EMERGING MARKETS EQUITY

2017 Year End Report

HARDING LOEVNER

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

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED DECEMBER 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)	6.27	36.81	11.03	7.84	4.19	13.83
HL EMERGING MARKETS (NET OF FEES)	6.04	35.64	10.08	6.91	3.26	12.92
MSCI EMERGING MARKETS INDEX[4,5]	7.50	37.75	9.49	4.73	2.02	10.08

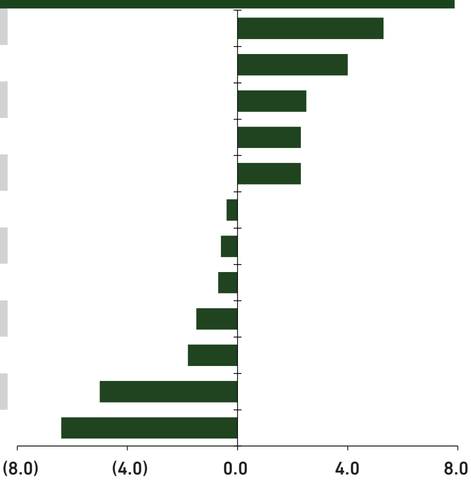
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1998; [4]The Benchmark Index; [5]Gross of withholding taxes.

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	23.5
CONS DISCRETIONARY	14.2	10.2
INDUSTRIALS	7.8	5.3
HEALTH CARE	4.9	2.6
CASH	2.3	–
CONS STAPLES	6.2	6.6
ENERGY	6.2	6.8
UTILITIES	1.7	2.4
TELECOM SERVICES	3.3	4.8
REAL ESTATE	1.0	2.8
INFO TECHNOLOGY	22.6	27.6
MATERIALS	1.0	7.4

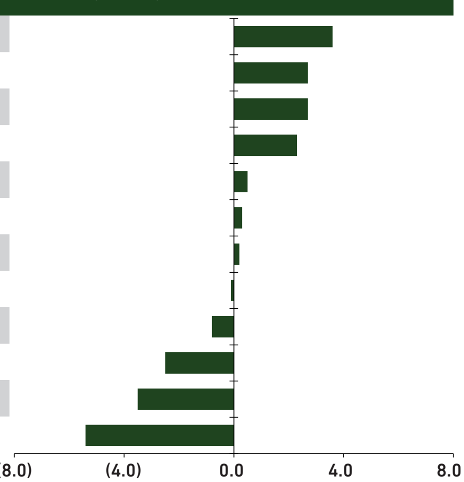
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
DEVELOPED MARKET LISTED[6]	3.6	–
FRONTIER MARKETS[7]	2.7	–
RUSSIA	6.0	3.3
CASH	2.3	–
CHINA + HONG KONG[8]	30.2	29.7
SMALL EMERGING MARKETS[9]	15.0	14.7
MEXICO	3.1	2.9
BRAZIL	6.7	6.8
SOUTH AFRICA	6.3	7.1
TAIWAN	8.8	11.3
INDIA	5.3	8.8
SOUTH KOREA	10.0	15.4

(UNDER) / OVER THE BENCHMARK



[6]Emerging markets or frontier markets companies listed in developed markets, excluding Hong Kong; [7]Includes countries with less-developed markets outside the Index; [8]The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 23.9% and Hong Kong is 6.3%. The Benchmark does not include Hong Kong; [9]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index.

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

EMs posted the highest calendar-year return since 2009.

Earnings growth accelerated in 2017, especially among IT and internet-related EM companies.

China and South Korea, which have a high concentration of tech-oriented businesses, were among the best-performing EMs this year.

Returns in Africa were boosted in the fourth quarter by good performance in South Africa, where prospects for the election of a new, reform-minded president improved.

PORTFOLIO HIGHLIGHTS

We select high-quality, growing companies to construct a portfolio that is well diversified by industry and geography.

Our holdings increasingly reflect the proliferation of innovative, quality-growth businesses across a range of industries in China.

New purchases this quarter include companies based in Panama and Russia.

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MARKET REVIEW

The MSCI Emerging Markets (EMs) Index ended an exceptionally strong year with a return of 7.5% in the fourth quarter, beating the 5.6% gain of developed markets.[1] For 2017, the EM Index returned 37.8%, the highest calendar-year return since 2009, and outperformed developed markets by nearly 15 percentage points.

EMs benefited from a confluence of economic and monetary factors in 2017. The negative sentiment toward EM in late 2016 following US President Donald Trump's election dissipated as few protectionist policies materialized. Meanwhile, economic growth gained momentum globally, giving a boost to trade. The continued absence of inflationary pressures allowed developed countries to continue the easy monetary policies that have supported lofty real asset and financial valuations. The US Federal Reserve raised rates three times in 2017, EMs digesting each of these modest increases without faltering. The US dollar was generally weaker, slipping nearly 10% against a trade-weighted basket of global currencies.[2] Most EM currencies, particularly in emerging Europe and Asia, rose alongside the major developed currencies, and their strength accounted for about one-fifth of the EM Index's return in US dollar terms.

EM companies' earnings growth stood out mainly, but not exclusively, in the Information Technology (IT) sector, whose results surpassed even the most optimistic forecasts and compelled a crescendo of upgrades as the year progressed. China's leading e-commerce, social media, and gaming companies enjoyed the most striking growth. Their revenues soared as advertisers clamored for the attention of the billion eyeballs fixed on the companies' websites and mobile platforms. Manufacturers of semiconductors and smartphone components also posted stunning earnings growth as demand grew for advanced memory products and higher-specification phones. EM profit growth, excluding Financials, is estimated to exceed 30% in 2017, and EM return on equity increased to well above that of developed markets.[3]

While IT ended the year as the top-performing EM sector, Real Estate and Consumer Discretionary were also strong. Defensive (slow-growth) sectors such as Utilities and Telecom Services lagged, although each produced double-digit returns. In the fourth quarter, Health Care was the strongest sector, led by the fast-growing and innovative drug companies of China and South Korea. They are increasingly overshadowing the Indian generic companies whose growth has been stunted by regulatory and competitive issues in the US.

For the quarter, IT performed only in line with the index, with returns heavily reliant upon China's online gaming giant **Tencent**, which continued to report standout results. Toward the end of the year, concerns mounted over weaker-than-expected demand for Apple's iPhone X, which has negative implications for companies in its supply chain, including component manufacturers **Largan Precision** (camera lenses) and assembler **Hon Hai Precision**.

By region, Asia contributed over four-fifths of EM returns in 2017, led by China and South Korea. Both markets have large weights in advanced IT and related companies. China, the largest EM market by far, started the year as a source of investor anxiety but ended as a source of optimism. The country's balance sheet risk fell significantly as government measures to reduce capital outflows succeeded, net foreign exchange reserves increased, and the yuan stabilized and then strengthened against the greenback. Confidence was further spurred by rising corporate profits, which reduced the burden of servicing China's corporate debt pile. India also posted a nearly 40% re-

MARKET PERFORMANCE (USD%)

REGION/COUNTRY	4Q 2017	TRAILING 12 MONTHS
AFRICA	21.0	36.2
SOUTH AFRICA	21.5	36.8
ASIA	8.4	43.3
CHINA	7.6	54.3
INDIA	11.8	38.8
SOUTH KOREA	11.6	47.8
TAIWAN	4.0	28.5
EUROPE	5.3	21.4
RUSSIA	4.5	6.1
LATIN AMERICA	-2.2	24.2
BRAZIL	-1.9	24.5
MEXICO	-8.0	16.3
MIDDLE EAST	-0.6	-4.5
MSCI EM INDEX	7.5	37.8

SECTOR PERFORMANCE (USD%)
OF THE MSCI EM INDEX

SECTOR	4Q 2017	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	9.1	40.4
CONSUMER STAPLES	8.3	26.0
ENERGY	8.0	21.7
FINANCIALS	8.3	33.2
HEALTH CARE	16.6	32.7
INDUSTRIALS	5.1	25.9
INFORMATION TECHNOLOGY	7.2	61.1
MATERIALS	8.8	34.3
REAL ESTATE	3.1	50.0
TELECOM SERVICES	3.1	17.5
UTILITIES	1.5	17.1

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

[1]Developed markets represented by MSCI World Index.

[2]US dollar return represented by US Dollar Index (USDX).

[3]UBS Global Research, "GEM Inc.: EPS Still Strong in '18 (+15%); Add '19–20", *EM Equity Strategy*, (December 21, 2017).

turn despite significant credit issues in its banking system and its economy's ongoing adjustment to a new universal goods and services tax. Prime Minister Narendra Modi's continuing reform agenda is driving investor expectations for higher, sustained growth.

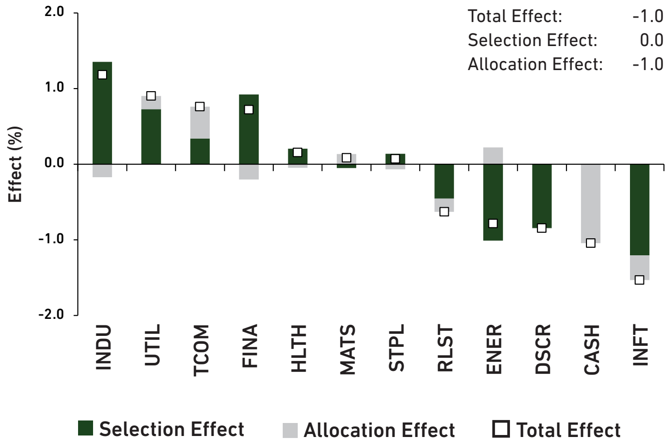
Latin America lagged during the year despite strong returns from Chile and Peru, the two countries most helped by stronger copper and gold prices. Brazil was particularly volatile as its stock market weighed the benefit of rapidly falling interest rates against rising political risk as bribery scandals impeded President Michel Temer's progress on social security reform. Mexico began the year strongly as it reversed some of its losses following Trump's victory, but lagged through the remainder of the year as concerns grew about its own presidential election cycle amidst rising support for the populist candidate Andres Manuel Lopez Obrador.

Africa performed in line with the index in 2017, but only after South Africa's equity market and the rand rose in the fourth quarter (despite the "junk" rating for its sovereign debt bestowed by S&P Global in November). Investors have been given a reason for hope in the victory of Cyril Ramaphosa as the new leader of the African National Congress (ANC) party, putting him in line to become the country's next president. This election was a stunning rebuke to President Jacob Zuma. Ramaphosa, an avowed reformer, has promised to stamp out corruption and attract foreign investment back to the country.

Together only five technology-related stocks (**Alibaba**, Tencent, **Samsung Electronics**, **TSMC**, and **Naspers**) accounted for more than 30% of the total return of the EM Index in 2017. The outstanding returns for mega-cap IT stocks also contributed to an extreme divergence in returns across different investment styles. The MSCI EM Growth Index outperformed the Value Index by 18 percentage points. The five stocks noted above comprise fully 35% of the increasingly concentrated Growth Index, which has a 44% weight in IT.

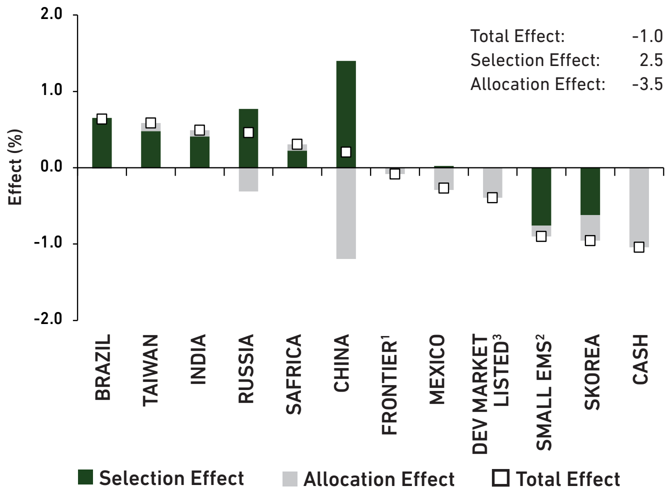
SECTOR PERFORMANCE ATTRIBUTION
TRAILING 12 MONTHS

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
TRAILING 12 MONTHS

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.

PERFORMANCE AND ATTRIBUTION

Our Emerging Markets composite rose 36.8% in 2017, behind the 37.8% return of its benchmark. This underperformance occurred in the fourth quarter, when the composite gained 6.3% while the benchmark rose 7.5%, and brought to an end our streak of seven consecutive years of outperformance. The result strikes us as consistent with the historical pattern, in which our strongest relative returns have tended to come in tougher times, when growth is less abundant and quality characteristics are more intensely coveted. Given the magnitude of 2017's returns, our small cash exposure (averaging around 3% of the portfolio) detracted significantly. The charts above attribute the year's performance by sector and region.

For the year, stock selection in the IT and Energy sectors detracted the most. We had a host of good stocks in IT, including all five of the major constituents of the EM Growth Index previously noted and **Weibo**, a leading Chinese social-media platform, which continued to post impressive revenue growth. However, poor returns from Taiwanese industrial PC-maker **Advantech** and South Korean internet search provider **NAVER**, as well as our large underweight in Alibaba, dragged on

Companies held in the portfolio during the year 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 December 31, 2017 is available on page 9 of this report.

relative performance. In Energy, detractors included our underweight exposure to coal- and oil-refining-related stocks, which performed well in a global growth environment. Another was pipe manufacturer **Tenaris**, whose shares have suffered from oil companies' low levels of investment in upstream production due to the oil-market downcycle since late 2014.

We had strong stock selection in Industrials (including **51Job Inc.**, the Chinese online job search and human-resource services company), Financials (**Bank Rakyat** of Indonesia), Utilities (Chinese natural-gas distributor **ENN Energy**), and Telecom Services (**Bharti Airtel** of India).

By region, allocation effects were negative due to our large underweight to Asia and modest overweight positions to Mexico and Russia. Despite the portfolio's underweight exposure to the hottest industries in China (internet and real estate), our China stocks managed to outperform the benchmark index, with strong contributions across various sectors.

Some of the key contributing sources for the year nonetheless detracted in the fourth quarter, such as our stock selection in Consumer Discretionary and Financials. Our holdings in Latin American banks were the main culprits in Financials. Brazilian banks gave back recent gains as lower interest rates pressured net interest margins and lending growth showed little indication of picking up. **Bancolombia** faltered after it reported a reversal in credit trends. In Mexico, **GF Banorte's** share price reacted negatively to news the bank was considering the acquisition of a smaller Mexican bank, Interacciones, owned by the family of Carlos Hank González, Banorte's chairman. While the strategic benefits of the acquisition were, in our view, unclear, management nevertheless gained shareholder approval to move forward with the deal.

Regional allocation was a drag on performance in the quarter due to our relatively low weights in South Korea and India and our overweight to Mexico; we trimmed the latter in the quarter. We also had poor stock selection in Latin America due to the aforementioned banks and our position in Mexican media company **Televisa**, which reported disappointing advertising sales.

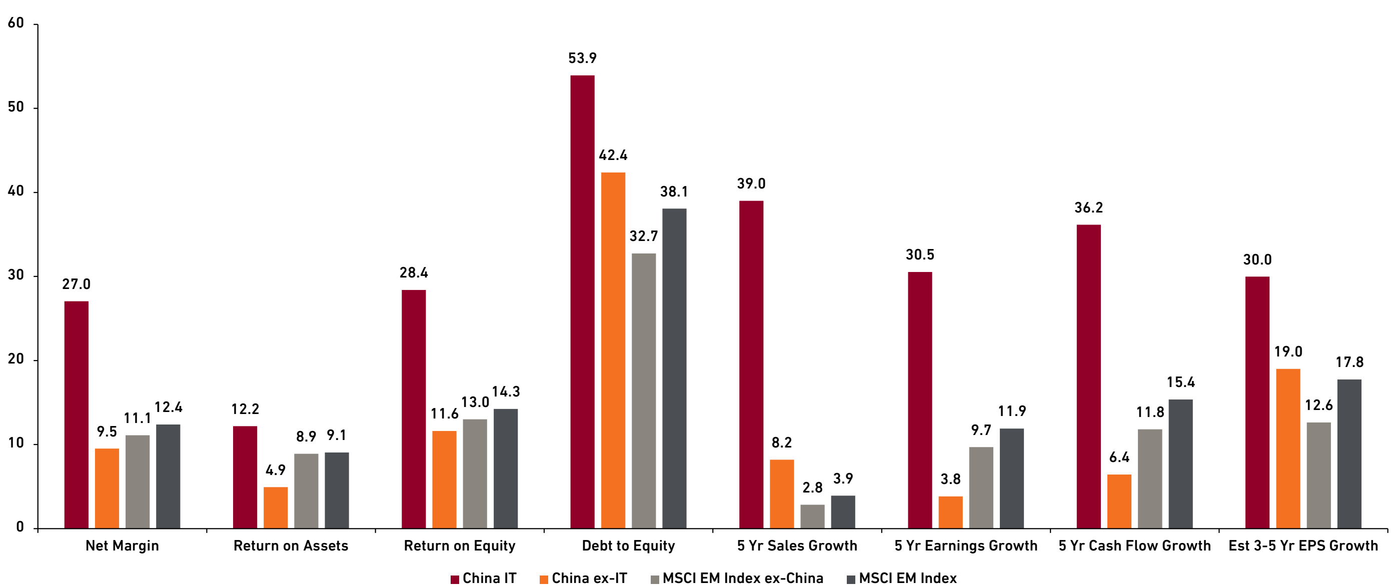
Our stock selection was positive in Asia and Europe. In China, shares in **Sino Biopharmaceutical** surged as successful drug trials and regulatory approvals led to an acceleration in revenue projections. And appliance manufacturer **Midea** reported rapid growth in demand in its home market for air-conditioning systems. Beyond China, core bank holdings **Sberbank** of Russia and **Standard Bank** of South Africa performed strongly, influenced by oil-price appreciation and political change, respectively. Both banks reported stronger operating performance after implementing advanced IT systems to improve product development and risk-management processes.

INVESTMENT PERSPECTIVES

China's Newest *New Era* (新時代):
Powered by Fundamentals

The impressive share-price appreciation of China's dominant internet stocks in 2017 mesmerized investors. Equally remarkable was the elevation in profits and returns for China's IT sector that supported this upsurge, as shown in the chart below. IT businesses' success has been underpinned by the rapid rise of China's middle class and its epochal transformation into a consumption-led economy. From 2000 to 2016, per-capita GDP rose from about US$960 to US$8,120, while the portion of the population defined as middle class jumped from

QUALITY AND GROWTH CHARACTERISTICS (EXCLUDING FINANCIALS)



Source: FactSet. Data as of December 31, 2017. All values are the weighted median.

5 million to 225 million people.[4] With the help of supportive government policies, China's IT companies created highly engaging products and services for shopping, communications, and entertainment. Share prices reflect the companies' success at capturing the attention—and the money—of this vast and growing population.

Among developing countries, China is unique in possessing a combination of pro-development government policies, strong infrastructure, rising incomes for a vast population, and well-managed companies skillfully exploiting these advantages. This powerful combination aided the fundamental advance of IT companies. We believe it also presents attractive investment opportunities in other sectors.

Among developing countries, China is unique in possessing a combination of pro-development government policies, strong infrastructure, rising incomes for a vast population, and well-managed companies skillfully exploiting these advantages.

Growth in China's IT and related businesses has been orchestrated by two highly skilled managements: the government and corporate leaders. Government provided the physical infrastructure (including advanced, and vast, transportation networks and a reliable energy grid) and schools and universities of an increasingly high quality lacking in most developing countries. State policies have also supported domestic champions in key industries, including internet-related enterprises, by providing incentives (such as tax breaks and subsidies for R&D) and protecting them from foreign competitors like Google and Facebook. Meanwhile, visionary leaders at businesses such as Alibaba and Tencent identified and seized the nascent growth opportunities that the internet provided by creating differentiated services and unique experiences for consumers. They also took advantage of the relative underdevelopment and lack of strong incumbents within the retailing, services, and entertainment industries.

But the combined efforts of government and companies are spurring the growth not only of IT and internet-related businesses. A key element of President Xi Jinping's "New Era" program—enshrined as the nation's lodestar during the 19th National Congress of the Communist Party of China held in October—is achieving a continued rise in living standards through more-advanced production methods and the development of higher-quality products and services. Xi's administration is therefore promoting innovation across multiple industries, including technology, energy, and health care. For example, the government has been encouraging more use of cleaner energy, notably natural gas. Further, China's Food and Drug Administration recently upgraded the drug approval and regulation process to meet standards akin to those of the US and Europe. These reforms, by weeding out producers of ineffective or poor-quality drugs, should reduce the competition faced by China's leading pharmaceutical companies.

Within their global universe, our analysts now follow more businesses in China than in any other country outside of the US and Japan. And this year we have markedly increased the breadth of investment opportunities available for the portfolio by completing the administrative work necessary to gain access to the Chinese domestic A-share market. While there is much to admire within China's brood of technology juggernauts, our portfolio increasingly reflects the proliferation of innovative, quality-growth businesses across a range of industries. Current holdings include **Hangzhou Hikvision** (security monitoring/analytics), Weibo (social media), Midea (home appliances), and Alibaba and **JD.com** (e-commerce). Another holding, ENN Energy, is a regulated monopoly that supplies natural gas to homes and businesses in 165 Chinese cities. We also hold two pharmaceutical companies, **Jiangsu Hengrui Medicine** and Sino Biopharmaceutical, whose treatments for serious ailments (including hepatitis and cancer) meet international quality standards but are available at prices notably lower than those of imported versions from foreign multinationals.

October's Communist Party Congress allowed President Xi to consolidate his power further. The strength of his authority means the state administration can pursue reforms more forcefully. But it also poses risks. Such centralized authority, without even modest checks and balances, can make serious policy missteps. A source of risk from an investment perspective is how authorities reconcile the rapid growth of social-media companies and their desire to maintain the absolute state authority that includes restricting free expression in mass communications. While monitoring such risks, we think government efforts to raise living standards and promote the provision of higher-quality goods and services should continue to support the growth of China's highest-quality companies.

EM ex-China: Strong Companies in (Sometimes) Challenging Environments

Our search for companies meeting our high-quality, durable-growth criteria is a truly global pursuit. It is the nature of investing in EMs that this quest leads to countries that may not possess all the factors supportive for business found today in China. Examples include Brazil and Russia, whose poor economic policies have slowed their recovery from the recessions caused by the recent years' cyclical commodity-price decline. Uncertainty is a watchword for much of Latin America, where pivotal elections are being held in 2018 in many countries, including Brazil, Mexico, Argentina, and Colombia. And while the outlook for South Africa may be improving with a change in leadership, the corruption under President Zuma and his poor fiscal policies continue to hurt the economy.

[4] "Chinese Society: The New Class War," *The Economist* (July 19, 2016); World Bank data.

To create a diversified portfolio, we focus on companies and industries, not countries, to identify strong businesses that meet our high-quality, durable-growth criteria. We ensure the portfolio is geographically diversified to control risk by also adhering to the strategy's guidelines. Our research leads to investing in superior businesses with the management, sustainable competitive advantages, and financial strength to grow over the long term and remain resilient in the face of unanticipated economic and political challenges. The median quality and growth characteristics of our portfolio, collected in the table at the end of this report, are stronger than those for the overall EM Index.

To create a diversified portfolio, we focus on companies and industries, not countries, to identify strong businesses that meet our high-quality, durable-growth criteria.

Our holdings outside China include a number of strong banks, such as South Africa's Standard Bank, that are on the leading edge of using big data and other technologies to improve their customer service and risk management. Our investments also include **Maruti Suzuki**, India's fast-growing auto manufacturer with a large distribution network and a strong brand representing reliable, low-priced cars. Two of our purchases this quarter (discussed in the following section) are the Panamanian airline **Copa Holdings** and Russian natural-gas producer **Novatek**.

We are sensitive to the prices we pay for quality-growth businesses. The chart below relates the current price-to-book ratio to its 10-year average for all sectors within the MSCI EM Index, MSCI EM Index ex-China, and MSCI World Index. Clearly the growth offered across EMs in sectors such as IT, Consumer Discretionary, and Health Care is now expensive relative to history.

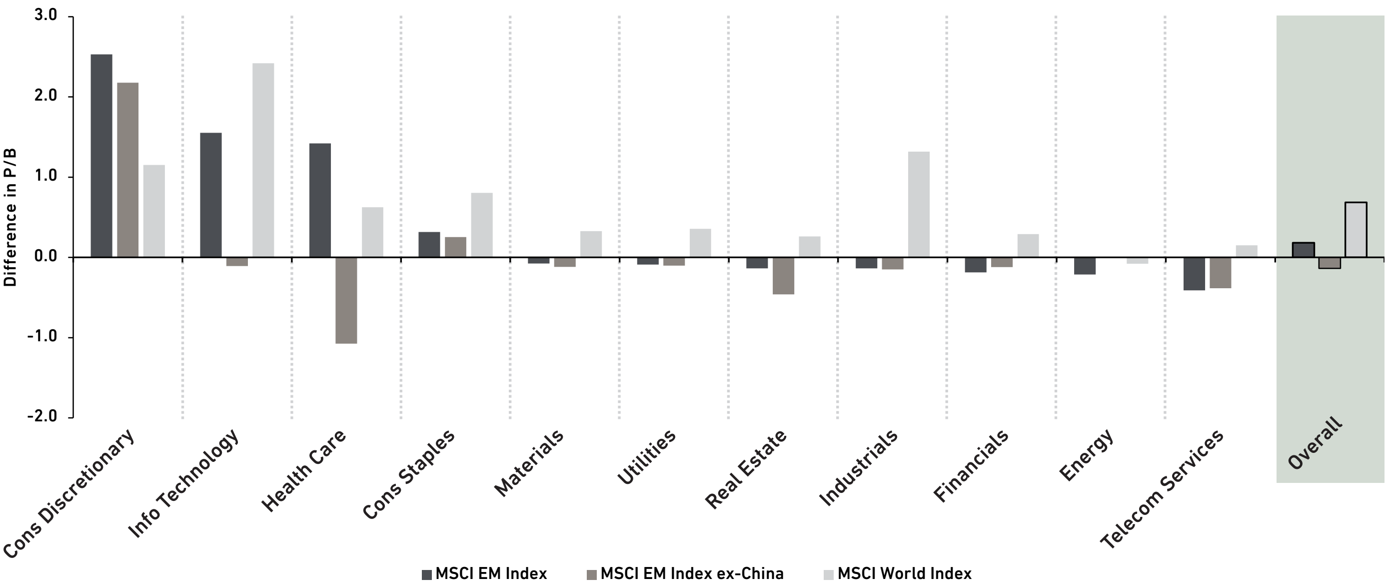
When China is excluded from the other EMs, however, price multiples outside of the Consumer Discretionary sector are not high relative to their long-term averages. Valuation is one reason we limit exposure to the otherwise highly appealing opportunity set of China companies as we seek attractive opportunities across the entire EM universe. We also note that EMs overall continue to look attractive on the basis of the price-to-book ratio relative to developed markets.

PORTFOLIO HIGHLIGHTS

Fluctuations in price relative to our estimates of fair value and growth expectations drove many of our transactions throughout 2017. At the end of the year, the portfolio's sector exposures resembled those in 2016, including large weights (absolute and relative to the benchmark) in Financials and Consumer Discretionary and small weights in Materials and Real Estate.

The portfolio's allocation to Industrials shifted from underweight to overweight this year partly from our fourth-quarter purchase of Copa Holdings, a leading Latin American airline based in Panama. Copa Airlines' hub-and-spoke network spreads from its Panama City base to about 75 primarily medium-sized cities in 30 countries in North, Central, and South

EM, EM EX-CHINA, 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 December 31, 2017 minus the 10-year P/B.

America and the Caribbean. The company generates high profit margins by operating a relatively new, fuel-efficient fleet at a low cost-per-mile, and enjoys a network advantage formed from its early expansion into medium-sized markets. Copa also provides a higher-level of service that allows it to charge higher fares than many peers. Margins in the third quarter were the highest for that period since 2013, fueled by growing flight capacity and rising demand. We think passenger demand will be propelled by regional economic growth and the increasing preference for Copa's extensive network and services, while its competitive advantages should support its solid margins.

In the Energy sector, we purchased Novatek, a Russian producer of natural gas, LNG, and natural gas liquids like condensate and propane. The company is the world's eighth-largest gas producer and the third-largest owner of proven natural gas reserves. Its reserves' low cost of development and production have enabled Novatek to earn returns above its cost of capital despite the depressed hydrocarbon prices of recent years. With the company's launch of a large LNG plant on Yamal peninsula in December and more LNG projects in progress, we believe Novatek can grow production rapidly to continue gaining market share.

In IT, we added this quarter a third China A-share. Hikvision, the leading global manufacturer of video surveillance equipment and related systems, was founded in 2001 as a supplier of security video encoder cards that convert images from analog to digital. In 2015, thanks to its large investments in R&D, Hikvision began offering fully digital surveillance systems. The company's product line includes high-end video hardware that, among other features, has the ability to "see" in very low light using its proprietary, and world-leading, image-processing algorithms. Hikvision's software incorporates artificial intelligence to interpret video data. The company's AI-powered cameras can identify license plates of moving cars and human faces in natural settings. The company is partly owned by the Chinese government, which raises security concerns for some customers outside China. We expect Hikvision, which enjoys a 21% market share globally, to continue to grow even if its opportunities outside China are limited to non-sensitive applications.

Hikvision's product line includes high-end video hardware that, among other features, has the ability to "see" in very low light using its proprietary, and world-leading, image-processing algorithms.

We reduced the portfolio's Consumer Staples weight partly through the sale of Philippines-based food company **Universal Robina**, whose price appeared high given that it faces heightened competition in its coffee business and has had difficulty integrating a recent acquisition. We also sold Russian retailer **Magnit**, unusually only shortly after buying it. We previously held the company because we liked its growth strategy of offering the only modern-format supermarket in smaller cities. We sold the position in 2016 as other modern stores entered Magnit's markets, hurting margins. Then we re-purchased the stock in third quarter 2017 after Magnit's second-quarter results indicated improving sales growth and strong gross margins, which we considered a sign that the competitive intensity had stabilized. The shares also appeared attractively priced. Unfortunately, Magnit's subsequent results reverted to the negative trend. We realized the Russian retail market was more saturated than we originally thought, and Magnit's management has not provided a clear strategy for steering the company back to growth in the face of this rising competition.

Another company we sold due to rising competitive intensity was Televisa, Mexico's leading broadcast television, cable, and satellite TV operator and producer of some of the country's most-popular entertainment programs. The advertising revenue that Televisa generates from its Spanish-language content is from free-to-air (FTA) broadcasting. That revenue is eroding as advertisers migrate from the broad reach of TV toward highly targeted and more-effective advertising on Google, Facebook, and other digital platforms. Globally, spending on digital advertising is expected to surpass television advertising this year; in Mexico digital is expected to overtake television by 2020. We believed the shares were overvalued given the prospective negative impact of digital advertising on its key content business. We were also concerned that Televisa's other two key assets—cable TV and pay satellite TV— after years of impressive growth have been showing signs of slowing down. Subscriber penetration is high in urban areas, requiring the company increasingly to seek growth in rural areas, where new subscribers are more price sensitive.

EMERGING MARKETS HOLDINGS (AS OF DECEMBER 31, 2017)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
ARCELIK White goods producer	Turkey	0.5
ASTRA INTERNATIONAL Conglomerate, auto mfg. & distrib	Indonesia	1.0
CTRIP.COM Travel agent	China	0.6
ECLAT TEXTILE Technology-based textile company	Taiwan	0.8
HANKOOK TIRE Tire manufacturer	South Korea	1.3
HANSSEM Kitchen and interior furniture retailer	South Korea	0.8
JD.COM eCommerce company	China	1.4
MARUTI SUZUKI Automobile manufacturer	India	2.2
MIDEA GROUP Home appliance company	China	1.5
NASPERS Media, internet, pay TV company	South Africa	1.0
SANDS CHINA Integrated resorts and casinos operator	Hong Kong	1.3
SHENZHOU INTERNATIONAL Textile manufacturer	China	1.7
CONSUMER STAPLES		
AMBEV Brazil's dominant brewer	Brazil	1.0
AMOREPACIFIC Cosmetics company	South Korea	0.8
COCA-COLA HBC 28-Country Coke bottler	UK	1.3
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	1.6
PÃO DE AÇÚCAR Brazilian foods retailer	Brazil	0.8
ENERGY		
CNOOC Oil and gas producer	China	1.8
LUKOIL Integrated oil and gas company	Russia	1.8
NOSTRUM OIL & GAS Kazakhstani oil and gas company	UK	0.3
NOVATEK E & P with focus on gas	Russia	1.3
TENARIS Steel pipe manufacturer	Italy	1.1
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	2.8
B3 Clearing house and stock exchange	Brazil	0.8
BANCO BRADESCO Commercial bank	Brazil	1.3
BANCO MACRO SA Commercial bank	Argentina	0.6
BANCO SANTANDER CHILE Commercial bank	Chile	1.1
BANCOLOMBIA Commercial bank	Colombia	0.8
BANK OF GEORGIA Commercial bank	UK	0.9
BANK PEKAO Commercial bank	Poland	1.2
BANK RAKYAT Commercial bank	Indonesia	1.9
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.5
CREDICORP Commercial bank	Peru	1.1
DISCOVERY HOLDINGS Health and life insurance	South Africa	1.4
GARANTI BANK Commercial bank	Turkey	0.9
GF BANORTE Commercial bank	Mexico	1.4
HDFC CORP. Financial conglomerate	India	1.5
HONG KONG EXCHANGES Clearing house & exchange	Hong Kong	1.4
ITAU UNIBANCO Commercial bank	Brazil	2.0

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
FINANCIALS (CONT.)		
KOMERČNÍ BANKA Commercial bank	Czech Rep.	1.1
SBERBANK Commercial bank	Russia	3.0
SIAM COMMERCIAL BANK Commercial bank	Thailand	1.3
STANDARD BANK Commercial bank	South Africa	1.6
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer & distributor	South Africa	1.3
GEDEON RICHTER Branded-generic pharmaceuticals	Hungary	1.3
JIANGSU HENGRUI MEDICINE Medicine manufacturer	China	0.9
SINO BIOPHARMACEUTICAL Drug developer & mfg.	China	1.5
INDUSTRIALS		
51JOB INC. Online job ads	China	1.5
AIRTAC Pneumatic component manufacturer	Taiwan	0.9
ASUR Airport operator	Mexico	1.2
CHINA MERCHANTS Container terminal operator	China	0.8
COPA HOLDINGS Airline	Panama	0.9
DP WORLD Container terminal operator	UAE	1.1
JIANGSU EXPRESSWAY Toll road operator	China	0.5
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	0.6
ALIBABA Internet company	China	0.7
ASM PACIFIC TECHNOLOGY Semiconductor equipment	Hong Kong	0.8
HANGZHOU HIKVISION Surveilance camera maker	China	1.1
HON HAI PRECISION Electronics mfg. services provider	Taiwan	1.2
LARGAN PRECISION Lens module of smartphone camera	Taiwan	1.1
NAVER Internet search and portal provider	South Korea	0.8
NETEASE Gaming and internet services company	China	0.5
SAMSUNG ELECTRONICS Electronic devices & components	South Korea	4.8
TENCENT Internet, mobile, and telecom provider	China	4.5
TSMC Semiconductor chip foundry	Taiwan	4.3
WEIBO Social media platform	China	1.1
MATERIALS		
SASOL Refined product and chemicals group	South Africa	1.0
REAL ESTATE		
EMAAR PROPERTIES Real estate developer	UAE	1.0
TELECOM SERVICES		
BHARTI AIRTEL Integrated telecom services	India	0.8
BHARTI INFRATEL Telecom tower infrastructure provider	India	0.7
CHINA MOBILE Mobile telecom company	China	0.9
SAFARICOM Mobile network operator	Kenya	0.9
UTILITIES		
ENN ENERGY Natural gas distributor	China	1.7
CASH		2.3

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.

4Q17 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TENCENT	INFT	4.4	0.84
SINO BIOPHARMACEUTICAL	HLTH	1.2	0.67
SBERBANK	FINA	2.9	0.51
MARUTI SUZUKI	DSCR	2.0	0.49
DISCOVERY HOLDINGS	FINA	1.2	0.48

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TENCENT	INFT	3.8	3.17
SAMSUNG ELECTRONICS	INFT	5.1	3.01
TSMC	INFT	4.2	1.72
MARUTI SUZUKI	DSCR	1.8	1.43
AIA GROUP	FINA	2.7	1.32

4Q17 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
GF BANORTE	FINA	1.6	-0.39
LARGAN PRECISION	INFT	1.6	-0.34
TELEVISA	DSCR	0.5	-0.25
EMAAR PROPERTIES	RLST	1.1	-0.21
CTRIP.COM	DSCR	0.9	-0.20

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
MAGNIT	STPL	0.1	-0.17
TENARIS	ENER	1.1	-0.17
QATAR NATIONAL BANK	FINA	0.5	-0.12
SUN PHARMACEUTICAL	HLTH	0.3	-0.11
ARCELIK	DSCR	0.5	-0.06

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	16.5	13.7
RETURN ON ASSETS[1] (%)	7.5	6.7
RETURN ON EQUITY[1] (%)	17.5	14.7
DEBT/EQUITY RATIO[1] (%)	38.3	53.9
STD DEV OF 5 YEAR ROE[1] (%)	2.6	2.8
SALES GROWTH[1,2] (%)	6.6	5.1
EARNINGS GROWTH[1,2] (%)	12.1	10.3
CASH FLOW GROWTH[1,2] (%)	16.9	14.5
DIVIDEND GROWTH[1,2] (%)	7.5	5.8
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	24.8	25.6
WTD AVG MKT CAP (US $B)	77.8	101.5
TURNOVER[3] (ANNUAL %)	21.4	—

RISK & VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	3.36	—
BETA[2]	0.91	—
R-SQUARED[2]	0.94	—
ACTIVE SHARE[3] (%)	74	—
STANDARD DEVIATION[2] (%)	13.44	14.27
SHARPE RATIO[2]	0.57	0.31
TRACKING ERROR (%)[2]	3.5	—
INFORMATION RATIO[2]	0.90	—
UP/DOWN CAPTURE[2]	100/86	—
PRICE/EARNINGS[4]	17.4	14.8
PRICE/CASH FLOW[4]	12.8	9.7
PRICE/BOOK[4]	2.6	1.8
DIVIDEND YIELD[5] (%)	2.0	2.2

[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: January 4, 2018); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
COPA HOLDINGS	PANAMA	INDU
HANGZHOU HIKVISION	CHINA	INFT
NOVATEK	RUSSIA	ENER

POSITIONS SOLD	COUNTRY	SECTOR
AXIS BANK	INDIA	FINA
MAGNIT	RUSSIA	STPL
MASSMART HOLDINGS	SOUTH AFRICA	STPL
QATAR NATIONAL BANK	QATAR	FINA
TELEVISA	MEXICO	DSCR
UNIVERSAL ROBINA	PHILIPPINES	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 DECEMBER 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[4]	36.81	35.64	37.75	13.90	15.36	0.3	23	19,177	35.51
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.[5]	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 performance returns and assets shown are preliminary; [5]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 September 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 September 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.

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