HARDING LOEVNER

GLOBAL EQUITY

2016 Third Quarter Report

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

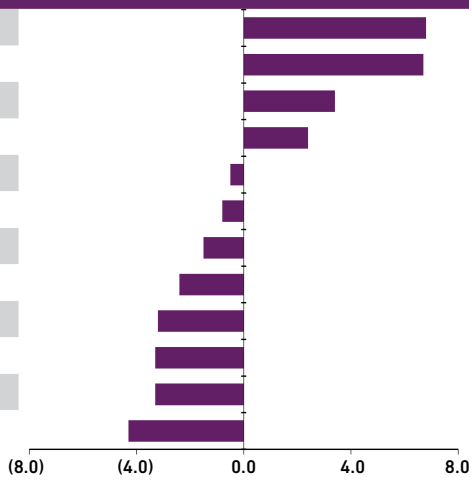
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL GLOBAL EQUITY (GROSS OF FEES)	6.41	8.66	16.67	8.63	12.67	7.65	9.61
HL GLOBAL EQUITY (NET OF FEES)	6.29	8.27	16.11	8.13	12.17	7.18	8.93
MSCI ALL COUNTRY WORLD INDEX[4,5]	5.43	7.09	12.60	5.74	11.22	4.90	6.71
MSCI WORLD INDEX[5,6]	4.99	6.06	12.02	6.43	12.25	5.06	6.75

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1989; [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.

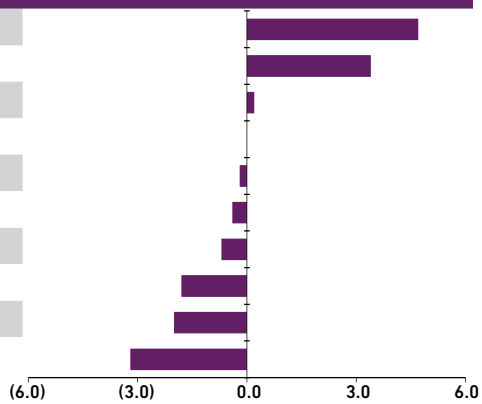
SECTOR EXPOSURE (%)

	HL GLOBAL	MSCI ACWI
HEALTH CARE	18.5	11.7
INFO TECHNOLOGY	22.6	15.9
CASH	3.4	–
INDUSTRIALS	12.8	10.4
CONS DISCRETIONARY	11.8	12.3
ENERGY	6.1	6.9
FINANCIALS	15.4	16.9
MATERIALS	2.7	5.1
TELECOM SERVICES	0.6	3.8
UTILITIES	0.0	3.3
REAL ESTATE	0.0	3.3
CONS STAPLES	6.1	10.4



GEOGRAPHIC EXPOSURE (%)

	HL GLOBAL	MSCI ACWI
JAPAN	12.6	7.9
CASH	3.4	–
EUROPE EMU	10.2	10.0
FRONTIER MARKETS[7]	0.0	–
MIDDLE EAST	0.0	0.2
EMERGING MARKETS	10.5	10.9
EUROPE EX-EMU	10.3	11.0
PACIFIC EX-JAPAN	2.3	4.1
UNITED STATES	50.7	52.7
CANADA	0.0	3.2



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

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

Source: Harding Loevner Global Equity Model; MSCI Inc. and S&P. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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MARKET REVIEW

Markets recovered from Brexit-induced declines.

IT led market returns, while Health Care lagged as US drug prices attracted political scrutiny.

EM stocks gave their best quarterly gains in over four years.

The cheapest stocks performed best in the quarter.

PORTFOLIO HIGHLIGHTS

We sense the emergence of a "value" style outperformance, which would be a headwind for our style.

Despite recent strong performance of the sector, we remain underweight in Financials, where many companies do not meet our investment criteria.

We made two new purchases in the underperforming Health Care sector.

MARKET REVIEW

Markets recovered from the sell-off in late June that followed the shocking "Leave" outcome of the EU referendum in the UK as investors turned their focus toward additional financial stimulus around the globe. The European Central Bank continued to ramp up its corporate bond-buying program, and the Bank of Japan adjusted its quantitative easing program. Meanwhile, Japanese Prime Minister Shinzō Abe launched a US$130 billion fiscal stimulus plan.

Cyclical sectors outperformed non-cyclical sectors in the quarter. Information Technology (IT) stocks had the best returns, reflecting strong second-quarter revenue and earnings results. Financials, paced by banks, bounced back after a weak second quarter. Consumer Staples, Telecom Services, and Utilities all declined, while Health Care barely eked out a fractionally positive return as high US drug prices attracted further political scrutiny, risking new regulatory moves in the main locus of multinational drug company profits.

Viewed geographically, all major regions delivered positive returns, with emerging market (EM) stocks performing the best and extending this year's run with their best quarterly gain in over four years. Chinese stocks, previously laggards, led the gains, aided by strength in the global IT sector (which also spurred South Korean and Taiwanese markets). US stocks underperformed most non-US stocks. Shares in the eurozone recovered much of their Brexit-induced decline. Bank stocks were strong performers, although the quarter began with the rumored bailout of one European bank, Monte dei Paschi of Italy, and ended with speculation swirling around another, Deutsche Bank.

Style effects were mixed. Valuation was the most significant factor as the cheapest stocks outperformed more expensive ones by a wide margin. At the same time, the fastest-growing quintile of companies, led by many of the internet-based businesses in IT and Consumer Discretionary, performed far better than the other eighty percent. Quality was a modest headwind during the period. There was no meaningful difference between the MSCI ACWI Value and Growth Index returns, as "growth" outperformed in the US and EMs while "value" outperformed in other regions, with the value effect most pronounced in Japan. But the MSCI ACWI Value Index retains its year-to-date lead over the Growth Index.

MARKET PERFORMANCE (USD %)

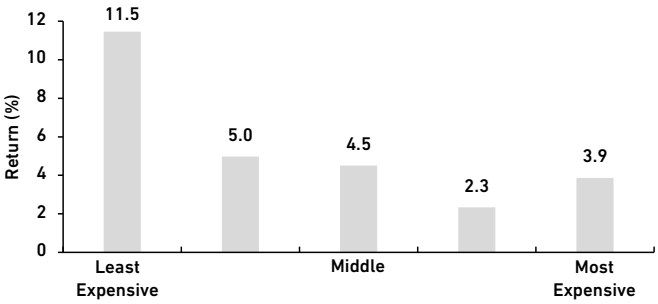
MARKET	3Q 2016	TRAILING 12 MONTHS
CANADA	5.0	15.4
EMERGING MARKETS	9.2	17.2
EUROPE EMU	7.8	4.4
EUROPE EX-EMU	3.4	2.0
JAPAN	8.8	12.5
MIDDLE EAST	-1.8	-7.2
PACIFIC EX-JAPAN	8.2	20.2
UNITED STATES	4.1	15.1
MSCI ACW INDEX	5.4	12.6

SECTOR PERFORMANCE (USD %)
OF THE MSCI ACW INDEX

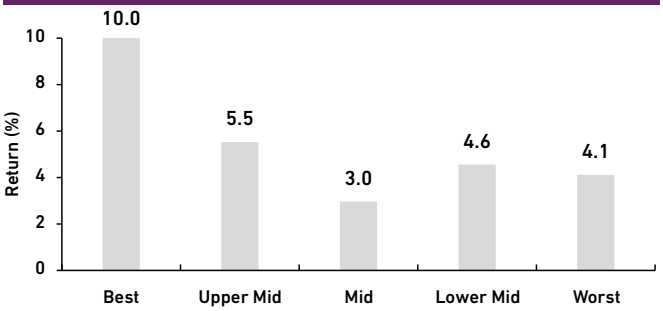
SECTOR	3Q 2016	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	6.7	7.7
CONSUMER STAPLES	-0.3	14.7
ENERGY	2.3	18.9
FINANCIALS	8.8	2.8
HEALTH CARE	0.3	6.1
INDUSTRIALS	6.1	17.1
INFORMATION TECHNOLOGY	13.6	23.4
MATERIALS	9.8	24.6
REAL ESTATE	1.4	15.8
TELECOM SERVICES	-1.5	12.6
UTILITIES	-3.0	11.6

Source: FactSet (as of September 30, 2016); MSCI Inc. and S&P.

MSCI ACW INDEX PERFORMANCE BY VALUE 3Q16



MSCI ACW INDEX PERFORMANCE BY GROWTH 3Q16



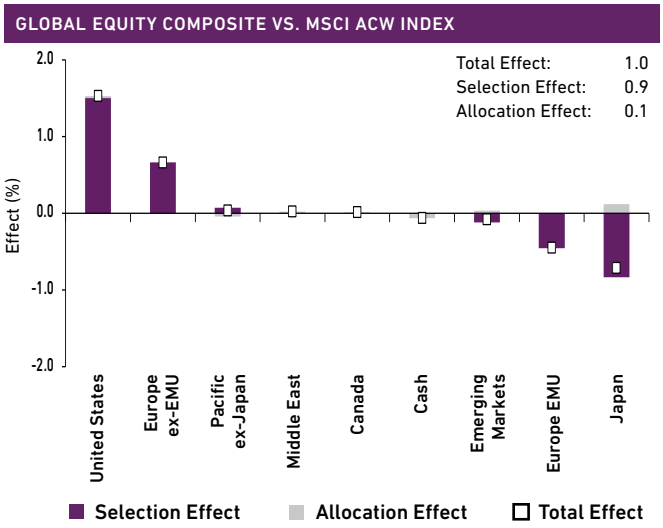
Source: FactSet. Data as of September 30, 2016, MSCI Inc. and S&P.

HL growth and value rankings are proprietary measures determined using objective data that, in the case of growth, rank companies based on an assessment of historic growth of earnings, sales, and assets, as well as expected moves in earnings and profitability. In the case of value, stocks are ranked based on a combination of several objective valuation measures, including price ratios.

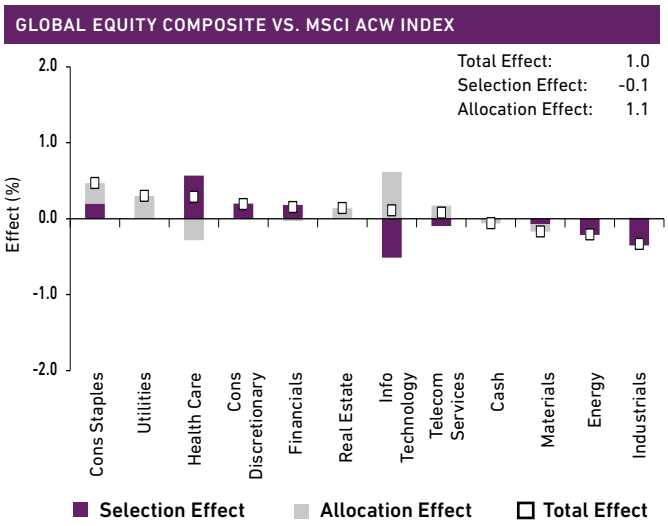
PERFORMANCE AND ATTRIBUTION

The 6.4% return of the Global Equity composite was ahead of the 5.4% return of the Index in the quarter, due largely to good performance of US and UK stocks, offset partially by poor stocks in Japan. The charts on the following page illustrate the sources of relative return by sector and region.

GEOGRAPHIC PERFORMANCE ATTRIBUTION THIRD QUARTER 2016



SECTOR PERFORMANCE ATTRIBUTION THIRD QUARTER 2016



Source: FactSet; Harding Loevner Global 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.

While the portfolio had very limited exposure to the cheapest stocks (which performed best in the quarter), it did have substantial exposure to the fastest-growing companies, an equally important source of strong performers this quarter. Within the US, rapidly growing internet-focused businesses such as **Amazon.com**, **Priceline**, **Alphabet**, **Facebook**, and **PayPal** all enjoyed strong stock price performance. **SVB Financial Group** and **Lazard** enjoyed strong performance as well, offsetting the drag of **Wells Fargo**, whose shares fell as the unauthorized accounts scandal created a political firestorm. In the UK, the takeover of **ARM Holdings** helped returns, alongside strong stock performance from **WPP**, and **Lonza Group** and **Atlas Copco** further aided returns in Europe ex-EMU. Offsetting those good results were poor stocks in Japan, especially **MonotaRO**, **Kakaku.com**, and **M3**, all of which carry high valuations in keeping with their rapidly growing, capital-light internet-focused business models. Our EM holdings lagged those in the Index slightly.

Viewed by sector, the portfolio's slight emphasis of cyclical sectors over non-cyclical ones was a benefit. Within our large allocation to IT, our stocks did not keep up with the torrid return of the Index, despite the ARM Holdings fillip and the strong internet-oriented holdings. **Yandex**, the Russian search engine provider, gave back some of the strong gains enjoyed last quarter, while Kakaku.com and **salesforce.com** also declined. Within Industrials, **Fanuc**, **3M**, **Verisk**, **Rotork**, and MonotaRO underperformed the sector. Offsetting that, our Health Care holdings outpaced the lagging sector, led by **Regeneron**, **Waters**, Lonza Group, **Sysmex**, and **Sonova Holding**. **Nike** hurt returns in Consumer Discretionary as management cut earnings guidance for the company while it works through unsold inventories.

PERSPECTIVE AND OUTLOOK

The overall environment this year has been benign for investing, with rising markets punctuated by periodic conniptions. Most of the latter have had to do with investors trying to divine the intentions or next move of monetary authorities, and this year those moves have included the shift from ZIRP to NIRP (zero interest rate policy to negative interest rate policy) and recently, some guesses about the US Federal Reserve heading the other way toward a first rate hike. But another source of seizure has been political events, such as the Brexit vote, the soap opera of Brazil's presidential impeachment, and the attempted coup and subsequent crackdown in Turkey. The overall tone of stock markets has remained positive, but that trend is hard to disentangle from expectations of continued central bank liquidity injections into financial markets.

Having written previously about the high price that high-quality and rapidly growing companies command in a low-growth, low-income world, we sense the emergence (in fits and starts) of a "value" style outperformance, which, if it persists, will be a headwind for our investment style. We felt it initially in the first-quarter rally in Energy and basic Materials. Another thread is the strong rally all year in EMs taken together as an asset class, recovering from three years of negative returns. This quarter, the phenomenon was visible in the rally in the share prices of Financials, particularly banks, and especially in Europe, where they'd previously been weakest. One might be tempted to see the return of merger and acquisition activity as another manifestation of that shift to a search for value. But so many of the targets of the announced transactions are high-quality companies that it feels less like a value-driven shift than just another facet of the ultra-low interest rates that have prevailed in the

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 September 30, 2016 is available on page 6 of this report.

years since the financial crisis: earnings growth may be more easily purchased than achieved organically by companies with high-priced shares and access to cheap credit.

The value shift feels more advanced in the US, which fits with the general recovery from the crisis being further along or better established in that economy. There, the MSCI US Value Index has outperformed the US Growth Index by over 400 basis points in the year-to-date, although the US Growth Index bested the US Value Index this quarter. But outside the US, the tailwind for value is, so far, less pronounced as value retreated heavily in the Brexit conniption—although it rebounded in the third quarter. In EMs, a resurgence in value stocks is even less visible, in part because the whole asset class is so beaten down that it almost all looks like value, and in part because the willingness of global investors to take EM cycle and governance risks is still restrained by recent memories of terrible performance.

In spite of the better performance from Financials this quarter, we are hard-pressed to get excited by its investment prospects. Without sustained improvements in that sector, it will be hard for a torrid value rally to take hold and persist. Bryan Lloyd, CFA, one of our analysts focusing on Financials, offers his take:

Financials: Cheap for a Reason?

Bryan Lloyd, CFA

Financials stocks, trading at low multiples of book value and earnings on average, would likely be particularly favored by a shift in the market toward greater focus on valuation, and also from a sustained rise in short-term interest rates. Given their hefty weight in the Index and our tendency to skew the portfolio against Financials relative to the Index, this shift could pose a challenge for our strategy.

Banks constitute more than half of the Index weight in Financials. My preference in the banking world is for simple and transparent banks that are able to grow and generate strong returns without venturing far from the basic functions that banks perform in an economy, namely, taking deposits and making loans. Few banks are able to differentiate themselves, especially in developed economies. For the most part, the products and services that banks sell are almost identical, markets are saturated with branches, rivalry is fierce, and growth is scarce. Aside from logos and color schemes, a Chase bank branch does not look very different from a Barclays branch. The bargaining power of consumers is bolstered by broader availability of data that aids in comparison of product pricing, both on the lending and deposit-taking sides.

Faced with these challenges, banks sometimes adopt very risky tactics in order to win market share and generate growth. The credit crisis was precipitated by banks assuming nontraditional credit risks with increasing amounts of leverage. Wells Fargo, which was a rare big bank that avoided the credit pitfalls that ensnared its peers in the crisis, has lately provided an alternate example of bank managers pushing the edge of the envelope in order to grow. The high-pressure sales culture that its current managers nourished flowed directly from the sensible cross-selling strategy conceived by its long-serving and successful former CEO, Dick Kovacevich. The recent disclosures, regulatory penalties, and hearings on Wells Fargo's case have thrown into question the company's customer relationships and prospects for future growth, not to mention the judgment and efficacy of its management team, which took five years to address the underlying problem of pernicious incentives once they discovered bad behavior by thousands of employees.

Furthermore, the threat from financial-technology companies offering new substitute services will further intensify the competitive forces in the industry, especially as those services are often supplied by technology rather than well-paid employees. And in the post-financial crisis world, regulators and central banks have only grown more intrusive. Their insistence on stronger capital ratios and greater asset liquidity constrains banks' ability to deploy their capital toward profitable growth.

In developed Europe, banks are further challenged by low or negative interest rates, which compress their net interest margins. Given the poor optics of charging depositors to hold their money in today's backward NIRP/ZIRP world, banks have hit a lower bound and can no longer offset the effects of the declining lending rates of their loans and investment securities with lower funding costs. Mired in a highly competitive industry where local not-for-profit banks underprice their products, former German stalwarts Deutsche Bank and Commerzbank cannot earn their costs of capital, while tighter capital and liquidity requirements inhibit their ability to grow profitably. Without higher interest rates, consolidation and layoffs are among the few responses that European bank managements have, but few have pursued that sensible low-cost-producer strategy.

Insurance companies, which constitute another quarter of the weight of Financials in the Index, are hardly on a solid footing, despite their lower financial leverage. Ultra-low bond yields reduce the investment income earned from the premiums they collect (often called "float"), which is a primary value driver for the group. In addition, in a rush to compete, many insurers long ago offered guaranteed returns to policyholders when yields were higher, failing to anticipate the current environment. The property and casualty insurance business is highly cyclical and has relatively low barriers to entry. Even when conditions in this industry are good (usually after large losses hit a number of companies at the same time) and pricing for new policies is rising, new entrants ranging from hedge funds to Bermuda-based startups find ways to enter the market quickly, and end up competing away the improving pricing conditions. Only the largest and most dominant players (e.g., Allianz, owned in our International Equity strategy) can maintain competitive advantages throughout the underwriting cycle. With top market shares in most of its key markets, Allianz readily uses its broader distribution and scale advantage to maintain healthy underwriting profits throughout the cycle. Life insurance, in contrast to property and casualty, is a business where persistent competitive advantages can be difficult or impossible to

replicate. Portfolio holding **AIA Group**—which has competitive advantages such as proprietary data, high-quality agency-based distribution, and a legacy book of existing policies that produce recurring revenues and rising profits—is one exemplar.

While the investment prospects for Financials in developed markets appear dim, we have long argued that banks and insurers in emerging economies can offer long-term growth. The intense competitive environment previously described is often absent in EMs, where in many economies there is low penetration of financial services. As these economies become more complex and their citizens accumulate wealth that they need to invest and protect, banks and insurance companies come to play more important roles. Few EM banks face the ultra-low NIRP/ZIRP interest margin problem faced by their counterparts in the developed world. We have been heartened to find some EM banks that possess transparent and high-quality balance sheets and seasoned management teams. With low levels of borrowing and financial intermediation, the best EM financials can introduce new products to grow volumes and revenues even with flat or narrowing interest margins.

PORTFOLIO HIGHLIGHTS

Due to MSCI's recent decision to carve out Real Estate from Financials as a separate industrial sector, our portfolio appears less skewed away from Financials than previously—the underweight having been transferred to the new sector, where we have no holdings. Within banks, we hold more in the US, EMs, and the eurozone than does the Index, but less in other regions. Along with our long-held investment in Wells Fargo, we hold a handful of smaller US banks that provide specialized offerings to niche customer segments, such as **First Republic Bank**, SVB Financial Group, and **Signature Bank**. We also hold a handful of highly profitable and growing banks in EMs that are leaders in their home countries, including **Bank Central Asia** in Indonesia, **Itau Unibanco** in Brazil, and **Garanti Bank** in Turkey.

Little has changed in our region and sector weights in the quarter, although reductions in a couple of EM holdings have reduced our overweight to that region.

We bought two new companies in the quarter, both in the underperforming Health Care sector. Regeneron, a US biotechnology company, focuses on developing biologic (large molecule compound) treatments for a variety of serious diseases. The company's VelociSuite drug-discovery platform uses transgenic mice to develop drugs that can modify the way cells process and respond to physiological information, with potential uses in immune response and tissue repair. Its leadership in drug discovery has allowed Regeneron to reach agreements with Sanofi, Bayer, and Teva Pharmaceutical to share the costs of late-stage research and development and marketing for these drugs, which should help Regeneron reach commercial success more rapidly. Regeneron shares have performed poorly in the last year amidst mounting pressure from politicians and public and private insurers on drug prices generally. We think Regeneron can successfully defend the price of its most important drug, EYLEA—used to treat certain diseases that can cause blindness—having itself developed (i.e., not purchased) the drug, at considerable investment, and having never previously raised the price.

We also bought Sysmex, a Japanese life-sciences company that is a global leader in hematological and urological test equipment. We have long coveted the high proportion of recurring revenue inherent in its consumables-driven business model but were deterred from investing earlier by the high valuation of its shares. We took the opportunity to initiate a position after Japanese growth stocks fell sharply in a style-driven market shift this quarter. We believe that rising demand for advanced blood testing across EMs as well as a global trend toward immunological testing and personalized medicine, which emphasize advanced diagnostics, will sustain Sysmex's growth for a long time. Sysmex's enviable market position and historically heavy investments in research and development should enable the company to exploit these secular tailwinds.

We sold four holdings in the quarter. **Elekta**, a Swedish producer of radiotherapy equipment, operates in an effective duopoly with US-based Varian. This arrangement should have afforded profitable growth for both, but sales of this expensive equipment have fallen short of our expectations, as buyers in developed markets consolidated and volatile economic conditions across EMs dampened demand. On top of that, Elekta has suffered a number of internal disruptions including changes to senior management. The shares rose after the CEO was replaced, leaving them with an unfavorable risk-reward trade off, and we decided to exit our position in the company.

We also sold **Stanley Electric**, a Japanese specialist LED headlight maker, which has delivered disappointing business results due to higher-than-expected product development costs and rising competition.

We sold **América Móvil** after the company repeatedly missed the revenue and profit-margin mileposts we had set for it. In hindsight, we underestimated the competitive threat from AT&T, who by acquiring two of its smaller competitors entered the market América Móvil has long dominated, and we overestimated management's ability to repulse the challenge.

We tendered shares of ARM Holdings to the all-cash offer from Softbank, a Japanese telecommunications and technology company with a visionary founder who has previously paid very high prices for acquisitions he personally deemed well positioned in strategic growth areas. The offer price was more than forty percent above the latest share price for a company whose shares had already outperformed its sector since we bought it four years ago.

GLOBAL EQUITY HOLDINGS (AS OF SEPTEMBER 30, 2016)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
AMAZON.COM Online retailer	US	2.4
CTRIP.COM Travel agent	China	1.2
LUXOTTICA Eyeglass frames and sunglasses designer	Italy	1.2
NIKE Global athletic footwear and apparel	US	3.0
PRICELINE Online travel search services	US	2.5
WPP Advertising and marketing services	UK	1.5
CONSUMER STAPLES		
COLGATE PALMOLIVE Household products	US	1.7
L'ORÉAL Beauty and personal care products	France	1.0
MAGNIT Discount supermarket operator	Russia	0.7
NESTLÉ Food company	Switzerland	1.5
PIGEON Baby care goods	Japan	1.2
ENERGY		
EXXON MOBIL Integrated oil and gas company	US	1.3
SASOL Refined product and chemicals group	South Africa	0.9
SCHLUMBERGER Oilfield services company	US	3.0
TENARIS Steel pipe manufacturer	Italy	1.0
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	2.3
BANK CENTRAL ASIA Commercial bank	Indonesia	1.3
BBVA Commercial bank	Spain	1.2
FIRST REPUBLIC BANK Private banking & wealth management	US	2.4
GARANTI BANK Commercial bank	Turkey	0.8
ITAU UNIBANCO Commercial bank	Brazil	1.1
LAZARD Financial advisory and asset management	US	1.2
SIGNATURE BANK Commercial bank	US	1.0
SVB FINANCIAL GROUP Commercial bank	US	2.7
WELLS FARGO Commercial bank	US	1.4
HEALTH CARE		
ABBOTT LABS Health care and nutrition products	US	0.9
ABBVIE Biopharmaceutical company	US	1.2
ABCAM Research antibody manufacturer/distributor	UK	0.7
AMERISOURCE BERGEN Pharmaceutical company	US	0.9
ESSILOR INTERNATIONAL Ophthalmic lens manufacturer	France	1.1
GRIFOLS Biopharmaceutical and diagnostics	Spain	1.8
LONZA GROUP Biopharmaceuticals/pharma manufacturing	Switzerland	1.5
M3 Medical information services	Japan	3.6
REGENERON Biotech company	US	1.1
ROCHE HOLDING Pharma and diagnostic equipment	Switzerland	1.1
SHIRE Prescription medication developer	UK	1.2
SONOVA HOLDING Hearing aid manufacturer	Switzerland	1.0
SYSMEX Clinical testing equipment	Japan	1.0
WATERS Analytic instruments for life sciences	US	1.3

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
INDUSTRIALS		
3M COMPANY Diversified industrial conglomerate	US	1.0
ATLAS COPCO Industrial compressors & mining equipment	Sweden	1.1
FANUC Industrial robots, controls, machine tools	Japan	0.9
KUBOTA Farming and construction machinery	Japan	1.9
MAKITA Power tool manufacturer	Japan	1.2
MONOTARO Online distributor of maintenance supplies	Japan	1.0
ROPER Niche industrial business conglomerate	US	2.5
ROTORK Electric actuator maker	UK	0.7
VERISK Risk analytics	US	2.2
WABCO Commercial vehicle control technologies supplier	US	0.2
INFORMATION TECHNOLOGY		
ALPHABET Internet search and multimedia	US	3.9
BAIDU Internet search provider	China	1.2
COGNEX Electrical components manufacturer	US	1.3
DASSAULT SYSTÈMES CAD/CAM software designer	France	1.2
F5 NETWORKS Network technology	US	2.0
FACEBOOK Social network	US	1.5
IPG PHOTONICS High performance fiber lasers/amplifiers	US	1.2
KAKAKU.COM Price comparison website	Japan	0.3
KEYENCE Sensor and measurement equipment	Japan	1.4
MASTERCARD Global payments	US	1.2
MICROSOFT Software company	US	0.8
PAYPAL Electronic payment solutions	US	1.9
RED HAT Software and services	US	1.0
SALESFORCE.COM Cloud-computing software company	US	1.0
TENCENT Internet, mobile, and telecom provider	China	1.4
YANDEX Russian search engine	Russia	1.4
MATERIALS		
AIR LIQUIDE Industrial gas company	France	1.0
LINDE Industrial gases and engineering	Germany	0.8
MONSANTO Seed, genomics, and agricultural products	US	0.9
REAL ESTATE		
No holdings		
TELECOM SERVICES		
MTN GROUP Cellular phone operator	South Africa	0.6
UTILITIES		
No holdings		
CASH		3.4

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

3Q16 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
ALPHABET	INFT	3.8	0.52
ARM HOLDINGS	INFT	0.8	0.43
PRICELINE	DSCR	2.4	0.41
SVB FINANCIAL	FINA	2.6	0.39
AMAZON.COM	DSCR	2.3	0.37

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
M3	HLTH	2.8	1.79
AMAZON.COM	DSCR	2.1	1.04
YANDEX	INFT	1.3	0.85
ALPHABET	INFT	3.3	0.79
SCHLUMBERGER	ENER	3.1	0.63

3Q16 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
MONOTARO	INDU	1.1	-0.25
NIKE	DSCR	3.3	-0.13
SALESFORCE.COM	INFT	1.1	-0.11
EXXONMOBIL	ENER	1.3	-0.09
MTN GROUP	TCOM	0.8	-0.09

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
ICICI BANK	FINA	0.7	-0.68
NIKE	DSCR	3.7	-0.48
MTN GROUP	TCOM	0.8	-0.30
AMÉRICA MÓVIL	TCOM	0.8	-0.30
AMERICAN EXPRESS	FINA	0.9	-0.27

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL GLOBAL	MSCI ACWI
PROFIT MARGIN[1] (%)	16.0	11.4
RETURN ON ASSETS[1] (%)	9.1	5.6
RETURN ON EQUITY[1] (%)	15.1	13.8
DEBT/EQUITY RATIO[1] (%)	48.6	70.4
STD DEV OF 5 YEAR ROE[1] (%)	3.4	4.4
SALES GROWTH[1,2] (%)	9.2	2.9
EARNINGS GROWTH[1,2] (%)	13.3	7.7
CASH FLOW GROWTH[1,2] (%)	13.8	6.0
DIVIDEND GROWTH[1,2] (%)	13.9	8.6
SIZE & TURNOVER	**HL GLOBAL**	**MSCI ACWI**
WTD MEDIAN MKT CAP (US $B)	31.3	45.3
WTD AVG MKT CAP (US $B)	89.5	99.4
TURNOVER[3] (ANNUAL %)	20.4	–

RISK & VALUATION	HL GLOBAL	MSCI ACWI
ALPHA[2] (%)	1.35	–
BETA[2]	1.00	1.00
R-SQUARED[2]	0.95	1.00
ACTIVE SHARE[3] (%)	89	–
STANDARD DEVIATION[2] (%)	12.51	12.18
SHARPE RATIO[2]	1.01	0.92
TRACKING ERROR[2]	2.9	–
INFORMATION RATIO[2]	0.51	–
UP/DOWN CAPTURE[2]	106/98	–
PRICE/EARNINGS[4]	25.4	18.0
PRICE/CASH FLOW[4]	20.4	11.4
PRICE/BOOK[4]	3.5	2.0
DIVIDEND YIELD[5] (%)	1.4	2.5

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

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
REGENERON	UNITED STATES	HLTH
SYSMEX	JAPAN	HLTH

POSITIONS SOLD	COUNTRY	SECTOR
AMÉRICA MÓVIL	MEXICO	TCOM
ARM HOLDINGS	UNITED KINGDOM	INFT
ELEKTA	SWEDEN	HLTH
STANLEY ELECTRIC	JAPAN	DSCR

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 Global Equity Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

GLOBAL EQUITY COMPOSITE PERFORMANCE (AS OF SEPTEMBER 30, 2016)

	HL GLOBAL EQUITY GROSS (%)	HL GLOBAL EQUITY NET (%)	MSCI ACWI[1] (%)	MSCI WORLD[2] (%)	HL GLOBAL EQUITY 3-YR STD DEVIATION[3] (%)	MSCI ACWI 3-YR STD DEVIATION[3] (%)	MSCI WORLD 3-YR STD DEVIATION[3] (%)	INTERNAL DISPERSION[4]	NO. OF ACCOUNTS	COMPOSITE ASSETS ($M)	FIRM ASSETS (%)
2016 YTD[5]	8.66	8.27	7.09	6.06	11.41	11.19	11.03	N.A.[6]	27	8,176	20.18
2015	2.65	2.18	-1.84	-0.32	11.16	10.78	10.80	0.5	28	7,927	23.81
2014	6.91	6.43	4.71	5.50	10.82	10.48	10.21	0.3	31	9,961	28.46
2013	21.64	21.12	23.44	27.37	13.92	13.92	13.52	0.5	32	11,165	33.69
2012	18.44	17.98	16.80	16.54	16.49	17.11	16.72	0.1	25	9,071	40.03
2011	-6.96	-7.31	-6.86	-5.02	19.03	20.59	20.16	0.2	13	5,316	39.10
2010	16.54	16.16	13.21	12.34	22.85	24.51	23.74	N.M.[7]	6	2,879	26.15
2009	42.85	42.42	35.41	30.79	20.82	22.37	21.44	N.M.	4	1,463	22.86
2008	-37.98	-38.27	-41.84	-40.33	17.07	17.98	17.03	N.M.	3	118	3.61
2007	17.62	16.92	12.18	9.57	8.72	8.64	8.09	N.M.	3	124	1.95
2006	19.24	18.59	21.53	20.65	9.25	8.11	7.62	N.M.	2	102	2.16

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the composite and the Index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]The 2016 YTD performance returns and assets shown are preliminary; [6]N.A.–Internal dispersion is less than a 12-month period; [7]N.M.–Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year.

The Global Equity Composite contains fully discretionary, fee paying global equity accounts investing in US and non-US equity and equity-equivalent securities with the objective of long-term capital appreciation. For comparison purposes, the Composite is measured against the MSCI All Country World 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 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 46 developed and emerging market countries. 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. 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. 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 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 Global Equity Composite has been examined for the periods December 1, 1989 through June 30, 2016. 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 Global 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 Global Equity Composite was created on November 30, 1989.

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