EMERGING MARKETS EQUITY

2017 First Quarter Report

The Harding Loevner Emerging Markets Equity strategy is generally closed to new investors.

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDING MARCH 31, 2017[1]

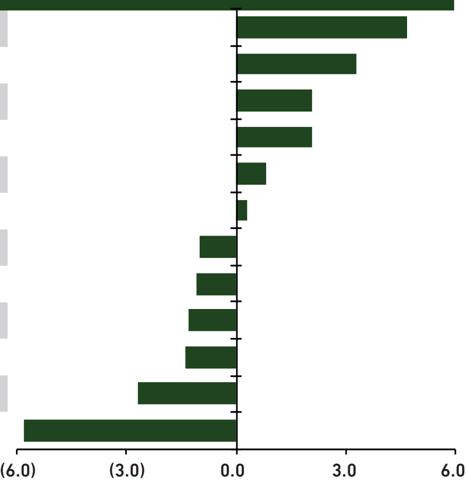
	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EMERGING MARKETS (GROSS OF FEES)	11.72	19.85	3.68	4.92	5.30	13.18
HL EMERGING MARKETS (NET OF FEES)	11.49	18.82	2.79	4.01	4.36	12.28
MSCI EMERGING MARKETS INDEX[4,5]	11.49	17.65	1.54	1.17	3.05	9.25

[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.

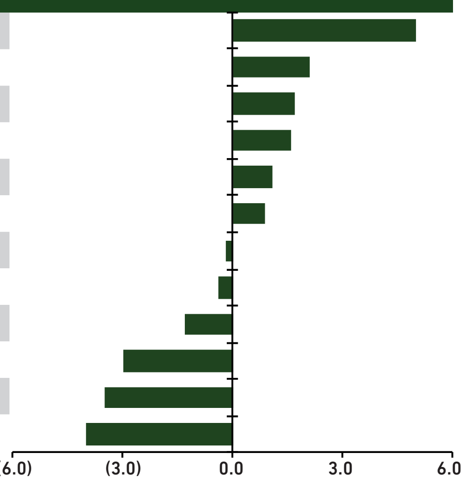
SECTOR EXPOSURE (%)

	HL EM	MSCI EM
FINANCIALS	28.8	24.1
CONS DISCRETIONARY	13.7	10.4
HEALTH CARE	4.5	2.4
CASH	2.1	-
CONS STAPLES	7.7	6.9
INDUSTRIALS	6.2	5.9
INFO TECHNOLOGY	23.5	24.5
UTILITIES	1.7	2.8
ENERGY	6.0	7.3
REAL ESTATE	1.2	2.6
TELECOM SERVICES	2.9	5.6
MATERIALS	1.7	7.5



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
DEVELOPED MARKET LISTED[6]	5.0	-
CASH	2.1	-
MEXICO	5.4	3.7
SMALL EMERGING MARKETS[7]	16.7	15.1
FRONTIER MARKETS[8]	1.1	-
RUSSIA	4.7	3.8
INDIA	8.7	8.9
BRAZIL	7.2	7.6
SOUTH AFRICA	5.3	6.6
TAIWAN	9.3	12.3
CHINA + HONG KONG[9]	23.4	26.9
SOUTH KOREA	11.1	15.1



[6]Emerging markets or frontier markets companies listed in developed markets, excluding Hong Kong; [7]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index; [8]Includes countries with less-developed markets outside the Index; [9]The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 17.6% and Hong Kong is 5.8%. The Benchmark does not include Hong Kong.

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 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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EMs recovered from the immediate blow following the Trump election, outperforming developed markets.

Widespread EM currency strength boosted returns in US dollars.

Information Technology and other economically sensitive sectors were the strongest performers.

In South Korea, the impeachment of the president and arrest of Samsung's vice chairman signal the country is starting to reject the old style of doing business.

PORTFOLIO HIGHLIGHTS

Portfolio activity was modest this quarter and focused on additions and trims to existing holdings in response to price changes.

We purchased an Indian pharmaceutical company that is a leader in manufacturing complex, high-quality drugs.

The portfolio's relative exposure to the fastest-growing companies increased in the past year due to both improving growth dynamics of long-standing holdings and new additions of strongly growing businesses.

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MARKET REVIEW

In the first quarter Emerging Markets (EMs) snapped back, shaking off the blow they suffered following President Donald Trump's November election victory in the US. The MSCI EM Index posted a formidable 11.5% return, outpacing developed markets. The global economy was supportive, particularly the growing signs of economic expansion in Europe, which should provide more demand for EM exports. Fears of looming protectionism and its consequences for EM exports were tempered as it became clear that Trump's most menacing proposals in relation to trade policy will face, at least, push back, delays, and dilution in the legislative process, and may well never see enactment. EM investors also may have recognized that a more mercantilist US trade policy is unlikely to be as broadly disruptive to global trade as it would have been a decade or two ago. Consider that today China is among the top-two trading partners for nearly the same number of the G20 group largest economies as is the US and recently supplanted the US as Germany's Number One trading partner. A compression of yield spreads between EM sovereign and US Treasury bonds was another sign of a widening perception that EM-specific risks have fallen.

EM investors also may have recognized that a more mercantilist US trade policy is unlikely to be as broadly disruptive to global trade as it would have been a decade or two ago.

EM currencies recovered from the sharp losses of November, despite the US Federal Reserve's interest rate increase in March, only the third hike since the 2008 financial crisis. Mexico, clearly chief among the intended targets of potential protectionist acts by the US, was a particular beneficiary of a reversal in sentiment, its peso rallying almost 11% against the dollar. Other EM economies having a heavy trade component of their economies, such as South Korea and Taiwan, also saw their currencies advance. Trumpian challenges may still lie ahead for such EMs that have benefited most from globalization, but the impending doom predicted late last year seems, for now, to have been overwritten by increasingly solid economic fundamentals.

Information Technology (IT) and the economically sensitive Industrials, Materials, and Consumer Discretionary sectors were the strongest performers in the Index. Generally strong annual reports from IT companies reaffirmed the powerful growth trend for social media and mobile internet-related services, leading to widespread upward revisions to earnings estimates for the sector. The outperformance by Materials and Industrials can largely be ascribed to the continued resilience of China. Market participants appear to have been persuaded that the probability of a lethal slump in its economy, at least in the immediate future (the time period that often dominates their thinking), has diminished.

Defensive sectors such as Consumer Staples, Telecom Services, and Health Care lagged, although Energy performed the worst. Crude oil prices exited 2016 at an 18-month high but, despite OPEC's actions since January 2017 to curb production levels, softened during the quarter as US crude inventory levels increased. The fall in oil prices hurt stocks of exploration and production (E&P) companies and also bludgeoned Russian equities. Two other major oil-producing countries, Colombia and United Arab Emirates, also lagged the Index.

Perhaps not coincidentally, Asia, a net importer of oil, had the best performance among regions, led by its largest constituents, China, South Korea, Taiwan, and India. All four markets posted double-digit returns in the quarter—dazzle not seen contemporaneously since the post-crisis rally of 2009. China's growth engine continued to fire, boosting markets in adjacent Asian economies. At the start of 2017, trade tensions between China and the new US administration as well as political tensions between China and South Korea—the latter's deployment of the THAAD missile defense system in cahoots with the US led China to sanction travel to, and bar imports from, South Korea—were anticipated to be a drag on market sentiment and returns.

MARKET PERFORMANCE (USD%)

REGION/COUNTRY	1Q 2017	TRAILING 12 MONTHS
LATIN AMERICA	12.1	23.6
BRAZIL	10.4	43.2
MEXICO	16.1	-2.6
ASIA	13.4	18.5
CHINA	12.9	19.9
INDIA	17.1	18.4
SOUTH KOREA	16.9	21.4
TAIWAN	11.8	24.1
AFRICA	4.5	8.4
SOUTH AFRICA	4.6	8.6
EUROPE	1.4	12.0
RUSSIA	-4.6	28.5
MSCI EM INDEX	11.5	17.7

SECTOR PERFORMANCE (USD%)
OF THE MSCI EM INDEX

SECTOR	1Q 2017	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	12.9	10.7
CONSUMER STAPLES	7.6	1.8
ENERGY	4.5	24.6
FINANCIALS	10.1	21.2
HEALTH CARE	5.5	-2.0
INDUSTRIALS	13.6	8.3
INFORMATION TECHNOLOGY	17.0	30.9
MATERIALS	12.1	27.9
REAL ESTATE	10.5	6.3
TELECOM SERVICES	7.7	3.5
UTILITIES	10.0	4.5

Source: FactSet (as of March 31, 2017); MSCI Inc. and S&P.

Wrong, at least so far, as North Asian markets were spurred forward by a blend of stronger external demand from key export markets such as Europe, glimmers of a revival in Asia's regional trade, and positive expectations for Asian corporate earnings growth in 2017. In India, Prime Minister Narendra Modi's demonetization program caused a short-term dislocation in the financial results for companies across most sectors. However, his administration's strong showing in legislative elections in Uttar Pradesh, the nation's most populous state, strengthened Modi's mandate to continue carrying out economic reform and infrastructure investment. Stocks of Indian companies in economically geared sectors, such as Materials, Financials, and Industrials, performed strongly.

Latin America was led by a rebound in Mexican equity prices and the peso, boosting dollar returns to the first quarterly double-digit gain (16%) in five years. Meanwhile, investors in Brazil's market cheered declining interest rates and the possibility of reforms to pensions that could transform public finances, lifting the market to its fourth double-digit rise (10%) since its pre-impeachment trough at 2015's end.

Europe, the weakest region this quarter, was home to the Index's three worst-performing markets (Greece, Russia, and Hungary) as well as the best (Poland). Russia's oil-heavy stock market lagged with that commodity's price, but the ruble, surprisingly, appreciated 9% against the dollar as the economy and prospects for better US relations continued to improve. The Polish market has traded to the beat of its domestic politics, in which the ruling party exerts undue influence on business, banks, and the pension system. Indications that the government was re-thinking a plan to force Polish banks to convert their Swiss franc-denominated mortgages into local currency helped boost a market that had been out of favor for some time.

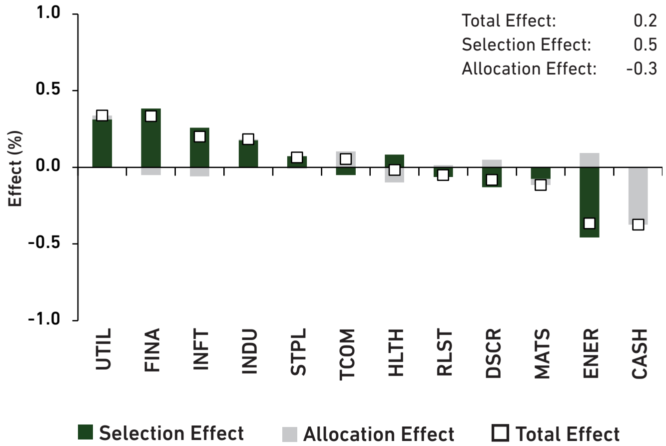
South Africa waited until the quarter's final innings to deliver its curve-ball. President Jacob Zuma administered a surprise re-shuffle of his government overnight on March 30, notably firing Pravin Gordhan, the Finance Minister who had been the country's beacon of orthodox economic policy (and a critic of Zuma). Standard & Poor's wasted no time downgrading South African credit to junk status. The reaction of the rand was relatively muted, perhaps partly because the market had already priced in this scenario. Political risk in South Africa will remain high as power players vie for advantage in advance of the governing African National Congress leadership election in December, the victor of which will likely be the next president.

PERFORMANCE AND ATTRIBUTION

The Emerging Markets composite returned 11.7% this quarter, modestly ahead of the Index. Strong stocks in Financials, Utilities, and IT overcame weak selection effects in Energy and a drag from our (2–3%) cash weight. The following charts illustrate the sources of relative return by sector and region, respectively.

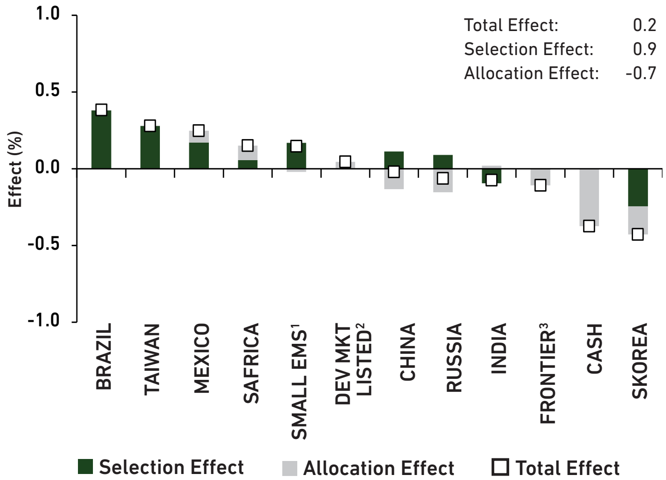
SECTOR PERFORMANCE ATTRIBUTION FIRST QUARTER 2017

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION FIRST QUARTER 2017

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



[1]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index; [2]Emerging markets or frontier markets companies listed in developed markets; [3]Includes countries with less-developed markets outside the Index. Source: FactSet; Harding Loevner 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 page 1 of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS presentation.

Our Latin American bank stocks were significant contributors to relative returns, with Brazilian financials (**Itau Unibanco**, **Banco Bradesco**) rallying after the SELIC rate (the benchmark overnight interest rate) was cut for the fourth time in six months, and the prospect of further cuts improved expectations for the economy. **GF Banorte** benefited from a positive reversal in the peso and in sentiment toward Mexico.

The portfolio's only Utilities holding, Chinese natural-gas distributor **ENN Energy**, provided guidance of continued double-digit volume growth through 2017 aided in part by new energy development projects. In IT, major contributions came from **Largan Precision**—demand for its high-spec lenses continued to flourish as high-end smart phone makers accelerated their roll-out of dual-camera features—and **MercadoLibre**, a Latin American e-commerce leader, whose initiatives to improve the client experience helped spur sales. Shares of **Samsung Electronics** followed a very strong 2016 with a further significant gain this quarter, despite the very public arrest in February of Samsung's vice chairman, Lee Jae-yong, on corruption charges. (We discuss this development in the next section below.)

Portfolio returns in the Energy sector were weak relative to the Index as a decline in crude oil prices pressured the share prices of large E&P holdings **Lukoil** and **CNOOC** and oil-services company **Tenaris**. By contrast, the oil-refining and coal industries, which feature in the Index but not in our portfolio, enjoyed strong returns due to favorable supply-and-demand dynamics.

From a regional perspective, our underweight in North Asia was a headwind, but relative performance benefited from our stock selection in Brazil, Taiwan, and Mexico. Facing a crescendo of negative opinions about Mexico's prospects in late 2016, we chose to maintain our overweight exposure, a stance that was rewarded with solid dollar returns from all of our Mexican holdings, especially media giant **Televisa**, which reported a strong turnaround in advertising sales in its fourth-quarter results. The company has much to gain from a stronger peso, given that a significant portion of its content costs (and much of its cable TV business's capital expenditures) are in dollars.

INVESTMENT PERSPECTIVES

When assessing the value of a stock, our analysts must address the question, "What is the market discounting with respect to growth rate and duration?" This question is particularly salient now given the prices reached by EMs since they began their ascent in January of last year. While our focus is always on developing an understanding of prices at an individual security level, we wanted to offer thoughts on how EMs broadly are pricing growth and risk given their recent sharp positive moves.

Discounting Better…Growth

Investors' preference for companies offering strong growth prospects has been a persistent feature of EM stock returns during the past five years, a period when earnings growth has been scarce. The fourth quarter's lurch in favor of value stocks was short-lived; in the first quarter growth stocks were once again favored—somewhat surprisingly given the global economy appeared to have found firmer footing, whether one monitored US jobs data or the eurozone's purchasing manager indexes. Rising growth expectations are typically accompanied by higher interest rates, which, by raising the *risk-free* base of the rate at which investors discount future cash flows and dividends, suppress the valuations of stocks, particularly those of long-duration growth stocks, whose bounties are furthest into the future. The discount rate applied in an assessment of security value is also typically subject to an adjustment for risk, however. In EMs, we propose that investor perceptions of risk are moderating. Yes, this is in part a reflection of external forces such as an up-tick in global demand, more dovish comments from the Federal Reserve, and some moderation in the US dollar's strength. But we would point to internal developments within individual countries, including the major EM economies China, India, Brazil, and Russia, as more important factors sending a swell of confidence onto EM shores.

We would point to internal developments within individual countries, including the major markets China, India, Brazil, and Russia, as important factors sending a swell of confidence onto EM shores.

Chinese policymakers are seemingly navigating their economic sea lane effectively, utilizing the tools at their disposal to sustain growth, with only modestly reduced expectations, and to slow the pace of capital outflows through greater scrutiny and enforcement of cross-border controls. As discussed last quarter, the extent of overall indebtedness in China remains concerningly high, but incremental steps are being taken to mitigate the risks of a near-term crisis as well as to improve the framework for capital allocation. India's economy appears to have suffered little damage from last November's demonetization, however shocking. The country is heading toward the start of a universal goods and services tax that will bring its own set of challenges, but public support for reform remains strong. Brazil and Russia have also both made decent strides in steadying their economies and strengthening their foundations for more balanced growth. These countries offer some basis for rising optimism with regard to growth; they also demonstrate how growth can help reduce structural economic risks by providing the resources and political space to permit authorities to enact consequential reforms. The combination of a longer growth horizon and lower risk justifies a significant positive revaluation in growth stocks of the magnitude we have seen.

Two portfolio holdings whose share prices have benefited from rising confidence in the EM growth outlook are Taiwan's **AirTAC** and India's **Ambuja Cements**. AirTAC is a manufacturer of pneumatic motion equipment, a core component of automated industrial processes that are in growing demand in Asia due to rising labor costs. Approximately 90% of AirTAC's sales are to China, where it has close to 20% market share. The company's growth rate slowed sharply through 2014–15, as rising economic uncertainties in China led businesses to moderate new capital investments. In recent quarters, however, AirTAC's revenue growth has re-accelerated with a rebound in confidence and investment appetite in China. Revenues rose 38% in yuan during the first quarter of 2017. AirTAC has also been working to enhance its offerings; it has a healthy capital expenditure plan for the next 24 months to support the production of new, higher-end products and to spur further sales growth of core lines by targeting shorter lead times in fulfilling customer orders. In India, Ambuja Cements has benefited from lower oil prices and lower interest rates that are helping to strengthen demand for construction and thus for its cement. The Modi administration's recent initiatives to support the construction of mass housing projects are also stoking cement demand.

Identifying Business-Specific Growth

Although we appear to be moving into a period of faster economic growth in EMs, not every company is prepared to translate this growth into returns for shareholders. That is why we are more focused on specific industry growth dynamics and prefer businesses that are less reliant on broad macro forces. One such business is ENN Energy, the Chinese distributor of natural gas. ENN is a rare investment for us in Utilities, a highly regulated sector where political factors often skew the economics away from shareholders and toward consumers. However, thanks to an unusually favorable regulatory regime in China, ENN enjoys strong revenue growth, robust margins and cash flows, and solid returns on capital. The promotion of natural gas as a replacement for coal is central to China's strategy for combatting the country's infamous pollution problem. The government is urging the development of small-scale *distributed energy resources* (DERs), fueled by natural gas, to supply heating, cooling, and steam generation for facilities such as industrial parks, universities, data centers, and hospitals. ENN, which already supplies gas to such customers and has numerous new DER projects on the drawing board, can meet additional demand with only modest increases to its capital expenditures.

The promotion of natural gas as a replacement for coal is central to China's strategy for combatting the country's infamous pollution problem.

Insofar as the company's growth driver is structural—the long-term shift from coal to natural gas—it is a good example of a company whose growth has only modest dependence on the business cycle.

Discounting Better…Governance

EMs remind us time and again that predicting a market's reaction to a political or other exogenous shock is a pursuit for speculators and ultimately fruitless; it is not a game for us. South Korea certainly provided some big surprises through the turn of the year in the form of the impeachment of its president and the conspicuous arrest of Lee Jae-yong, the vice chairman and de facto head of Samsung. But perhaps the biggest surprise was that, in the wake of these events—as well as the country's confrontation with China over the installation of US THAAD anti-ballistic missiles—South Korea's currency strengthened by 8% against the dollar, and its stock market, including Samsung's shares, rallied. In fact, Samsung's outperformance forced us to cut our position to comply with our risk-control rule limiting each single stock position to no more than 6% of the portfolio.

Clearly, the market is choosing to look beyond these alarming events to consider instead the potential for progressive change in the way that South Korea is governed and how (and for whose benefit) its companies are managed. Impeaching a president is itself not a minor undertaking, but having the gumption and capacity to arrest and jail the head of South Korea's Number One chaebol for bribery is even more demonstrative of powerful change. Samsung had already set a course toward more shareholder-friendly governance. The arrest of Mr. Lee sounded a clarion call to corporate Korea broadly that business conducted "the old way" is *no longer acceptable*.

Having the gumption and capacity to arrest and jail the head of South Korea's Number One chaebol for bribery is demonstrative of powerful change.

You may well ask what this disgraceful episode at Samsung reveals about our efficacy in assessing corporate governance. Our approach is focused on identifying signs of the aspects of poor corporate governance that typically destroy shareholder value. When we see a potential problem, we evaluate, based on the facts and circumstances, the risks of material value destruction. In so doing we must keep in mind that EMs are, for the most part, making positive developments at the economic, political, and corporate levels. It is on the path of such change and improvement that good money has been and can still be made in the asset class. Detection of a mere blemish on an otherwise attractive management team—as opposed to a bunch of pirates—does not, therefore, automatically disqualify a company from our consideration for investment.

During the many years we have owned Samsung's electronics subsidiary, our analysts, portfolio managers, and senior management have often debated (sometimes heatedly) the company's governance issues. While Samsung's management has taken some distasteful steps, the accumulated evidence on balance has suggested to us that the company has been moving, if unsteadily, toward better governance over time, increasing value for its controlling and minority shareholders alike. The favorable direction of its path has kept us in our investment.

Habitual offenders of corporate governance often have many business lines that are uneconomic and in constant need of cash. That is not the case here. Within the conglomerate, cash generative Samsung Electronics is the core engine of wealth creation for the Lee family. After spending US$13 billion on research and development in 2016 alone, Samsung's cash flow from operations was still US$45 billion, with half of that going into capital expenditures on the core businesses, and another US$10 billion into a higher dividend payout ratio and, more recently, share buybacks. The remaining free cash flow of over US$10 billion contributed to Samsung's cash pile of US$70 billion at year-end. These figures have grown over the past decade, along with Samsung's market capitalization.

PORTFOLIO HIGHLIGHTS

Portfolio activity was relatively modest during the first quarter and was dominated by additions and trims made in response to price changes. We were particularly cognizant of significant positive moves that occurred since the lows of early 2016 for shares of Russia's **Sberbank**, Macau casino **Sands China**, and **Bank of Georgia**. These names were strong contributors during 2016 and have been sizeable weights in the portfolio. There have been no alarming changes to our fundamental view of their businesses, but share prices certainly discounted less pain today than a year ago and we chose to prudently reduce them and re-invest capital into other holdings.

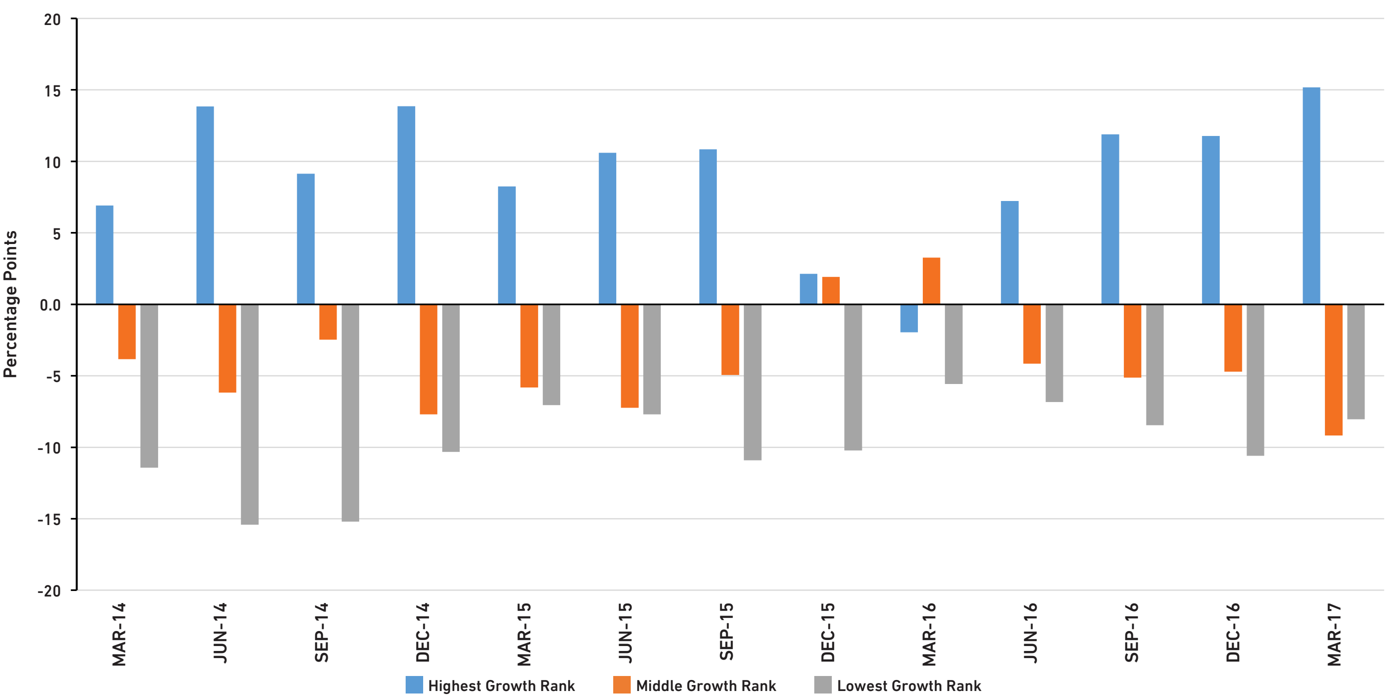
We increased our positions in two recent IT additions, South Korea's **Naver** and China's **Weibo**, where we continue to see strong, organic, and durable growth trends. Naver's core online-advertising business in Korea is benefiting from the switch to mobile advertising while also gaining traction in e-commerce. Weibo's open-access social media platform continues to grow its customer base and increase user engagement—a result of the company's efforts to refine the platform to better fit content with a user's profile. Video content is still in the rapid-growth phase, becoming the medium of choice for key advertising accounts.

The one new position this quarter is our re-purchase of **Sun Pharmaceutical Industries**, the Indian generic drug manufacturer with a major presence in EMs and a significant US business. While EM IT sector stocks have been booming of late, the EM pharmaceutical industry is no longer the market darling it was three or four years ago, as reflected in lower valuations. Investor sentiment has especially waned for generic-drug companies with significant exposure to the US market. We were included in that sentiment shift when we sold Sun Pharma in late 2015. At the time of our sale, a more-aggressive FDA was raising the bar on production-facility quality standards and consolidation among US drug wholesalers was contributing to headwinds for US generic-drug pricing. Sun Pharma's stock price, however, was still pricing in continued strong growth and robust margins. Fast forward to this quarter, we felt many of the challenges Sun Pharma faced had become reflected in its financial results and the share price, while management had been successfully making adjustments to address key challenges. Although the growth path remains less than crystal clear, we felt the current, lower share price offered a good opportunity to re-invest in a company with a strong position in India owing to its leadership in the manufacture of complex, high-quality drugs.

The portfolio's sector exposures changed only marginally this quarter, with a modest net increase to Health Care and slight reduction to Financials. Taking a 12-month view, however, the portfolio's orientation toward the highest-growth businesses has risen markedly according to Harding Loevner's own objective rankings of company growth. The chart below shows portfolio weights relative to the Index since 2014 in the three terciles of growth, based on our ranking methodology.

Our insistence on high quality and durable growth when selecting investments is unwavering and will typically be apparent by comparing portfolio characteristics versus the Index. However, at times the portfolio's aggregate measures of growth—particularly shorter-term metrics—will fluctuate relative to the benchmark due to cyclical effects on individual companies' growth

RETURN OF GROWTH OPPORTUNITIES IN EM: HL EM STRATEGY ACTIVE WEIGHTS IN GROWTH RANKS VS MSCI EM INDEX



Source: Harding Loevner, HOLT database. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected moves in earnings and profitability.

dynamics or broader shifts in the valuations afforded to the fastest-growing stocks. The temporary dip in the portfolio's growth tilt in late 2015–early 2016 resulted from a weakening growth dynamic for some of our portfolio holdings but also from our active decisions to increase the portfolio's weight in relatively beaten-down banks and Energy names where we thought a slowdown in profit growth was temporary and the long-term growth potential remained robust.

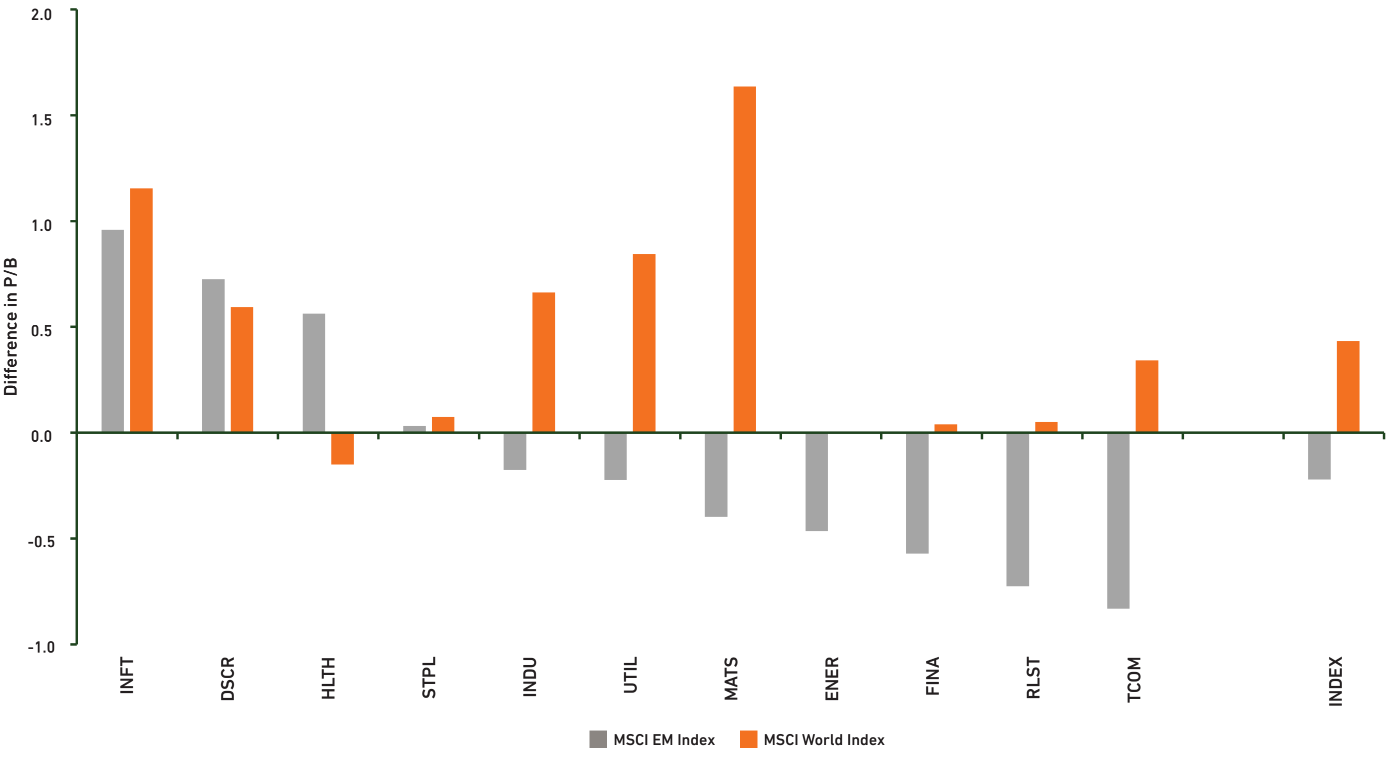
The subsequent restoration in our overweight exposure to stocks in the highest growth rank has also resulted from internal improvements in the growth dynamics of key holdings and some additions of strongly growing businesses. For instance, Samsung, having made a strong recovery in profitability, has returned to the high-growth bucket. So has **Arcelik**, the Turkish white-goods manufacturer, and **FEMSA**, a Latin American Coca-Cola bottler and convenience retailer. As market commentators focused on the revival in value stocks during 2016, we were more focused on attractive opportunities to initiate positions in higher-growth businesses. These recent acquisitions included MercadoLibre and Naver in IT and South Korean furnishings company **Hanssem** in Consumer Discretionary.

OUTVIEW

We conclude with an updated version of a chart we included in our last quarterly report, showing the valuation of EM and developed-market (DM) stocks—overall and by sector—relative to their respective long-term price-to-book (P/B) ratios.

After strong recent price rises, the EM Index valuation remains modestly below its 10-year P/B ratio and continues to be lower than that of DMs. However, the expectations embedded in EM valuations differ significantly by sector. They also differ at the security level. Our focus continues to be on determining where expectations for individual companies do not reflect the long-term potential of their businesses.

EM AND DM SECTOR VALUATIONS: DIFFERENCE BETWEEN CURRENT AND 10-YEAR P/B



Source: FactSet. The "10-year P/B" is determined by calculating the average of the weighted-median P/B for each sector and for the aggregate Index for the last 40 quarters (i.e., 10 years). Each bar represents the weighted-median P/B as of March 31, 2017 minus the 10-year P/B.

EMERGING MARKETS HOLDINGS (AS OF MARCH 31, 2017)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
ARCELIK White goods producer	Turkey	0.5
ASTRA INTERNATIONAL Conglomerate, auto mfg. & distrib	Indonesia	1.3
CTRIP.COM Travel agent	China	1.5
ECLAT TEXTILE Technology-based textile company	Taiwan	0.4
HANKOOK TIRE Tire manufacturer	South Korea	1.5
HANSSEM Kitchen and interior furniture retailer	South Korea	0.6
JD.COM eCommerce company	China	1.3
MARUTI SUZUKI Automobile manufacturer	India	1.6
NASPERS Media, internet, pay TV company	South Africa	0.8
SANDS CHINA Integrated resorts and casinos operator	Hong Kong	1.4
SHENZHOU INTERNATIONAL Textile manufacturer	China	1.2
TELEVISA Media, broadcasting, and entertainment	Mexico	1.6
CONSUMER STAPLES		
AMBEV Brazil's dominant brewer	Brazil	1.1
AMOREPACIFIC Cosmetics company	South Korea	0.6
COCA-COLA HBC 28-Country Coke bottler	UK	1.1
DABUR INDIA Personal care and household products	India	0.7
EAST AFRICAN BREWERIES Beverage manufacturer	Kenya	0.3
FEMSA Beer and soft drinks producer	Mexico	0.6
LG HOUSEHOLD & HEALTH CARE Personal care & cosmetics	South Korea	1.2
MASSMART HOLDING Food and general retailer	South Africa	0.4
MHP Integrated poultry producer	Ukraine	0.4
PÃO DE AÇÚCAR Brazilian foods retailer	Brazil	0.8
UNIVERSAL ROBINA Branded consumer foods	Philippines	0.5
ENERGY		
CNOOC Oil and gas producer	China	1.8
LUKOIL Integrated oil and gas company	Russia	2.2
NOSTRUM OIL & GAS Kazakhstani oil and gas company	UK	0.6
TENARIS Steel pipe manufacturer	Italy	1.4
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	2.5
AXIS BANK Commercial bank	India	1.8
BANCO BRADESCO Commercial bank	Brazil	1.5
BANCO SANTANDER CHILE Commercial bank	Chile	1.1
BANCOLOMBIA Commercial bank	Colombia	1.0
BANK OF GEORGIA Commercial bank	UK	1.0
BANK PEKAO Commercial bank	Poland	1.3
BANK RAKYAT Commercial bank	Indonesia	1.6
BM&F BOVESPA Clearing house and stock exchange	Brazil	0.9
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.6
CREDICORP Commercial bank	Peru	1.1
DISCOVERY HOLDINGS Health and life insurance	South Africa	1.0
GARANTI BANK Commercial bank	Turkey	0.7
GF BANORTE Commercial bank	Mexico	1.8
HDFC CORP. Financial conglomerate	India	1.6
HONG KONG EXCHANGES Clearing house & exchange	Hong Kong	0.7
ITAU UNIBANCO Commercial bank	Brazil	1.8
KOMERČNÍ BANKA Commercial bank	Czech Rep.	1.2
QATAR NATIONAL BANK Retail and corporate bank	Qatar	0.8
SBERBANK Commercial bank	Russia	2.5
SIAM COMMERCIAL BANK Commercial bank	Thailand	1.7
STANDARD BANK Commercial bank	South Africa	0.7
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer & distributor	South Africa	1.4
GEDEON RICHTER Branded-generic pharmaceuticals	Hungary	1.4
SINO BIOPHARMACEUTICAL Drug developer & mfg.	China	0.8
SUN PHARMACEUTICAL Generic pharma mfg.	India	0.8
INDUSTRIALS		
51JOB INC. Online job ads	China	1.3
AIRTAC Pneumatic component manufacturer	Taiwan	0.6
ASUR Airport operator	Mexico	1.4
CHINA MERCHANTS Container terminal operator	China	1.1
DP WORLD Container terminal operator	UAE	0.8
JIANGSU EXPRESSWAY Toll road operator	China	0.6
WEG Manufacturers and distributes industrial machinery	Brazil	0.4
INFORMATION TECHNOLOGY		
ADVANTECH Manufacturer & marketer of industrial PCs	Taiwan	1.2
ASM PACIFIC TECHNOLOGY Semiconductor equipment	Hong Kong	1.2
BAIDU Internet search provider	China	0.8
CIELO Credit and debit card processor	Brazil	0.8
HON HAI PRECISION Electronics mfg. services provider	Taiwan	0.7
LARGAN PRECISION Lens module of smartphone camera	Taiwan	2.0
MERCADOLIBRE Online trading site	US	0.9
NAVER Internet search and portal provider	South Korea	1.7
SAMSUNG ELECTRONICS Electronic devices & components	South Korea	5.5
TAIWAN SEMICONDUCTOR Semiconductor chip foundry	Taiwan	4.5
TENCENT Internet, mobile, and telecom provider	China	3.2
WEIBO Social media platform	China	1.0
MATERIALS		
AMBUJA CEMENTS Cement manufacturer	India	0.7
SASOL Refined product and chemicals group	South Africa	1.0
REAL ESTATE		
EMAAR PROPERTIES Real estate developer	UAE	1.2
TELECOM SERVICES		
BHARTI AIRTEL Integrated telecom services	India	0.6
BHARTI INFRATEL Telecom tower infrastructure provider	India	0.7
CHINA MOBILE Mobile telecom company	China	1.2
SAFARICOM Mobile network operator	Kenya	0.4
UTILITIES		
ENN ENERGY Natural gas distributor	China	1.7
CASH		2.1

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.

1Q17 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
SAMSUNG ELECTRONICS	INFT	5.3	1.16
LARGAN PRECISION	INFT	1.9	0.58
TENCENT	INFT	3.1	0.52
TAIWAN SEMICONDUCTOR	INFT	4.1	0.44
ENN ENERGY	UTIL	1.4	0.44

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	WEIGHT	CONTRIBUTION
SAMSUNG ELECTRONICS	INFT	5.0	2.70
SBERBANK	FINA	2.9	1.75
LARGAN PRECISION	INFT	1.9	1.54
TENCENT	INFT	3.5	1.13
TAIWAN SEMICONDUCTOR	INFT	4.0	1.08

1Q17 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
LUKOIL	ENER	2.5	-0.14
TENARIS	ENER	1.3	-0.07
CNOOC	ENER	2.0	-0.07
AMOREPACIFIC	STPL	0.6	-0.05
SAFARICOM	TCOM	0.4	-0.03

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	WEIGHT	CONTRIBUTION
BANK PEKAO	FINA	1.3	-0.39
UNIVERSAL ROBINA	STPL	0.7	-0.25
BAIDU	INFT	1.1	-0.23
MAGNIT	STPL	0.2	-0.21
GARANTI BANK	FINA	0.5	-0.19

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	16.2	13.0
RETURN ON ASSETS[1] (%)	6.5	6.4
RETURN ON EQUITY[1] (%)	15.7	13.9
DEBT/EQUITY RATIO[1] (%)	42.3	54.1
STD DEV OF 5 YEAR ROE[1] (%)	3.1	3.5
SALES GROWTH[1,2] (%)	6.6	4.5
EARNINGS GROWTH[1,2] (%)	11.2	9.1
CASH FLOW GROWTH[1,2] (%)	14.5	12.4
DIVIDEND GROWTH[1,2] (%)	5.6	4.6
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	20.3	20.2
WTD AVG MKT CAP (US $B)	53.6	64.7
TURNOVER[3] (ANNUAL %)	21.8	–

RISK & VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	3.77	–
BETA[2]	0.92	1.00
R-SQUARED[2]	0.95	1.00
ACTIVE SHARE[3] (%)	74	–
STANDARD DEVIATION[2] (%)	14.38	15.20
SHARPE RATIO[2]	0.33	0.07
TRACKING ERROR (%)[2]	3.5	–
INFORMATION RATIO[2]	1.07	–
UP/DOWN CAPTURE[2]	101/86	–
PRICE/EARNINGS[4]	17.2	14.0
PRICE/CASH FLOW[4]	12.4	9.0
PRICE/BOOK[4]	2.3	1.6
DIVIDEND YIELD[5] (%)	2.0	2.4

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Weighted harmonic mean; [5]Weighted mean. Source (Risk characteristics): eVestment Alliance (eA); Harding Loevner Emerging Markets Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: April 5, 2017); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
SUN PHARMACEUTICAL	INDIA	HLTH

POSITIONS SOLD	COUNTRY	SECTOR
NO COMPLETED SALES		

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.

EMERGING MARKETS COMPOSITE PERFORMANCE (AS OF MARCH 31, 2017)

	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 (%)
2017 YTD[4]	11.72	11.49	11.49	14.50	15.88	N.A.[5]	23	15,605	36.53
2016	14.84	13.85	11.60	15.00	16.07	0.4	22	13,629	34.95
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

[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 2017 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.

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, 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 Emerging Markets Composite has been examined for the periods December 1, 1998 through December 31, 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 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; 0.75% of amounts from $100 million to $200 million; 0.55% of amounts above $200 million. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The Emerging Markets Composite was created on November 30, 1998.

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