRY	SECTOR	END WT (%)
SAFARICOM Mobile operator	KENYA	TELECOM SERVICES	4.4
HOA PHAT GROUP Steel producer	VIETNAM	MATERIALS	4.3
BANCA TRANSILVANIA Commercial bank	ROMANIA	FINANCIALS	3.4
JOLLIBEE FOODS Quick service restaurant chain	PHILIPPINES	CONS DISCRETIONARY	3.3
SQUARE PHARMACEUTICALS Pharmaceuticals manufacturer	BANGLADESH	HEALTH CARE	3.3
CEMENTOS ARGOS Cement manufacturer	COLOMBIA	MATERIALS	2.9
OLYMPIC INDUSTRIES Consumer product company	BANGLADESH	CONS STAPLES	2.8
UNIVERSAL ROBINA Branded consumer foods	PHILIPPINES	CONS STAPLES	2.8
CREDICORP Commercial bank	PERU	FINANCIALS	2.8
COMMERCIAL INTL BANK Commercial bank	EGYPT	FINANCIALS	2.7

Source: Harding Loevner Frontier Emerging Markets Model.
Model Portfolio holdings are supplemental information only and complement the fully compliant Frontier 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.

3Q16 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
HOA PHAT GROUP	MATS	3.5	1.07
SAFARICOM	TCOM	4.2	0.83
BANCA TRANSILVANIA	FINA	3.3	0.49
COMMERCIAL INTL BANK	FINA	1.3	0.45
HALYK SAVINGS BANK	FINA	1.8	0.44

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
HOA PHAT GROUP	MATS	2.8	1.72
SAFARICOM	TCOM	3.4	1.43
CREDICORP	FINA	2.4	1.10
BANCA TRANSILVANIA	FINA	2.4	0.91
CEMENTOS ARGOS	MATS	2.6	0.83

3Q16 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
EQUITY BANK	FINA	2.0	-0.89
UNIVERSAL ROBINA	STPL	3.1	-0.55
AGTHIA	STPL	1.3	-0.46
ROBINSONS RETAIL	STPL	1.7	-0.36
JARIR MARKETING	DSCR	1.6	-0.35

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
JARIR MARKETING	DSCR	2.4	-1.63
EQUITY BANK	FINA	3.0	-1.18
KOLAO HOLDINGS	DSCR	1.4	-0.98
HERFY FOOD SERVICES	DSCR	1.9	-0.78
NOSTRUM OIL & GAS	ENER	1.0	-0.67

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL FEM	MSCI FEM
PROFIT MARGIN[1] (%)	16.1	15.9
RETURN ON ASSETS[1] (%)	6.0	4.5
RETURN ON EQUITY[1] (%)	20.4	14.3
DEBT/EQUITY RATIO[1] (%)	42.8	95.0
STD DEV OF 5 YEAR ROE[1] (%)	4.2	3.5
SALES GROWTH[1,2] (%)	10.6	8.6
EARNINGS GROWTH[1,2] (%)	11.7	8.7
CASH FLOW GROWTH[1,2] (%)	14.9	7.7
DIVIDEND GROWTH[1,2] (%)	3.8	3.8
SIZE & TURNOVER	**HL FEM**	**MSCI FEM**
WTD MEDIAN MKT CAP (US $B)	2.4	5.6
WTD AVG MKT CAP (US $B)	4.7	6.6
TURNOVER[3] (ANNUAL %)	33.9	–

RISK & VALUATION	HL FEM	MSCI FEM
ALPHA[2] (%)	2.98	–
BETA[2]	0.90	1.00
R-SQUARED[2]	0.83	1.00
ACTIVE SHARE[3] (%)	69	–
STANDARD DEVIATION[2] (%)	11.74	11.91
SHARPE RATIO[2]	0.58	0.36
TRACKING ERROR[2] (%)	5.0	–
INFORMATION RATIO[2]	0.52	–
UP/DOWN CAPTURE[2]	98/84	–
PRICE/EARNINGS[4]	13.2	14.3
PRICE/CASH FLOW[4]	10.6	11.1
PRICE/BOOK[4]	2.1	1.8
DIVIDEND YIELD[5] (%)	3.5	3.0

[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 Frontier Emerging Markets Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: October 5, 2016); Harding Loevner Frontier Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
GRUPO FINANCIERO GALICIA	ARGENTINA	FINA
ROBINSONS RETAIL	PHILIPPINES	STPL

POSITIONS SOLD	COUNTRY	SECTOR
EQUITY BANK	KENYA	FINA
KCB	KENYA	FINA
KOLAO HOLDINGS	SOUTH KOREA	DSCR
QATAR ELECTRICITY & WATER CO.	QATAR	UTIL

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 Frontier Emerging Markets Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

FRONTIER EMERGING MARKETS COMPOSITE PERFORMANCE (AS OF SEPTEMBER 30, 2016)

	HL FEM GROSS (%)	HL FEM NET (%)	MSCI FEM INDEX[1] (%)	HL FEM 3-YR STD DEVIATION[2] (%)	MSCI FEM INDEX 3-YR STD DEVIATION[2] (%)	INTERNAL DISPERSION[3] (%)	NO. OF ACCOUNTS	COMPOSITE ASSETS ($M)	FIRM ASSETS (%)
2016 YTD[4]	5.99	4.81	10.09	11.21	12.11	N.A.[5]	1	370	0.91
2015	-16.76	-18.00	-17.99	11.28	11.81	N.M.[6]	1	432	1.30
2014	8.51	6.93	7.52	10.19	10.76	N.M.	1	537	1.53
2013	19.77	18.09	4.59	12.68	11.82	N.M.	1	317	0.96
2012	22.92	21.08	21.23	14.01	13.97	N.M.	1	88	0.39
2011	-19.63	-20.83	-17.26	20.62	20.70	N.M.	1	95	0.70
2010	27.25	25.59	29.07	+	+	N.M.	1	96	0.87
2009	42.83	41.02	25.85	+	+	N.M.	1	10	0.16
2008[7]	-53.41	-53.77	-54.74	+	+	N.A.	1	5	0.15

[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 is 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; [7]2008 represents the partial year, June 1, 2008 to December 31, 2008; +Less than 36 months of return data.

The Frontier Emerging Markets Composite contains fully discretionary, fee paying frontier emerging markets accounts investing in non-US equity and equity equivalent securities of companies domiciled predominantly in frontier and smaller emerging markets countries with the objective of long-term capital appreciation. For comparison purposes, the Composite is measured against the MSCI Frontier Emerging Market Index (gross of withholding taxes). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark index is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark index, including the percentage of composite assets invested in countries or regions not included in the Index, is available upon request.

The MSCI Frontier Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index. The Index consists of 23 frontier markets and 4 emerging markets. 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 June 30, 2016.

Verification assesses whether (1) the firm has complied with all the 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 the GIPS standards. Verification does not ensure the accuracy of any composite presentation. The verification 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 is not indicative of 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 Frontier Emerging Market accounts is 1.50% annually of the market value up to $20 million; 1.15% 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 Frontier Emerging Markets Composite was created on May 31, 2008.

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