EMERGING MARKETS EQUITY

2017 Third Quarter Report

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

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED SEPTEMBER 30, 2017[1]

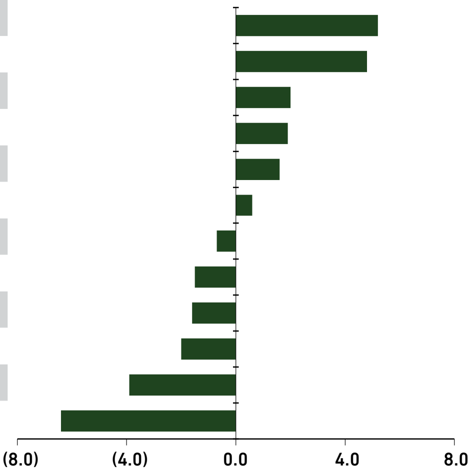
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EMERGING MARKETS (GROSS OF FEES)	7.46	28.74	23.43	7.71	7.80	4.17	13.66
HL EMERGING MARKETS (NET OF FEES)	7.24	27.91	22.37	6.79	6.87	3.23	12.75
MSCI EMERGING MARKETS INDEX[4,5]	8.04	28.14	22.91	5.28	4.35	1.65	9.80

[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.

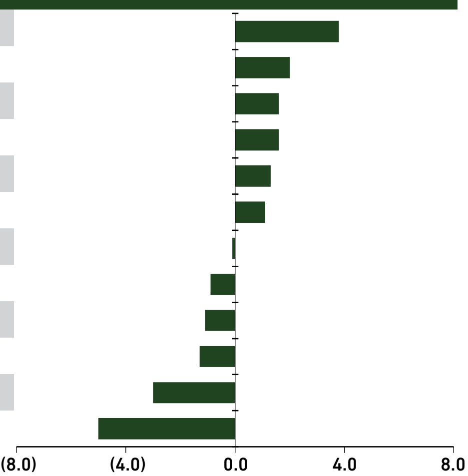
SECTOR EXPOSURE (%)

	HL EM	MSCI EM
FINANCIALS	28.6	23.4
CONS DISCRETIONARY	15.1	10.3
INDUSTRIALS	7.4	5.4
HEALTH CARE	4.2	2.3
CASH	1.6	–
CONS STAPLES	7.1	6.5
UTILITIES	1.9	2.6
ENERGY	5.3	6.8
REAL ESTATE	1.3	2.9
TELECOM SERVICES	3.1	5.1
INFO TECHNOLOGY	23.6	27.5
MATERIALS	0.8	7.2



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
DEVELOPED MARKET LISTED[6]	3.8	–
RUSSIA	5.4	3.4
CASH	1.6	–
MEXICO	5.1	3.5
SMALL EMERGING MARKETS[7]	16.1	14.8
FRONTIER MARKETS[8]	1.1	–
BRAZIL	7.4	7.5
SOUTH AFRICA	5.5	6.4
CHINA + HONG KONG[9]	28.4	29.5
TAIWAN	10.2	11.5
INDIA	5.4	8.4
SOUTH KOREA	10.0	15.0



[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 22.3% and Hong Kong is 6.1%. 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.

TABLE OF CONTENTS

MARKET REVIEW

EM's strong performance continued, led by Real Estate, Energy, and the Info Technology (IT) sectors.

High profit growth from leading EM businesses has spurred investor enthusiasm.

China's economic resilience, including a stronger capital account, supported returns.

Latin America was the best-performing region on the strength of commodity-exporting countries.

PORTFOLIO HIGHLIGHTS

We are seeking businesses whose growth is not just fleeting or cyclical, but will persist over the long term.

A number of the portfolio's bank holdings are implementing advanced IT platforms to enhance client service and risk management.

We added two new Chinese companies this quarter, one in IT and the other in Health Care.

This page intentionally left blank.

MARKET REVIEW

The positive momentum for emerging markets (EMs) continued as supportive fundamentals, including strong corporate earnings, boosted investors' growth expectations and enticed capital into the asset class. The MSCI EM Index returned 8.0%, ahead of the 5.0% return of the developed-market MSCI World Index. Year-to-date, the EM Index has risen 28.1%, the strongest January-to-September return since 2009.

China, a crucial component of this year's strong EM returns, continued to deliver solid economic growth aided by rising exports since the start of the year and the vibrancy of its service sector. China's Purchasing Managers' Index rose in September for the fourteenth-straight month. Rising corporate profits have eased fears about the corporate sector's ability to service its high level of debt—which has been a key risk facing the Chinese economy. As corporate liabilities fell, China's ratio of overall debt to GDP declined for the first time in nearly six years.[1] Other positive news included the stemming of capital outflows, the strengthening of the renminbi, and the boosting of domestic confidence by a stronger property market. China's Real Estate sector, another source of systemic risk, appears to have found a more sustainable path. Recent financial reforms, notably the development of the domestic bond market, are helping shift funding for real estate projects out of the shadow banking system. Shares in the Chinese real estate sector shot up 37% in the quarter.

While we recognize that Chinese officials may have helped engineer the recent improvements in economic performance in advance of October's National Congress of the Communist Party, most fundamental signals, not least the solid operating performance of many of its larger listed companies, point to a stronger China.

Companies reporting demonstrable growth in revenues and profits had the strongest share-price performance. In contrast to last quarter, when shares of the "New" (technology-oriented) EM companies led market returns, in the third quarter both "Old" (commodity-oriented) and New EM companies soared together. Energy and Materials were top-performing sectors, aided by a resurgence in oil prices (Brent crude reached US$58, the highest since summer 2015) and a 10% rise in industrial metals prices. Information Technology (IT) continued to rally, led by Chinese internet and smartphone component companies. The strongest sector was Real Estate, however, led by large listed Chinese developers who enjoy a more-favorable competitive environment now that they (unlike smaller operators) can tap the increasingly liquid bond market at attractive interest rates. Industrials was the weakest sector, while the more-defensive Consumer Staples, Health Care, and Telecom Services sectors also lagged.

From a regional perspective Latin America was the best performer on the strength of commodities exporters Brazil, Chile, and Peru. Popular support for Brazil's President Temer has continued to fade, but the legislature's commitment to his reform program remains strong, as seen recently in the Senate's approval of new labor laws allowing for flexible work hours and more direct negotiations between employers and their workers. Subdued inflationary pressures, in part due to a firmer currency (the real rose nearly 5% against the dollar this quarter) and slack industrial production, have also allowed the Brazilian Central Bank to make further interest rate cuts, raising prospects for a near-term economic recovery.

While Chinese stocks made strong gains, returns elsewhere in Asia were more muted. South Korea posted a modest return, despite heightened tensions on the peninsula, on a rise of its technology sector. **Samsung Electronics** and SK Hynix continued to benefit from strong global demand for high-powered

MARKET PERFORMANCE (USD%)

REGION/COUNTRY	3Q 2017	TRAILING 12 MONTHS
AFRICA	3.9	7.5
SOUTH AFRICA	3.9	8.1
ASIA	7.2	24.2
CHINA	14.8	33.3
INDIA	3.0	14.2
SOUTH KOREA	2.7	25.4
TAIWAN	1.4	20.9
EUROPE	10.7	26.2
RUSSIA	18.1	20.6
LATIN AMERICA	15.1	26.0
BRAZIL	23.0	29.6
MEXICO	1.5	16.5
MIDDLE EAST	-1.1	-4.3
MSCI EM INDEX	8.0	22.9

SECTOR PERFORMANCE (USD%)
OF THE MSCI EM INDEX

SECTOR	3Q 2017	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	5.0	16.6
CONSUMER STAPLES	2.6	4.1
ENERGY	13.2	21.8
FINANCIALS	7.4	22.3
HEALTH CARE	3.4	2.9
INDUSTRIALS	1.7	12.7
INFORMATION TECHNOLOGY	11.1	40.9
MATERIALS	10.3	28.4
REAL ESTATE	18.0	30.3
TELECOM SERVICES	3.6	6.9
UTILITIES	6.5	7.7

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

[1]Gabriel Wildau, "Beijing effort and inflation push China debt load down," *Financial Times* (September 24, 2017).

memory products. South Korean cosmetics leaders **Amorepacific** and **LG Household & Health Care** both fell as soured relations with China have been hurting sales to Chinese consumers. In retaliation for South Korea's deployment of a US-made THAAD missile-defense system, the Chinese government has been discouraging its citizens from visiting Seoul, an erstwhile popular shopping destination for branded luxury goods, including cosmetics. Pakistan, recently added—for the second time—to the EM Index, was the worst market this quarter, falling 16%. Shares of a major Pakistani listing, Habib Bank, plummeted after US government investigators uncovered deficiencies in the bank's compliance with anti-money laundering regulations and ordered its US branch closed.

Both "Old" (commodity-oriented) and "New" (technology-oriented) EM companies soared together.

The weakest region during the quarter was the Middle East, despite the support of more robust energy prices. Despite continuing talks, no solution has been forthcoming for the diplomatic stand-off between Qatar and a coalition of its neighbors, led by Saudi Arabia, which has accused Qatar of funding terrorist groups. The coalition members have cut off relations with Qatar and blockaded the country. On a positive note, Saudi Arabia announced that women would finally be permitted to secure driving licenses, a further sign the monarchy is inching toward economic and social liberalization.

EM stocks with positive prior price momentum continued to perform well in the quarter, as they had in the prior six months. Markets also showed a strong bias towards growth stocks, reflected in significant outperformance of the MSCI EM Growth Index versus the Value Index. There was no clear trend for stocks of companies with high- versus low-quality characteristics in these periods based on our proprietary metrics, however.

PERFORMANCE AND ATTRIBUTION

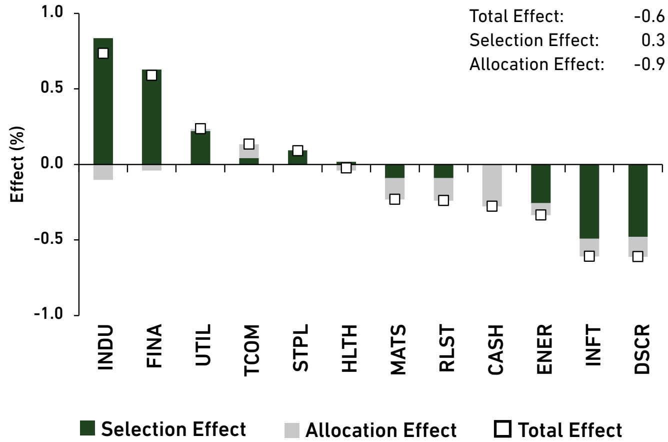
The Emerging Markets composite rose 7.5% this period, slightly behind the Index, which returned 8.0%. The charts to the right illustrate the sources of relative return by sector and region, respectively. Year-to-date, the composite has returned 28.7%, just ahead of the Index, which rose 28.1%.

Our stock selection was modestly positive this quarter, with strong contributions from Industrials and Financials offset by weaker returns in IT and Consumer Discretionary. Our underweights in Materials, and Real Estate were a drag on relative

Companies held in the portfolio during the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at September 30, 2017 is available on page 9 of this report.

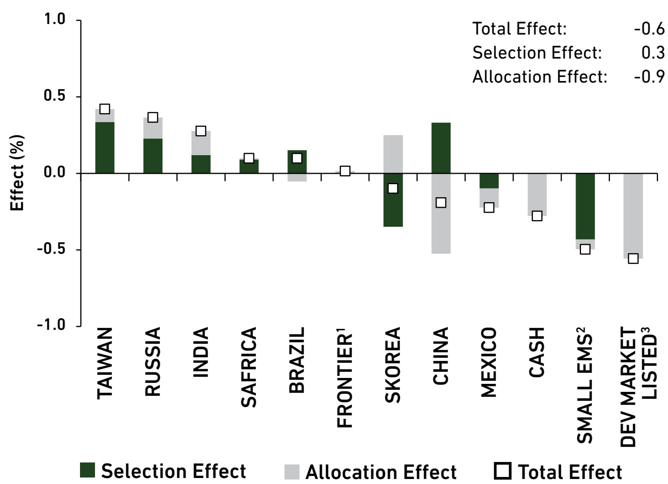
SECTOR PERFORMANCE ATTRIBUTION THIRD QUARTER 2017

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION THIRD QUARTER 2017

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



[1]Includes countries with less-developed markets outside the Index; [2]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index; [3]Emerging markets or frontier markets companies listed in developed markets. 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.

returns. We were also hurt by being underweight IT, which now represents about 24% of the portfolio and nearly 28% of the Index.

In Industrials, **51Job Inc.**, the Chinese online job search and human resource-services business, reported 20% year-on-year growth in revenues, the fastest in recent years, as its focus on cross-selling initiatives began to pay dividends. Shares of **WEG**, a Brazilian manufacturer of industrial motors, appreciated strongly as the market discounted better times ahead for the local economy as well as improved demand for WEG's products in its overseas markets. In Financials, shares in **Sber-**

bank, the dominant Russian bank, responded positively to higher oil prices and a strong second-quarter earnings report which revealed a 28% rise in net income and, importantly, an indication that loan growth may have passed an inflection point after growing 5% sequentially in the first quarter after declining in previous quarters.

In IT, we lagged the Index, largely due to strong returns from companies that we did not hold—including Baidu, China's leader in internet search—or were underweight, particularly **Alibaba**, the dominant Chinese e-commerce company. We also saw negative returns from **NAVER**, a South Korea-based search and social platform, whose profit margins felt the cost of artificial intelligence(AI)-related investments. The market also struggled to digest NAVER's purchase of a 7% stake in the South Korean financial firm Mirae Asset Management, a tie-up that presents NAVER potential opportunities in the distribution of financial products. Our largest positive contribution in IT came from **Weibo**, a Chinese social media platform, which reported strong trends in advertising revenues as eminent brands such as Fendi and Hugo Boss began to promote their products on its website. **AAC Technologies**, a Chinese manufacturer of acoustic components for smartphones, also appreciated strongly as it continued to benefit from greater demand for handsets with advanced speakers, including stereo sound and water resistance.

From a regional perspective, our underweight to China was a substantial detractor. Furthermore, during a quarter where EMs were the recipient of large investment flows, primarily through passive index funds, relative returns were hurt by our off-benchmark holdings, i.e., in EM companies listed in developed markets, such as the Hong Kong-listed insurer **AIA Group**. Roughly US$50 billion flowed toward global EM equity funds from January through September this year, near the highest recorded flows for the first nine months of a calendar year, which occurred in 2010.[2]

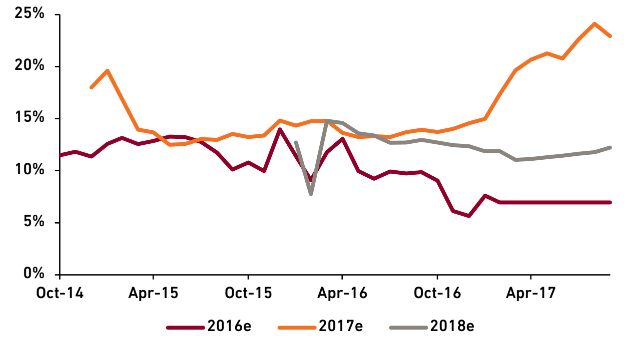
Stock selection within countries was broadly positive, with the portfolio profiting from strong picks in Taiwan (**AirTAC** and **Largan Precision**) and Russia (Sberbank).

INVESTMENT PERSPECTIVES

Earnings Growth and Valuations

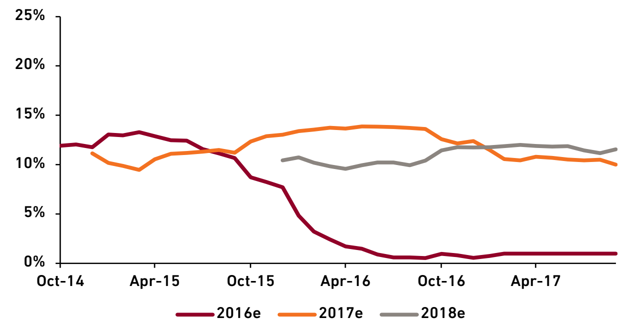
EM economies' stronger economic footing has allowed investor confidence to take root. We are twenty months into an EM bull cycle sustained by positive economic factors: strong Chinese growth, rising commodity prices, subdued EM inflation and stable currencies, and reduced external imbalances in some of the more-fragile EMs, such as Brazil and Indonesia, amidst a general upturn in global trade. To the list of EMs' attractions add the high rates of profit growth being achieved by leading businesses. Often earnings expectations are revised down as

CONSENSUS EARNINGS GROWTH ESTIMATES
MSCI EMERGING MARKETS INDEX



Source: FactSet. Run date October 6, 2017.

CONSENSUS EARNINGS GROWTH ESTIMATES
MSCI US INDEX



Source: FactSet. Run date October 6, 2017.

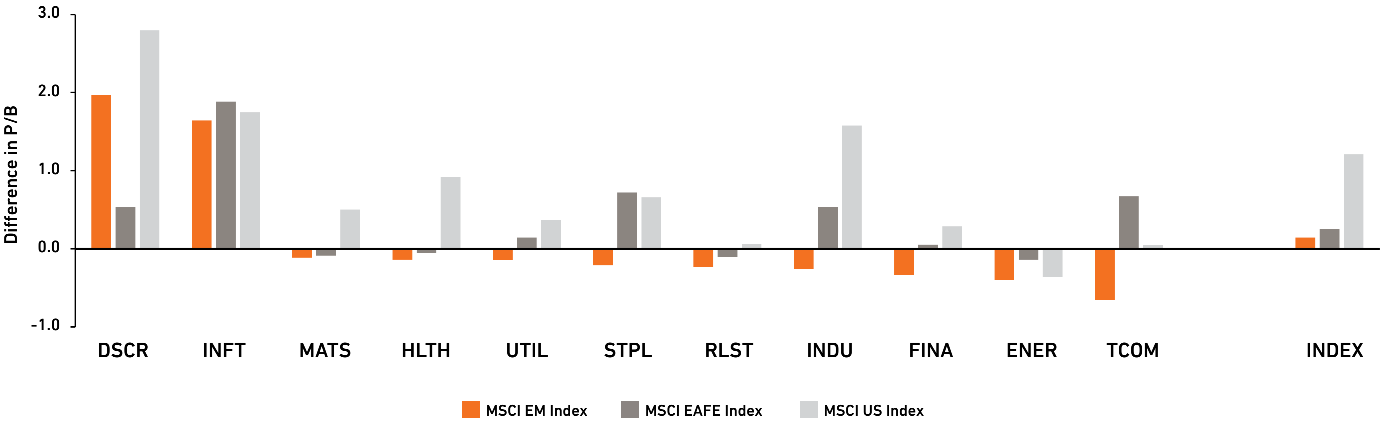
the year plays out, but 2017 consensus earnings forecasts continue to be revised higher. As of September, EM earnings per share (EPS) are expected to grow more than 20% year-over-year. By comparison, the consensus EPS growth estimate for the US began this year similar to that for EMs, but later stalled and is now close to 10%.

Global trends in technology development, including e-commerce, mobile internet, and the internet of things, as well as the incorporation of big data analytics into business processes, are fueling growth for a number of select EM businesses. Portfolio holdings riding these tailwinds include Weibo (China social media), AAC Technologies (smartphone acoustic components), Largan (smartphone camera lenses), and Samsung Electronics (memory devices). While technology-related companies have soared the highest, we have seen robust earnings growth for other types of businesses too, including Taiwanese pneumatic equipment manufacturer AirTAC, Brazilian food retailer **Pão de Açúcar**, and Mexican airport operator **ASUR**.

EMs now boast a buffet of highly liquid, large-capitalization companies with impressive rates of growth that eclipse many of their developed-market peers. Moreover, many of these EM companies compare favorably on measures of business and financial quality, with strong free cash flow generation and solid balance sheets. Global investors who found it easy to resist EMs when their markets were dominated by extractive industries and

[2]UBS Global Research, "Fund Flows ($3.3bn) Follow the Market, Not Lead," *EM Equity Strategy*, October 13, 2017.

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 September 30, 2017 minus the 10-year P/B.

state-owned companies are now attracted by EMs' rapid earnings growth and expanded range of rapidly growing businesses.

Greater interest is evident in higher EM stock valuations, but they still appear cheaper than other regions. The chart above compares current valuations based on Price to Book with 10-year averages, by industrial sector, for EMs, developed markets ex-US, and the US market. Despite their recent outperformance and because of their underlying growth, EMs in aggregate are still trading close to their historical averages. By contrast, developed markets, and the US especially, are trading well above their historical average. This chart also indicates potentially the biggest valuation conundrums in EMs (and, indeed, developed markets) are the shares of fast-growing IT and Consumer Discretionary companies, many of which have share prices that are elevated well above their sectors' 10-year average multiples.

As this bull market extends, we recognize that, on the one hand, momentum-fueled flows may take the prices of some stocks beyond reasonable estimates of fair value. On the other hand, there are companies whose market valuations according to snapshot ratios such as Price to Book, Price to Earnings, or Price to Cash Flow, while highly elevated relative to the market as a whole, fail to fully account for the economic value their rapid, long-duration growth will create. Since we focus on businesses whose growth is not just fleeting or cyclical but will persist over the long term, we must be open minded and watchful for companies whose competitive advantages and growth potential more than justify their apparently rich valuations.

IT and the Transformation of EM Banks

A year ago we highlighted the efforts of Brazilian bank **Itau Unibanco** to marshal and analyze big data to "power and improve" its business in Latin America. This quarter we continued to explore this theme in recent meetings with Sberbank of Russia and **Standard Bank** of South Africa. Both have been overhauling their IT platforms to help them consolidate and analyze customer data in an effort to better personalize client service, improve product development, and enhance risk management.

Sberbank is Russia's banking giant, serving 129 million retail customers through roughly 14,000 branches, 80,000 ATMs, and 320,000 employees. The company commands a stunning 46% market share of all retail deposits in Russia, along with 53% of all payroll clients and 44% of all credit card balances. Its market dominance and pricing discipline has led to outsized returns, including a net interest margin of 6%, a return on assets of 3%, and a return on equity of about 20%. These metrics are near the top of *global* (not just EM) banking metrics. Sberbank's market dominance is the product in part of being a subsidiary of the Central Bank of Russia, which inspires trust among its depositors and intimates immense financial backing, if ever it were needed.

We must be open minded and watchful for companies whose competitive advantages and growth potential more than justify their apparently rich valuations.

For years Sberbank was hampered by antiquated IT systems; it had 2,000 unconnected software programs that required an army of 30,000 accountants taking a month to close the financial books. Today, following its recently completed IT renovation, Sberbank has a single information platform, only 1,500 accountants, and closes the books in just two days. The company now highlights its new army of 10,000 IT experts housed in a Google-like building, where jeans are worn, innovation is the watchword, and cultivating "a culture of agile" is the goal. Sberbank has become essentially Russia's largest IT company by number of staff. As Alex Morozov, the company's US-educated deputy chairman recently told us, those with whom Sberbank will compete most fiercely in Russia—in financial product sales and for talented young professionals—are not other banks, but the likes of Amazon, Facebook, and Alibaba.

South Africa's Standard Bank has weathered recent economic storms across the African continent caused by the global commodity downturn, including Nigeria's severe currency crisis, as well as political challenges at home. The bank recently reported that in the first half of 2017 its credit loss ratio was only about 1%, largely unchanged from the prior year, despite tough trading conditions and weak African currencies. Standard has been implementing new IT systems as well, to improve its home country operations and to support its African expansion goals. In South Africa, the company is in the final stages of a five-year process of replacing an old patchwork of banking applications with a single SAP platform that should reduce its costs, increase the effectiveness of its retail efforts, and improve its credit risk management. Last year, Standard Bank implemented in 19 African countries a separate banking application that is focused on transaction banking for corporate customers. This system is improving commercial deposit gathering while expanding the range and effectiveness of financial services that Standard offers. With its enhanced IT and risk management infrastructure and ample capital, Standard Bank is not only more competitive and efficient, but is also prepared to grow when the economic cycle turns upward in Africa.

Sberbank has become essentially Russia's largest IT company by number of staff.

Sberbank and Standard Bank are exemplars of forward-looking businesses with strong market positions offering products or services that are still largely underpenetrated among a large existing customer base. Both banks' revamped IT platforms provide powerful tools for reaching these customers through *mass customization*. These companies can now consolidate and analyze huge amounts of client information down almost to the unique individual level, including the demand for (and returns from) different products. The banks can then apply the insights gleaned to tailor pre-approved credit offers to appeal to particular customers and push these offers out to the target customers over internet banking platforms as well as websites and mobile devices.

PORTFOLIO HIGHLIGHTS

As usual, the portfolio changed only incrementally this quarter, primarily from our investments in new companies that have been qualified (typically over many months) through our research process. We also responded to changing valuations by adding and trimming incumbent holdings. Over the last 12 months, we moved from having an overweight to an underweight in India. Also, the portfolio's IT and Materials underweights widened and overweight to Financials increased modestly. We added to a number of existing Financials holdings, including Standard Bank, Itau Unibanco, and **Hong Kong Exchanges**. In addition, we purchased two new Chinese holdings, bringing the portfolio's combined weight in China and Hong Kong to 28%. This is the largest absolute level in the strategy's history, but still modestly below China's EM benchmark weight of 30%.

We wrote last quarter about expanding the scope of our China research to include companies listed domestically as A-shares; this effort bore fruit again this quarter with the addition of Shanghai-listed **Jiangsu Hengrui Medicine**. One of China's leading domestic drug manufacturers, Jiangsu Hengrui specializes in three areas, in each of which it is ranked Number One or Two in China: surgical anesthetics, contrast reagents for radiology, and oncology drugs. The company's strategy is to offer quality alternatives to more-expensive advanced medicines mostly imported from abroad. For example, it produces therapies for cancer types, such as gastric cancer, that are more prevalent among the Chinese population and often under-addressed by multinational pharmaceutical companies because of the regulatory challenges and expense associated with developing and marketing drugs in China. Jiangsu Hengrui's niche treatments are often complex to manufacture and are important for critical care, which makes them less susceptible to regulatory price pressures than many generic drugs. The company's products command strong margins, generating significant cash flows that are reinvested back into the business. Jiangsu Hengrui has a team of over 2,000 scientists and spends US$250 million, about 10% of revenues, on research and development initiatives annually. The government recently implemented new policies that should speed up the drug approval process and tighten restrictions on makers of ineffective products or who fail China's rising quality standards. These policies should support strong long-term growth for the country's more advanced drug companies such as Jiangsu Hengrui.

Alibaba's unique vision is to empower small enterprises through its e-commerce platform in China and ultimately globally.

Another new Chinese holding is **Alibaba**, China's online marketplace juggernaut. In 2014, soon after the company's high-profile IPO, we wrote that we preferred "to wait, watch, and get to know it better" before approving Alibaba for investment. During the quarter, after monitoring management's performance over the past three years and completing further in-depth analysis, we added the stock to the pool of investments available for our portfolios. Alibaba's unique vision, championed by Chairman Jack Ma, is to empower small enterprises through its e-commerce platform in China and ultimately globally. It has roughly 500 million (and growing) users of its online marketplace. Recently the company emphatically demonstrated its earnings power by reporting operating margins rose roughly 300 basis points last quarter year-on-year. The company has been expanding the amount of original online video content and social media offered on its marketplace platform. This rich content provides Alibaba new hooks to engage users for a longer time, increasing the likelihood they will buy more products or services. Moreover, the company's huge customer database and use of AI allows Alibaba to generate more and deeper user-profile data so coveted by advertisers. From a corporate governance standpoint, we do not favor the company's concentration of authority in the hands of Chairman Ma. However, we think his 7% stake, worth some US$32 billion at today's market price, should provide strong motivation to ensure the market, i.e., minority investors, remains happy with the company's growth and governance. Softbank of Japan, a multinational conglomerate and long-term major shareholder with a 29% stake, also serves as a powerful advocate for shareholders.

We sold one IT holding this quarter, Latin American e-commerce company **MercadoLibre (Meli)**, after it changed its business strategy radically by offering free delivery in Mexico (representing 10% of sales) and Brazil (60% of sales). Customers responded favorably by buying more from Meli's platform. However, the costs of promoting the new offering and absorbing shipping costs caused the company's margins to contract significantly. Management indicated the goal of the strategy change was to pressure Meli's current local competitors and to increase the "economic moat" (i.e., barrier to entry) to make it less appealing for Amazon or Alibaba to enter in its markets. But given the essentially limitless resources of Amazon and Alibaba, our view is they were unlikely to be dissuaded (Amazon in fact has already started operating in Mexico). When we adjusted our financial forecasts to reflect the company's lower future margins, its stock price appeared overvalued. We will continue to monitor the company's strategy as it unfolds, watching for signs of a recovery in margins or a notable acceleration of revenue growth that could offset the margin compression.

EMERGING MARKETS HOLDINGS (AS OF SEPTEMBER 30, 2017)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
ARCELIK White goods producer	Turkey	0.6
ASTRA INTERNATIONAL Conglomerate, auto mfg. & distrib	Indonesia	1.1
CTRIP.COM Travel agent	China	1.4
ECLAT TEXTILE Technology-based textile company	Taiwan	1.0
HANKOOK TIRE Tire manufacturer	South Korea	1.4
HANSSEM Kitchen and interior furniture retailer	South Korea	0.3
JD.COM eCommerce company	China	1.4
MARUTI SUZUKI Automobile manufacturer	India	1.9
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	1.4
SHENZHOU INTERNATIONAL Textile manufacturer	China	1.5
TELEVISA Media, broadcasting, and entertainment	Mexico	1.4
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	1.4
EAST AFRICAN BREWERIES Beverage manufacturer	Kenya	0.3
FEMSA Beer and soft drinks producer	Mexico	0.5
LG HOUSEHOLD & HEALTH CARE Personal care & cosmetics	South Korea	1.2
MAGNIT Discount supermarket operator	Russia	0.5
MASSMART HOLDING Food and general retailer	South Africa	0.2
PÃO DE AÇÚCAR Brazilian foods retailer	Brazil	0.3
UNIVERSAL ROBINA Branded consumer foods	Philippines	0.4
ENERGY		
CNOOC Oil and gas producer	China	1.7
LUKOIL Integrated oil and gas company	Russia	1.8
NOSTRUM OIL & GAS Kazakhstani oil and gas company	UK	0.4
NOVATEK E & P with focus on gas	Russia	0.4
TENARIS Steel pipe manufacturer	Italy	1.0
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	2.5
AXIS BANK Commercial bank	India	0.5
B3 Clearing house and stock exchange	Brazil	0.9
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	0.9
BANK PEKAO Commercial bank	Poland	1.2
BANK RAKYAT Commercial bank	Indonesia	1.7
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.6
CREDICORP Commercial bank	Peru	1.2
DISCOVERY HOLDINGS Health and life insurance	South Africa	1.1
GARANTI BANK Commercial bank	Turkey	1.0
GF BANORTE Commercial bank	Mexico	1.9
HDFC CORP. Financial conglomerate	India	1.6

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
FINANCIALS (CONTINUED)		
HONG KONG EXCHANGES Clearing house & exchange	Hong Kong	1.1
ITAU UNIBANCO Commercial bank	Brazil	2.2
KOMERČNÍ BANKA Commercial bank	Czech Rep.	1.2
QATAR NATIONAL BANK Retail and corporate bank	Qatar	0.1
SBERBANK Commercial bank	Russia	2.7
SIAM COMMERCIAL BANK Commercial bank	Thailand	1.4
STANDARD BANK Commercial bank	South Africa	1.3
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer & distributor	South Africa	1.4
GEDEON RICHTER Branded-generic pharmaceuticals	Hungary	1.3
JIANGSU HENGRUI MEDICINE Medicine manufacturer	China	0.5
SINO BIOPHARMACEUTICAL Drug developer & mfg.	China	0.9
INDUSTRIALS		
51JOB INC. Online job ads	China	1.9
AIRTAC Pneumatic component manufacturer	Taiwan	0.7
ASUR Airport operator	Mexico	1.4
CHINA MERCHANTS Container terminal operator	China	1.1
DP WORLD Container terminal operator	UAE	1.0
JIANGSU EXPRESSWAY Toll road operator	China	0.6
NOVUS HOLDINGS Printing solutions for publications	South Africa	0.0
WEG Manufacturers and distributes industrial machinery	Brazil	0.8
INFORMATION TECHNOLOGY		
AAC TECHNOLOGIES Smartphone components supplier	China	1.2
ADVANTECH Manufacturer & marketer of industrial PCs	Taiwan	1.0
ALIBABA Internet company	China	0.7
ASM PACIFIC TECHNOLOGY Semiconductor equipment	Hong Kong	1.1
HON HAI PRECISION Electronics mfg. services provider	Taiwan	1.4
LARGAN PRECISION Lens module of smartphone camera	Taiwan	1.7
NAVER Internet search and portal provider	South Korea	1.2
NETEASE Gaming and internet services company	China	0.4
SAMSUNG ELECTRONICS Electronic devices & components	South Korea	5.2
TAIWAN SEMICONDUCTOR Semiconductor chip foundry	Taiwan	4.5
TENCENT Internet, mobile, and telecom provider	China	4.2
WEIBO Social media platform	China	1.1
MATERIALS		
SASOL Refined product and chemicals group	South Africa	0.8
REAL ESTATE		
EMAAR PROPERTIES Real estate developer	UAE	1.3
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	0.9
SAFARICOM Mobile network operator	Kenya	0.8
UTILITIES		
ENN ENERGY Natural gas distributor	China	1.9
CASH		1.6

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.

3Q17 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
SBERBANK	FINA	2.4	0.77
TENCENT	INFT	4.0	0.73
51JOB INC.	INDU	1.6	0.49
ITAU UNIBANCO	FINA	1.9	0.41
BANCO BRADESCO	FINA	1.5	0.40

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
SAMSUNG ELECTRONICS	INFT	5.2	2.82
TENCENT	INFT	3.7	1.54
SBERBANK	FINA	2.7	1.49
TAIWAN SEMICONDUCTOR	INFT	4.2	1.07
51JOB INC.	INDU	1.3	0.91

3Q17 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
ASTRA INTERNATIONAL	DSCR	1.2	-0.16
NAVER	INFT	1.3	-0.16
ASUR	INDU	1.6	-0.14
AMOREPACIFIC	STPL	0.6	-0.11
ARCELIK	DSCR	0.7	-0.10

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
AMOREPACIFIC	STPL	0.6	-0.31
CHINA MOBILE	TCOM	1.3	-0.27
NAVER	INFT	1.4	-0.23
CIELO	INFT	0.5	-0.17
AXIS BANK	FINA	1.6	-0.12

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	15.9	13.5
RETURN ON ASSETS[1] (%)	6.7	6.6
RETURN ON EQUITY[1] (%)	15.9	14.5
DEBT/EQUITY RATIO[1] (%)	39.4	54.3
STD DEV OF 5 YEAR ROE[1] (%)	3.4	3.7
SALES GROWTH[1,2] (%)	6.5	5.1
EARNINGS GROWTH[1,2] (%)	11.3	10.2
CASH FLOW GROWTH[1,2] (%)	16.4	13.5
DIVIDEND GROWTH[1,2] (%)	6.2	4.9
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	20.5	23.3
WTD AVG MKT CAP (US $B)	70.1	92.0
TURNOVER[3] (ANNUAL %)	20.6	—

RISK & VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	3.66	—
BETA[2]	0.91	—
R-SQUARED[2]	0.94	—
ACTIVE SHARE[3] (%)	74	—
STANDARD DEVIATION[2] (%)	13.46	14.28
SHARPE RATIO[2]	0.57	0.29
TRACKING ERROR (%)[2]	3.5	—
INFORMATION RATIO[2]	0.99	—
UP/DOWN CAPTURE[2]	100/85	—
PRICE/EARNINGS[4]	17.5	14.8
PRICE/CASH FLOW[4]	12.4	9.7
PRICE/BOOK[4]	2.5	1.8
DIVIDEND YIELD[5] (%)	2.1	2.3

[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: October 4, 2017); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
ALIBABA	CHINA	INFT
JIANGSU HENGRUI MEDICINE	CHINA	HLTH
MAGNIT	RUSSIA	STPL

POSITIONS SOLD	COUNTRY	SECTOR
MERCADOLIBRE	US	INFT
MHP	UKRAINE	STPL

The portfolio is actively managed, therefore holdings identified above do not represent all of the securities held in the portfolio and holdings may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance over the period. Contributors and detractors exclude cash and securities in the Composite not held in the Model Portfolio. Quarterly data is not annualized. Portfolio attribution and characteristics are supplemental information only and complement the fully compliant Emerging Markets Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

EMERGING MARKETS COMPOSITE PERFORMANCE (AS OF SEPTEMBER 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]	28.74	27.91	28.14	14.17	15.51	N.A.[5]	23	18,159	35.68
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 June 30, 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 June 30, 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.

This page intentionally left blank.