EMERGING MARKETS EQUITY

2017 Second Quarter Report

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

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDING JUNE 30, 2017[1]

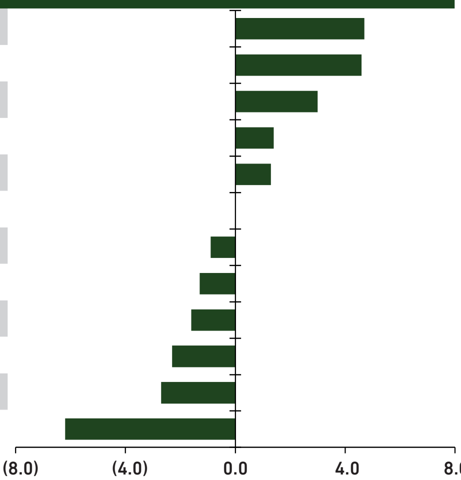
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EMERGING MARKETS (GROSS OF FEES)	7.23	19.80	24.29	3.64	7.85	4.74	13.42
HL EMERGING MARKETS (NET OF FEES)	7.00	19.29	23.22	2.76	6.91	3.80	12.51
MSCI EMERGING MARKETS INDEX[4,5]	6.38	18.60	24.17	1.44	4.32	2.24	9.48

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

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

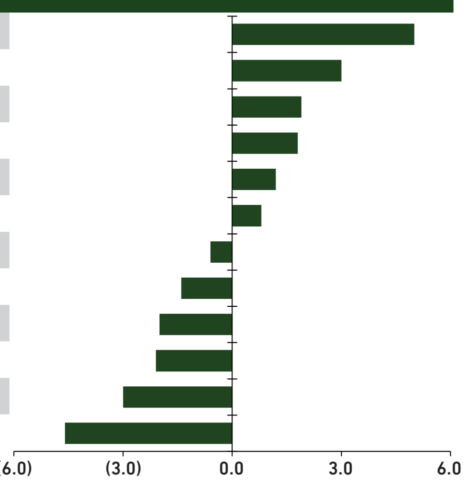
SECTOR EXPOSURE (%)

	HL EM	MSCI EM
CONS DISCRETIONARY	15.3	10.6
FINANCIALS	28.2	23.6
CASH	3.0	-
HEALTH CARE	3.8	2.4
INDUSTRIALS	7.0	5.7
CONS STAPLES	6.8	6.8
UTILITIES	1.7	2.6
ENERGY	5.2	6.5
REAL ESTATE	1.1	2.7
TELECOM SERVICES	3.1	5.4
INFO TECHNOLOGY	23.9	26.6
MATERIALS	0.9	7.1



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
DEVELOPED MARKET LISTED[6]	5.0	-
CASH	3.0	-
SMALL EMERGING MARKETS[7]	17.1	15.2
MEXICO	5.5	3.7
FRONTIER MARKETS[8]	1.2	-
RUSSIA	4.0	3.2
BRAZIL	6.0	6.6
SOUTH AFRICA	5.1	6.5
TAIWAN	10.5	12.5
INDIA	6.7	8.8
CHINA + HONG KONG[9]	24.9	27.9
SOUTH KOREA	11.0	15.6



[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 19.2% and Hong Kong is 5.7%. 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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Investors showed a strong preference for growth stocks across all regions and sectors.

EMs returns were dominated by the strong performance of the Information Technology (IT) sector.

Positive economic signals in China buoyed markets in East Asia, while a spike in political risk hurt returns in Brazil, Middle East, and Russia.

PORTFOLIO HIGHLIGHTS

Portfolio activity was relatively high this quarter as we responded to prices and changes in business fundamentals to maintain a portfolio of high-quality, durable-growth companies.

Our holdings include leading internet-based enterprises and world leaders in advanced IT hardware manufacturing.

The increased accessibility of China A-shares to foreign investors expands our opportunity set. This quarter we purchased the strategy's first A-share holding.

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MARKET REVIEW

Emerging markets' positive trajectory since the start of the year continued through the second quarter, propelled by a supportive combination of robust global economic growth, declining inflation expectations, and roaring business results in the Information Technology (IT) sector. Investors were also heartened by China's strong economic growth in the first quarter, as well as by the stabilization of its currency and moderation of capital outflows compared to the end of 2016. The MSCI Emerging Markets (EM) Index rose 6.4% this period. A further interest rate hike in the US and political crises in Brazil and the Middle East did little to slow EMs' upward trend.

Investors were again ravenous for growth stocks, with the MSCI EM Growth Index outperforming the Value Index by the largest margin since 2001. While the broad Index's strong first-quarter returns were characterized by a wide breadth of contribution (7 of 11 sectors posted double-digit gains), 60% of the second quarter's return came from just IT and over half of it came from just five stocks: **Tencent**, Alibaba, **Samsung Electronics**, **Taiwan Semiconductor**, and **Hon Hai Precision**. The dynamic behind EM IT stocks' impressive performance (+16%) and the sources of their earnings power will be discussed in more detail later in this report.

The Consumer Discretionary sector, which includes businesses exposed to high-growth IT-related themes such as e-commerce and social media, also had strong returns. Real Estate outperformed, led by shares of Chinese property-development companies. Government policies to restrict the supply of land for development have supported real estate prices, helping developers attract capital to bolster their balance sheets. Oil prices lurched lower, pressured by rising production in the US, where technology has boosted rig productivity and inventory levels remain stubbornly high. Falling in sympathy with the oil price, Energy was the worst-performing sector for the second quarter in a row. Materials stocks, along with those in other slow-growth sectors such as Utilities and Telecom Services, also lagged.

As in the first quarter, Asia was the strongest region, with the IT-heavy Chinese (+11%), South Korean (+10%), and Taiwanese (+9%) markets leading the way. South Korea elected a new president, Moon Jae-in, who seeks progressive economic reforms and aims to reduce tensions with China. Moon has also adopted a less-hostile stance toward North Korea compared to his impeached predecessor. India's market (+3%) lagged due to weakness in IT (a stark contrast to the sector's performance elsewhere in the region) and Health Care. Companies in the latter sector faced headwinds for their US sales due to pricing and regulatory pressures.

Europe presented a stark dichotomy between Russia (-10%) and Europe ex-Russia (+14%). Russia was beaten down by fears that its economic revival would be undermined by a toxic mix of weaker oil prices and new sanctions under consideration by the US Congress in retaliation for meddling in the 2016 US presidential election. Compounding the local market decline, the ruble fell by over 4% versus the US dollar. Meanwhile, robust economic performance and moderating political risk across Europe strongly supported stock markets in Hungary (+19%), Turkey (+20%), and Poland (+14%). Emmanuel Macron's victory in the French presidential election provided a welcome measure of optimism about the future cohesion of the European Union. The Hungarian forint, Polish zloty, and Czech koruna advanced versus the dollar on the coattails of euro strength. Stocks in Greece (+34%) were boosted by approval from fellow eurozone members of its revised economic reform plan that should allow the disbursement of much-needed bailout funds.

Much of Latin America and the Middle East faced headwinds from lower prices for metals and oil, respectively, and, most critically, from the burden of rising political risks. In Brazil, audio tapes presented as evidence in the corruption trial of the owners of JBS, a major Brazilian food conglomerate, implicat-

MARKET PERFORMANCE (USD%)

REGION/COUNTRY	2Q 2017	TRAILING 12 MONTHS
LATIN AMERICA	-1.6	15.4
BRAZIL	-6.6	17.4
MEXICO	7.3	12.3
ASIA	8.7	28.3
CHINA	10.7	32.3
INDIA	2.9	17.5
SOUTH KOREA	10.3	35.5
TAIWAN	9.0	33.9
AFRICA	3.6	10.4
SOUTH AFRICA	3.6	10.7
EUROPE	2.7	19.4
RUSSIA	-9.8	11.2
MSCI EM INDEX	6.4	24.2

SECTOR PERFORMANCE (USD%)
OF THE MSCI EM INDEX

SECTOR	2Q 2017	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	8.5	21.7
CONSUMER STAPLES	5.2	2.6
ENERGY	-4.7	16.5
FINANCIALS	4.1	25.5
HEALTH CARE	4.4	1.8
INDUSTRIALS	3.9	16.2
INFORMATION TECHNOLOGY	15.6	47.4
MATERIALS	-0.3	28.5
REAL ESTATE	11.5	17.3
TELECOM SERVICES	2.1	5.8
UTILITIES	-1.5	2.1

Source: FactSet (as of June 30, 2017); MSCI Inc. and S&P.

ed President Michel Temer in helping direct the payment of bribes for political favors, leading to public uproar and further diluting support for his administration in Congress. Although Temer remains resolutely determined to push through his economic reform program while he clings to the presidency, the critical pension reform has yet to pass and will likely suffer further delay as Temer's political capital is depleted by this scandal. By contrast, Mexico's stock market and currency were both strong, buoyed in part by US President Donald Trump's announcement that his administration now intended to "renegotiate" NAFTA rather than scrap it.

In June, international political conflict erupted among the oil-rich Gulf nations when Saudi Arabia, the UAE, Bahrain, and Egypt severed relations with Qatar, alleging that it has been providing financial support to terrorist groups. Qatar's foreign policy, which has long prioritized its own objectives rather than conforming to the regional norm of following Saudi Arabia's lead, has long riled its larger neighbor. Qatar's friendly relations with Iran, in particular, have become a bone of contention. While an agreement facilitated by "neutral" Kuwait may yet be reached, Qatar has thus far rejected the "non-negotiable" demands set to it.

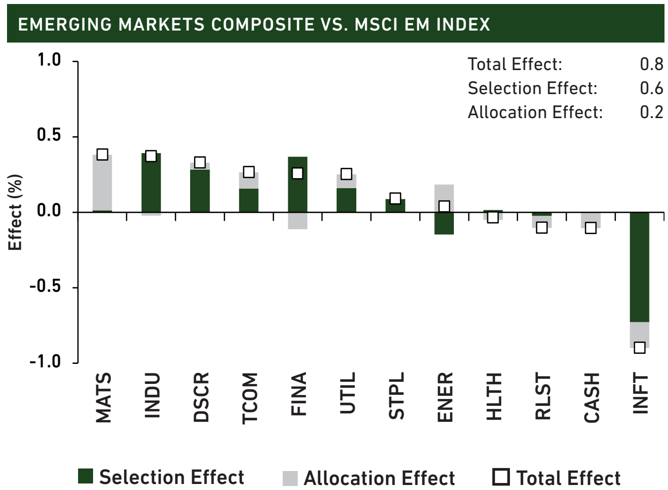
PERFORMANCE AND ATTRIBUTION

The Emerging Markets composite returned 7.2% this quarter, ahead of the Index's return of 6.4%, benefiting from the portfolio's disposition toward high-growth stocks. Strong stock selection in Industrials, Financials, and Consumer Discretionary and the positive effect from our underweight to Materials offset the negative effects of our poor stock selection in, and underweight to, the surging IT sector. While our IT stocks were a drag, stocks of internet-related companies classified in other sectors were key positive contributors to performance. The charts on this page illustrate the sources of relative return by sector and region, respectively.

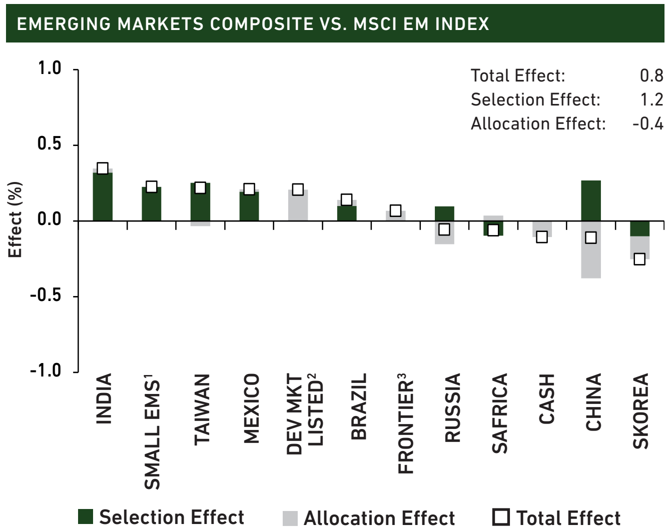
In Industrials, strong first-quarter results for **51job Inc.**, a Chinese internet job-search engine, indicated that year-over-year growth in its core business of online recruiting is tracking at nearly 20%, the fastest pace since 2014. Shares of **ASUR**, the airport operator in Mexico and a portfolio holding since 2009, continued to rally as passenger volumes through its flagship Cancun airport increased due to the weak peso leading more Mexicans to vacation domestically. ASUR is also expanding outside of Mexico, having invested in airports in Puerto Rico and Colombia. If the company can apply the operating acumen it has demonstrated in Cancun at these other airports, we think it can achieve significant additional growth.

Our returns in Consumer Discretionary were boosted by our holdings in fast-growing **Maruti Suzuki**, an Indian auto manufacturer, and **JD.com**, China's second-largest e-commerce player. JD.com reported over 40% growth year-over-year in the total value of transactions to US$27 billion while also expanding its gross profit margin.

SECTOR PERFORMANCE ATTRIBUTION
SECOND QUARTER 2017



GEOGRAPHIC PERFORMANCE ATTRIBUTION
SECOND QUARTER 2017



[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.

In Financials, the portfolio benefited from a diverse set of stocks, including **AIA Group** of Hong Kong, **GF Banorte** of Mexico, and **Bank Rakyat** in Indonesia. AIA rebounded after recent strong results indicated that China's clampdown on capital outflows, including limiting the ability of its citizens to make payments to Hong Kong-based insurers, was not stifling the company's growth. Our returns in the sector were dampened by **Qatar National Bank**, which fell sharply as investors fretted over the implications of the political actions recently taken against Qatar, and **Sberbank**, whose sustained strong share-price performance was brought to an end by the new challenges surfacing for the Russian economy due to the decline in oil prices.

Despite registering a strong 12% absolute return in IT, the portfolio lagged the soaring sector index. Our lack of investment in Alibaba, the Chinese e-commerce giant, was a large detractor from relative returns. The company's shares rallied strongly after it reported that first-quarter results and guidance were ahead of already lofty expectations. Weak returns from **Advantech**, the Taiwanese industrial PC-maker, also hurt as growth in its US business, which generates about one-third of total revenues, slowed. Offsetting these negatives were positive contributions from a number of IT holdings that enjoy sources of growth similar to those that have benefited Alibaba. **MercadoLibre**, the e-commerce platform that is reshaping retailing behavior in Latin America, posted excellent revenue and profit growth in Brazil, its largest market. The company has been rewarded for its focus on enhancing the user experience with a rising number of new customers and higher frequency of purchases. Shares in **Weibo**, the leading open social media platform in China, rallied strongly following its first-quarter report, which highlighted continued growth in the number of monthly active users of its platform (rising 30% year-over-year to 340 million) as well as strong growth in advertising revenue.

From a regional perspective, allocation effects were negative given our underweight exposure to North Asia, but these were offset by positive stock selection in Asia (including Tencent and Maruti Suzuki) and Latin America (ASUR).

INVESTMENT PERSPECTIVES

EM Technology Roars Ahead

The stand-out performance by IT sector stocks together with those of internet-based businesses classified in other sectors was an astonishing feature of the quarter. The fact that EMs outperformed developed markets (albeit modestly) during a period of falling commodity prices and negative returns from both the Energy and Materials sectors is a testament to the new character of the EM universe. Contrary to the established view that EMs are engaged primarily in resource extraction and basic manufacturing, today the Index is dominated by IT and internet-related companies. The IT sector alone comprises almost 30% of the EM Index, more than double its weight just five years ago and larger than the Index's weight in Financials.

The outperformance of the EM IT sector is not a new phenomenon—the sector consistently outpaced the broad Index over the past five years, returning 17% per annum versus 4% for the Index and outperforming in every rolling 12-month period. The magnitude of these returns, distinct from other EM sectors, inspires us to provide some observations about the fundamentals of EM technology companies and the investment opportunities—and risks—we see among them.

While the total earnings base of the EM Index was essentially flat for the period 2012–2016, the companies in the IT sector generated superior financial results, which has underpinned their share-price appreciation. IT's sales growth has outpaced other sectors, while its return on capital has been high and increasingly stable. The EM universe of technology-based companies (both within and outside the IT sector) is populated by real, high-quality businesses that are far removed from the "dot-coms" that rose and then (mostly) fell through the tech boom-and-bust two decades ago without ever having shown much in terms of profit and cash generation. The strong fundamentals of today's EM technology companies are why, as investors focused on quality and growth, we continue to find new opportunities in this area.

The current universe of IT and internet-focused EM businesses includes traditional manufacturers that have moved beyond their origins as low-cost producers of commodity electronics goods. Among this group are portfolio holdings Samsung Electronics and Taiwan Semiconductor, which have reinvested their prodigious cash flows into research to develop their own cutting-edge technologies and transform themselves into world leaders in advanced hardware used in big data, automotive, mobile, and other huge and growing applications.

The universe also includes internet-based enterprises that have leveraged technology produced by others to leapfrog straight to the forefront of their industries. Long-time observers will recall that, coinciding with the tech bubble some 20 years ago, champions of EMs envisioned a future where developing economies, unencumbered by legacy infrastructure and systems, could accelerate their development through the effective adoption of new technologies. This view was in part inspired by the initial buildout of mobile telecom networks in the developing world.

Rolling forward to the present day, China's efforts to realize this vision have been a powerful catalyst for the rapid and sustained growth of the country's leading internet-based companies. The country's economic transformation has been facilitated by deep internet and smartphone penetration and the eagerness of the growing middle class to abandon the brick-and-mortar world and to spend their time—and money—online in the digital domain. The ability of Chinese businesses to create new services and experiences for the growing number of users of online and mobile platforms is a demonstration of EM companies' capacity for innovation and technological leadership. Among the great successes that have emerged from China's transformation is Tencent, a giant in online gaming and social media, whose sales growth of nearly 40% per annum for the past five years shows little sign of moderating. China has provided a similar platform for growth for other internet-based businesses held in the portfolio, spanning e-retailing (JD.com), social media (Weibo), travel (**Ctrip.com**), and recruiting (51job).

The leading internet-based companies in China have dominant market shares in their niche areas and thus benefit from scale and network-effect advantages. They also benefit from a colossal domestic market with few foreign competitors, which in some cases are effectively barred from operating in China's protected technology industries. All of this helps make these companies highly profitable and cash generative, allowing them to invest in improving the quality of their products and the customer experience, which, in turn, helps to sustain their growth and to deepen the moat that secures their competitive positions. Chinese internet-based companies' understanding of, and influence over, their customers is also strengthening through the increasing application of big data analytics. By gaining detailed insights into their customers, these companies can better formulate business strategies and assist corporate customers in promoting their brands and advertising their wares.

The most recent addition to our IT holdings is **NetEase**, a Chinese online gaming company that ranks second (behind Tencent) in game revenues. NetEase develops its own titles for both PC and mobile formats—big sellers include *Fantasy Westward Journey* and *Onmyoji*—and also licenses games from Activision Blizzard (a Nasdaq-listed US gaming company) such as *Overwatch*. While games represent almost three-quarters of its sales, NetEase also operates China's largest email service provider (with over 900 million registered users), two niche e-commerce websites, and various online news and dictionary services. These varied offerings help to engage an audience of users to whom the company can market its games and advertise third-party brands at very low cost. We thought the stock looked attractively priced relative to other technology stocks in our high-quality growth stable, given NetEase's 15-year track record of consistent growth and its pipeline of appealing new titles, including the Chinese version of *Minecraft* developed in partnership with Microsoft.

As we search for new tech opportunities, we are also prompted to take pause. Experience tells us to be wary when high investor confidence in an industry prevails and markets are pricing in a bright future of extended growth. The technology companies held in the portfolio have established advantages of scale and high barriers to entry that are undoubtedly difficult to surmount. Yet, because of their size, their growth must slow from current rates at some point to converge with the pace of broader economic development; that is, these platforms, as they grow, eventually *become* the economy. As their growth slows, competitive pressures for these companies will tend to rise. Furthermore, where companies' fates rely upon the sharp end of technological advancement, the threat to incumbents of disruption from the next new-new thing is ever present. We navigate these risks by focusing on a diverse group of businesses that we consider to have durable competitive advantages and long-term growth opportunities, while remaining careful about price when selecting holdings and determining their portfolio weights.

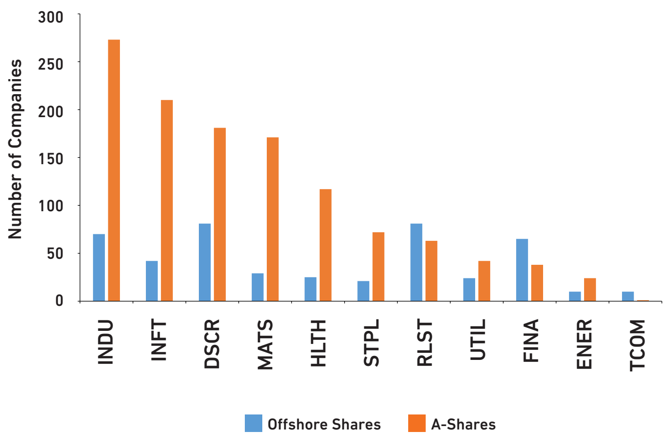
New Opportunities in the China A-share Market

In July 1997, when it regained sovereignty over Hong Kong from the UK, China's per-capita GDP of roughly US$780 was about 3% that of Hong Kong, and its two tiny stock markets in Shanghai and Shenzhen were less than seven years old. As China marks the twentieth anniversary of the handover, its per-capita GDP has grown ten-fold and the combined market capitalizations of its two stock markets is over US$7 trillion, making them, combined, the second-largest stock exchange in the world.

Until recently, foreign investors seeking to invest in the diversity of Chinese companies contributing to China's economic transformation had limited access to the large number of locally listed stocks known as A-shares. As if viewing a vast room through a keyhole, equity managers have had to restrict their investment choices essentially to Chinese companies with listings in Hong Kong (H-shares) and a handful traded as ADRs. The establishment of the mutual market access trading facility known as Shanghai-Hong Kong Connect in November 2014 and the follow-on Shenzhen-Hong Kong Connect in December 2016 has made approximately 1,200 Chinese companies investable only through A-shares readily available to foreign institutional investors.

By sheer numbers, the two "Connects" provide a significant expansion of the China investing opportunity set. The chart below compares by sector the number of Chinese companies above US$1 billion in market capitalization that are available for investment outside of China (i.e., via H-shares and ADRs) versus those listed domestically through A-shares. Moreover, A-shares populate numerous industries and sub-industries within each sector that are not well represented by companies with listings outside China.

CHINESE STOCKS (MARKET CAP > US$1 BILLION)



Source: Bloomberg; Data accessed July 11, 2017. Offshore Shares represent stocks of Chinese companies listed on the Hong Kong stock exchange or included in the MSCI China Index; A-Shares represent stocks that are only available via Shanghai Connect or Shenzhen Connect.

Of course, the new accessibility of A-shares also expands and shifts the EM investment universe broadly, which ultimately will be reflected in changes to the EM Index. Currently MSCI includes only H-shares and, more recently, ADRs in its EM Index, but it announced recently it will begin including A-shares in late 2018. This decision will have limited impact at first: China's weight will increase by less than one percentage point, to a little over 29% of the benchmark. However, if MSCI decided over time to "fully" include China A-shares, China's weight could eventually expand to nearly 41% of the EM Index.[1]

We have been preparing for the A-share opportunity for several years, including expanding our research resources dedicated to China. We now have two China specialists, Jingyi Li and Wenting Shen, and our global sector analysts are taking additional Chinese companies under coverage. Last year, we initiated the administrative and operational processes necessary to invest via both Shanghai Connect and Shenzhen Connect for suitable accounts. However, we will not be hasty in our purchasing of A-share investments for our EM portfolios. There are around 170 A-share companies with top-tier returns on capital.[2] It will take time to determine which of these businesses actually meet all of our standards. The conscientious application of our growth and quality criteria, especially the careful analysis of corporate governance, will be especially important as we scour the A-share universe.

For the strategy's first A-share investment, completed this quarter, we looked beyond the currently hot IT sector to an industry not well represented outside the A-share universe: household appliances. With over US$24 billion in annual revenues, **Midea Group** is a global leader in manufacturing a wide variety of home appliances, including air conditioners, refrigerators, washing machines, rice cookers, and coffee makers. The home-appliance industry may be prosaic in developed economies, but it enjoys healthy growth within China, reflecting the rising consumption of an expanding middle class. Domestically, the industry is surprisingly concentrated. Midea ranks Number One or Two in many product lines, and the favorable industry structure supports its solid margins.

Midea may not be a household name outside China, but its products can be found in households around the world. Nearly half of Midea's sales come from outside China. The company focuses relentlessly on operating efficiency, with heavy use of automation, and on product innovation—reflected in its high research and development (R&D) spending of US$900 million per year, which helps Midea to compete with more-familiar appliance brands, many of which have been deemphasizing R&D. In fact a number of global companies, including Electrolux, Samsung, and GE, sell Midea's products under their own brand names. Midea's management believes that, given the high quality and low cost of its products, the company could earn higher margins if it had a stronger brand name. With this goal, it has turned to making strategic acquisitions, including Toshiba's home-appliance business.

Midea has also recently moved into a new, but related, business frontier by taking majority ownership of Kuka, a German maker of industrial robots and automation equipment. Kuka's technology enhances the efficiency of Midea's own manufacturing processes and provides Midea with an additional avenue of growth in an industry with a significant barrier to entry in the required technical expertise. Midea plans to sell robots and other factory automation systems to other Chinese manufacturers, many of which aspire to, but have yet to adopt, advanced automation. At a time when EM technology stocks, especially those of internet-based companies, were receiving most of the market attention, we invested in a highly competitive and well-managed global manufacturing company at what we considered a reasonable valuation.

PORTFOLIO HIGHLIGHTS

Portfolio activity was relatively high in the second quarter as we added new names in IT and Consumer Discretionary while we squeezed out other companies in reaction to price or where our investment thesis had weakened. Rowing against transient tides to capture return opportunities, we added to high-quality businesses when their share prices fell due to pressures we consider to be short term. In the end, the portfolio's sector orientation changed modestly during the quarter; in Industrials and Consumer Discretionary our absolute weight increased, while in IT our relative underweight widened.

In IT, we completed new investments in China's **AAC Technologies** and NetEase, reduced our holdings in Largan, Samsung Electronics, and Weibo, and completed the sales of Brazilian payments company **Cielo** and Chinese search-engine giant **Baidu**.

AAC is a leading manufacturer of smartphone components with a focus on acoustics and haptics (systems for communicating through touch sensation). The company is one of Apple's key suppliers and is also growing market share among Chinese phone makers. Over its 24-year history, AAC has migrated from making simple components to more-sophisticated and higher-value modules. Currently, it is set to benefit from the push to incorporate stereo sound and waterproof functionality into the leading smartphone models. Outside of its scale advantages, AAC's key competitive edge is its proprietary know-how in manufacturing miniature acoustic components; it achieves consistently high yields in high-specification components and is able to respond quickly to changing client requirements. AAC is also distinguished by its design capabilities, which allow it to work closely with clients during the early product-design phase.

We reduced the portfolio's holding in Weibo in reaction to a rapid share-price rally after the company reported 67% first-quarter revenue growth and expectation-beating margins.

Baidu, China's leading search engine, is facing rising competitive pressures that clouds its longer-term growth outlook. Despite its continued dominance in internet search, its supremacy in capturing the lion's share of online advertising revenue has been eroded through the rise of alternative platforms, includ-

[1]Zhen Wei & Chin Ping Chia, "Are Your Ready for China A Shares?: Implications of Including A Shares in Benchmark Indexes," *MSCI Research Insights* (June 2017), 4.

[2]Source: Bloomberg, HOLT database. Data accessed July 11, 2017. "Companies with top-tier returns on capital" is defined as A-share companies whose returns on capital—measured by Cash Flow Return on Investment (CFROI)—are at, or above, the top-quintile CFROI for companies in the MSCI EM Index. CFROI® and HOLT™ are trademarks or registered trademarks of Credit Suisse or its affiliates in the United States and other countries.

ing those of Weibo and Tencent. Baidu has invested heavily in artificial intelligence, and it appears to have a lead in areas such as autonomous driving. However, opportunities to monetize these capabilities appear some way off, so we elected to watch the company from the sidelines for now.

In Industrials, we completed the purchase of **WEG**, a Brazilian industrial company founded in 1961 by German immigrants. The company began as a manufacturer of electric motors used in a broad array of industrial applications, a business that still accounts for the majority of revenues and where it enjoys about 80% market share in Brazil. WEG also serves the power sector, producing transformers, control panels and automation systems for hydro-, thermo-, and wind-power stations. Its competitive strategy in both the industrial-motor and power businesses has been to operate a vertically integrated production model and differentiate itself through the quality and customized natured of its products as well as the strength of its after-sales service. WEG is pursuing the same strategy worldwide. The company has weathered an acute downturn in industrial activity during the past three years in its home market and should benefit from a cyclical recovery in Brazil, as well as increasing capital investment in developed markets. WEG is a high-quality business that we purchased deep into a difficult cycle.

In April, we added to our position in Turkey's **Garanti Bank**, after previously adding to the holding at the end of 2016 when the shares had fallen during a time of heightened political fears and pressure on the currency. President Recep Tayyip Erdoğan's successful effort to secure greater executive powers via a referendum is a political risk. However, based on our meetings with various Turkish companies including Garanti, we determined that his administration's policies to stimulate the economy receive less credit than they deserve and are notably favorable to banks.

Lastly, we sold **Sun Pharmaceutical Industries**, not long after initiating a position in late 2016. We made the purchase with the view that we had seen the worst in generic pricing in the US market, and that Sun Pharma's management was on top of the task of improving manufacturing processes at it production facilities that had been critiqued by the US Food and Drug Administration (FDA). However, subsequent evidence caused us to acknowledge that we acted too early. Recent financial results from Sun Pharma and other generics manufacturers suggest continued ugliness in the US market. In addition, Sun Pharma received another letter from the FDA demanding remedial efforts at yet another plant.

Changes to Portfolio Guidelines

Each of Harding Loevner's investment strategies complies with a set of internal guidelines designed to ensure portfolio diversification. Effective October 1, 2017, we will adjust the Emerging Markets Equity strategy's guidelines to reflect shifts in the relative sizes and risk profiles of the markets within its investment universe. The most significant change addresses the growing opportunity set of investible Chinese companies, including those listed in Hong Kong. Currently the guidelines permit a maximum weight in China of 25%; under the revised guidelines, the portfolio will permit a maximum combined weight in China + Hong Kong of 35%. For further information on this and other guideline adjustments, please contact Harding Loevner.

EMERGING MARKETS HOLDINGS (AS OF JUNE 30, 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	1.6
ECLAT TEXTILE Technology-based textile company	Taiwan	0.9
HANKOOK TIRE Tire manufacturer	South Korea	1.6
HANSSEM Kitchen and interior furniture retailer	South Korea	0.4
JD.COM E-commerce company	China	1.6
MARUTI SUZUKI Automobile manufacturer	India	1.8
MIDEA GROUP Home appliance company	China	0.9
NASPERS Media, internet, pay TV company	South Africa	0.8
SANDS CHINA Integrated resorts and casinos operator	Hong Kong	1.3
SHENZHOU INTERNATIONAL Textile manufacturer	China	1.2
TELEVISA Media, broadcasting, and entertainment	Mexico	1.4
CONSUMER STAPLES		
AMBEV Brazil's dominant brewer	Brazil	1.0
AMOREPACIFIC Cosmetics company	South Korea	0.6
COCA-COLA HBC 28-Country Coke bottler	UK	1.2
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	1.4
MASSMART HOLDING Food and general retailer	South Africa	0.3
MHP Integrated poultry producer	Ukraine	0.3
PÃO DE AÇÚCAR Brazilian foods retailer	Brazil	0.8
UNIVERSAL ROBINA Branded consumer foods	Philippines	0.4
ENERGY		
CNOOC Oil and gas producer	China	1.5
LUKOIL Integrated oil and gas company	Russia	1.9
NOSTRUM OIL & GAS Kazakhstani oil and gas company	UK	0.6
TENARIS Steel pipe manufacturer	Italy	1.2
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	2.7
AXIS BANK Commercial bank	India	1.8
BANCO BRADESCO Commercial bank	Brazil	1.3
BANCO SANTANDER CHILE Commercial bank	Chile	1.0
BANCOLOMBIA Commercial bank	Colombia	1.1
BANK OF GEORGIA Commercial bank	UK	1.0
BANK PEKAO Commercial bank	Poland	1.2
BANK RAKYAT Commercial bank	Indonesia	1.8
BM&F BOVESPA Clearing house and stock exchange	Brazil	0.8
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.6
CREDICORP Commercial bank	Peru	1.1
DISCOVERY HOLDINGS Health and life insurance	South Africa	0.9
GARANTI BANK Commercial bank	Turkey	1.0
GF BANORTE Commercial bank	Mexico	1.8
HDFC CORP. Financial conglomerate	India	1.6

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
HONG KONG EXCHANGES Clearing house & exchange	Hong Kong	0.6
ITAU UNIBANCO Commercial bank	Brazil	1.6
KOMERČNÍ BANKA Commercial bank	Czech Rep.	1.2
QATAR NATIONAL BANK Retail and corporate bank	Qatar	0.6
SBERBANK Commercial bank	Russia	2.1
SIAM COMMERCIAL BANK Commercial bank	Thailand	1.5
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	1.5
SINO BIOPHARMACEUTICAL Drug developer & mfg.	China	0.8
INDUSTRIALS		
51JOB INC. Online job ads	China	1.5
AIRTAC Pneumatic component manufacturer	Taiwan	0.6
ASUR Airport operator	Mexico	1.6
CHINA MERCHANTS Container terminal operator	China	1.0
DP WORLD Container terminal operator	UAE	1.0
JIANGSU EXPRESSWAY Toll road operator	China	0.6
WEG Manufacturers and distributes industrial machinery	Brazil	0.7
INFORMATION TECHNOLOGY		
AAC TECHNOLOGIES Smartphone components supplier	China	0.8
ADVANTECH Manufacturer & marketer of industrial PCs	Taiwan	1.1
ASM PACIFIC TECHNOLOGY Semiconductor equipment	Hong Kong	1.1
HON HAI PRECISION Electronics mfg. services provider	Taiwan	1.6
LARGAN PRECISION Lens module of smartphone camera	Taiwan	1.7
MERCADOLIBRE Online trading site	US	1.0
NAVER Internet search and portal provider	South Korea	1.5
NETEASE Gaming and internet services company	China	0.5
SAMSUNG ELECTRONICS Electronic devices & components	South Korea	5.6
TAIWAN SEMICONDUCTOR Semiconductor chip foundry	Taiwan	4.6
TENCENT Internet, mobile, and telecom provider	China	3.7
WEIBO Social media platform	China	0.8
MATERIALS		
SASOL Refined product and chemicals group	South Africa	0.9
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	0.8
CHINA MOBILE Mobile telecom company	China	1.1
SAFARICOM Mobile network operator	Kenya	0.6
UTILITIES		
ENN ENERGY Natural gas distributor	China	1.7
CASH		3.0

Model Portfolio holdings are supplemental information only and complement the fully compliant Emerging Markets Composite GIPS Presentation. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

2Q17 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TENCENT	INFT	3.6	0.80
SAMSUNG ELECTRONICS	INFT	4.6	0.57
TAIWAN SEMICONDUCTOR	INFT	4.2	0.55
AIA GROUP	FINA	2.7	0.44
JD.COM	DSCR	1.6	0.36

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
SAMSUNG ELECTRONICS	INFT	5.2	3.11
TENCENT	INFT	3.6	1.59
TAIWAN SEMICONDUCTOR	INFT	4.1	1.51
LARGAN PRECISION	INFT	2.0	1.31
MARUTI SUZUKI	DSCR	1.6	1.01

2Q17 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
LUKOIL	ENER	2.1	-0.19
SUN PHARMACEUTICAL	HLTH	0.5	-0.19
SBERBANK	FINA	2.4	-0.17
ITAU UNIBANCO	FINA	1.7	-0.15
BANCO BRADESCO	FINA	1.4	-0.12

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
AMOREPACIFIC	STPL	0.6	-0.23
UNIVERSAL ROBINA	STPL	0.6	-0.22
CIELO	INFT	0.8	-0.21
LG HOUSEHOLD & HLTH CARE	STPL	1.4	-0.20
CNOOC	ENER	2.0	-0.19

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	15.7	13.1
RETURN ON ASSETS[1] (%)	6.6	6.5
RETURN ON EQUITY[1] (%)	15.7	14.3
DEBT/EQUITY RATIO[1] (%)	41.0	56.0
STD DEV OF 5 YEAR ROE[1] (%)	3.5	3.7
SALES GROWTH[1,2] (%)	6.6	5.0
EARNINGS GROWTH[1,2] (%)	11.3	9.7
CASH FLOW GROWTH[1,2] (%)	15.6	13.2
DIVIDEND GROWTH[1,2] (%)	5.6	5.0
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	18.4	21.1
WTD AVG MKT CAP (US $B)	60.2	78.0
TURNOVER[3] (ANNUAL %)	21.1	–

RISK & VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	3.73	-
BETA[2]	0.92	1.00
R-SQUARED[2]	0.94	1.00
ACTIVE SHARE[3] (%)	74	-
STANDARD DEVIATION[2] (%)	13.48	14.28
SHARPE RATIO[2]	0.57	0.29
TRACKING ERROR (%)[2]	3.5	-
INFORMATION RATIO[2]	1.01	-
UP/DOWN CAPTURE[2]	101/85	-
PRICE/EARNINGS[4]	17.5	14.3
PRICE/CASH FLOW[4]	12.2	9.3
PRICE/BOOK[4]	2.4	1.7
DIVIDEND YIELD[5] (%)	2.1	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: July 6, 2017); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
AAC TECHNOLOGIES	CHINA	INFT
MIDEA GROUP	CHINA	DSCR
NETEASE	CHINA	INFT
WEG	BRAZIL	INDU

POSITIONS SOLD	COUNTRY	SECTOR
AMBUJA CEMENTS	INDIA	MATS
BAIDU	CHINA	INFT
CIELO	BRAZIL	INFT
DABUR INDIA	INDIA	STPL
SUN PHARMACEUTICAL	INDIA	HLTH

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 JUNE 30, 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]	19.80	19.29	18.60	14.45	15.83	N.A.[5]	23	16,880	36.00
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 24 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 for the period November 1, 1989 through March 31, 2017.

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 March 31, 2017. 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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