HARDING LOEVNER

EMERGING MARKETS EQUITY

2018 First Quarter Report

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

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED MARCH 31, 2018[1]

	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EMERGING MARKETS (GROSS OF FEES)	3.12	26.27	11.78	8.46	5.58	13.83
HL EMERGING MARKETS (NET OF FEES)	2.90	25.19	10.82	7.52	4.63	12.91
MSCI EMERGING MARKETS INDEX (GROSS)[4,5]	1.47	25.37	9.20	5.36	3.36	10.03

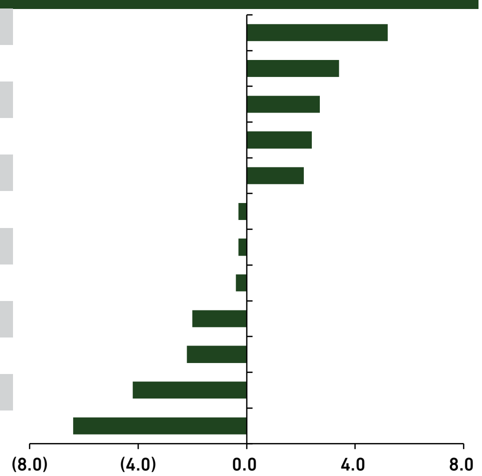
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1998; [4]The Benchmark Index; [5]Gross of withholding taxes.

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	29.2	24.0
CONS DISCRETIONARY	12.8	9.4
INDUSTRIALS	7.9	5.2
HEALTH CARE	5.2	2.8
CASH	2.1	–
CONS STAPLES	6.2	6.5
UTILITIES	2.1	2.4
ENERGY	6.8	7.2
REAL ESTATE	0.8	2.8
TELECOM SERVICES	2.4	4.6
INFO TECHNOLOGY	23.6	27.8
MATERIALS	0.9	7.3

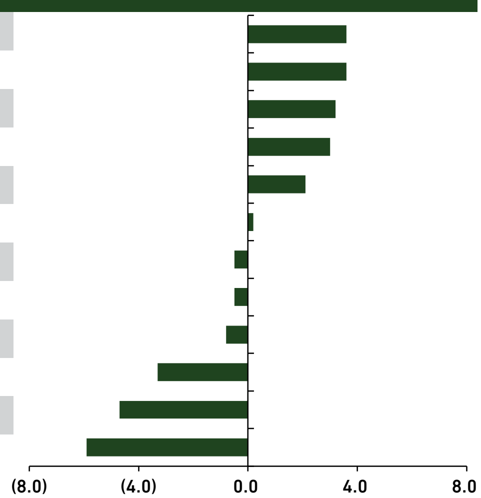
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
CHINA + HONG KONG[6]	33.5	29.9
DEVELOPED MARKET LISTED[7]	3.6	–
RUSSIA	6.8	3.6
FRONTIER MARKETS[8]	3.0	–
CASH	2.1	–
MEXICO	3.1	2.9
BRAZIL	7.0	7.5
SOUTH AFRICA	6.2	6.7
SMALL EMERGING MARKETS[9]	13.6	14.4
TAIWAN	8.5	11.8
INDIA	3.4	8.1
SOUTH KOREA	9.2	15.1

(UNDER) / OVER THE BENCHMARK



[6]The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 27.5% and Hong Kong is 6.0%. The Benchmark does not include Hong Kong; [7]Emerging markets or frontier markets companies listed in developed markets, excluding Hong Kong; [8]Includes countries with less-developed markets outside the Index; [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.

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MARKET REVIEW

Amid a return of volatility to global equity markets, Emerging Market (EM) stocks rose modestly in the quarter and, for the fifth quarter in a row, outperformed developed markets. Investors appeared to be torn between the strength of EM companies' fundamentals, as reflected in robust earnings growth, and emerging threats to the world's cyclical economic expansion. Strong employment reports in the US and Japan presaged higher wage inflation and fed the fear that global interest rates would rise faster and further than previously expected. Another threat, of a global trade war, followed when US President Donald Trump announced import tariffs on aluminum, steel, and a broad cross-section of other products from China, and the US's trading partners, including the European Union and China, promptly responded with retaliatory measures.

MARKET PERFORMANCE (USD%)

REGION/COUNTRY	1Q 2018	TRAILING 12 MONTHS
AFRICA	-3.8	25.4
SOUTH AFRICA	-4.0	25.6
ASIA	0.9	27.4
CHINA	1.8	39.2
INDIA	-7.0	10.2
SOUTH KOREA	-0.4	26.0
TAIWAN	5.7	21.5
EUROPE	2.1	22.2
RUSSIA	9.4	21.7
LATIN AMERICA	8.1	19.7
BRAZIL	12.5	26.8
MEXICO	0.9	1.1
MIDDLE EAST	0.6	-5.9
MSCI EM INDEX	1.5	25.4

SECTOR PERFORMANCE (USD%)
OF THE MSCI EM INDEX

SECTOR	1Q 2018	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	-6.1	16.7
CONSUMER STAPLES	-0.8	16.2
ENERGY	7.6	25.3
FINANCIALS	4.2	26.1
HEALTH CARE	7.1	34.7
INDUSTRIALS	-0.7	9.8
INFORMATION TECHNOLOGY	2.2	40.6
MATERIALS	0.8	20.6
REAL ESTATE	-2.1	32.9
TELECOM SERVICES	-3.6	5.1
UTILITIES	3.0	9.7

Source: FactSet (as of March 31, 2018); MSCI Inc. and S&P.

Volatility was especially high in the Information Technology (IT) sector, home to many of the fastest-growing companies and most highly valued stocks, which twice during the quarter rose and fell more than 10%. Energy provided the strongest returns, as Brent oil sustained prices in the US$65–70 range, followed by Health Care, which saw strong returns from the leading South Korean and Chinese drug companies. Financials and Consumer Discretionary—sectors that are often seen as a gauge of overall economic health—provided conflicting signals. Financials outperformed, with strong contributions from Brazil, China, Malaysia, South Africa, and Russia. Consumer Discretionary, in contrast, was the weakest sector. It posted negative returns in all but the Philippines, with auto companies in China, India, and South Korea declining notably amid rising trade tensions. The South African media conglomerate (and EM Index heavyweight) **Naspers** was another drag on the sector. Following its surprise move to trim slightly its stake in Chinese internet platform **Tencent**, Naspers' shareholders were disappointed to learn that the company had no intention of sending them, through dividends or stock buybacks, any of the US$10 billion in net proceeds.

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Latin America was the best-performing region on strong returns in Brazil and Peru. The Brazilian market spiked after a court upheld the conviction of former president Luiz Inácio Lula da Silva on corruption charges, likely precluding him from running again and restoring his redistributionist policies. Gains in Russia, led by Energy and Financials, helped emerging Europe outperform. Africa underperformed, dragged down by Naspers.

Performance varied widely across Asian markets, with Thailand and Pakistan posting strong returns, China roughly flat with the index, and India, Indonesia, and the Philippines falling. India faced a new challenge with its banking system: revelations of fraud inside one of the leading state banks, Punjab National. Also, India enacted a new capital gains tax on equity investments held for over a year. The tax—unusual in EM countries—cuts the potential net return for long-term investors and is antithetical to Prime Minister Narendra Modi's avowed goal to attract more long-term investment capital.

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 March 31, 2018 is available on page 9 of this report.

PERFORMANCE AND ATTRIBUTION

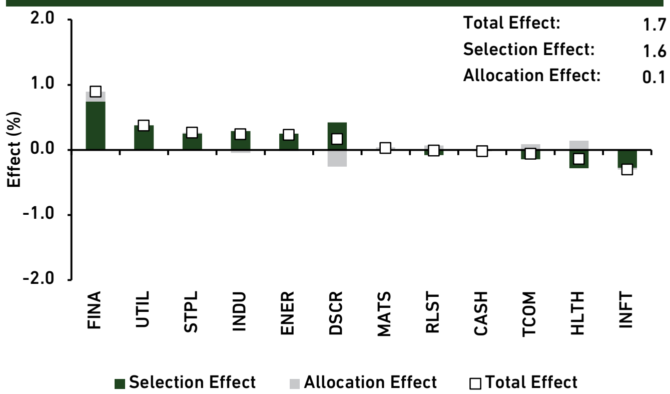
The Emerging Markets composite rose 3.1%, ahead of the 1.5% return of its benchmark. The charts below attribute the quarter's performance by sector and region.

Our focus on high-quality businesses contributed to this quarter's outperformance, while our growth tilt had a comparatively modest, yet still positive, impact. Stock selection was strong in the Financials, Consumer Discretionary, Utilities, Industrials, and Consumer Staples sectors, while it lagged in Health Care and IT.

In Financials, contributors included Brazilian banks **Itaú Unibanco** and **Banco Bradesco**, and South Africa's **Standard Bank**, whose shares were boosted by strong fourth-quarter earnings. The company's migration to a new digital banking platform, nearly complete after a half decade, promises greater efficiency and the ability to offer new, customized products and has helped to raise the market's expectations for long-term profits. Despite difficult economic conditions on the continent, Standard Bank's "Africa" business, which excludes its home country, has continued to grow and now accounts for almost one-third of its banking profits.

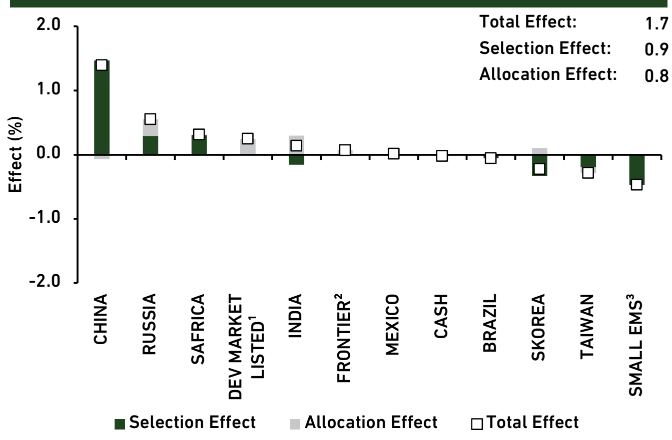
SECTOR PERFORMANCE ATTRIBUTION FIRST QUARTER 2018

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION FIRST QUARTER 2018

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



[1]Emerging markets or frontier markets companies listed in developed markets; [2]Includes countries with less-developed markets outside the Index; [3]Includes the remaining emerging markets, which individually, comprise less than 5% of 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 Consumer Discretionary, relative returns were boosted by shares of clothing manufacturers China's **Shenzhou International** and Taiwan's **Eclat Textile**. In their recent earnings reports, Shenzhou indicated continued steady growth in sales and earnings, while Eclat showed it was recovering from a period of weak demand in 2016 and early 2017. Shares of **ENN Energy**, a Chinese gas-distribution company and our sole Utilities holding, rose further as its management forecast 20% annual growth in gas volumes over the next two years, citing pent-up demand from commercial and industrial customers. In Industrials, China's leading online job search portal **51Job Inc.** performed well as per-client revenues and profit margins rose; its recent improvements to its management and employee incentives appear to be paying off.

Returns in Health Care were hurt by Hungarian pharmaceutical company **Gedeon Richter (GR)**, whose shares fell due to concerns about Esmya, its drug for uterine fibroids, after European regulators warned new patients not to use the drug until its risks were evaluated. Its negative impact was partly offset by good returns from Chinese pharmaceutical makers **CSPC Pharmaceutical Group**, **Jiangsu Hengrui Medicine** and **Sino Biopharmaceutical**. As leading health-care companies in China, they have benefited from last year's government reforms that have streamlined the drug approval process and clamped down on producers of poor-quality or ineffective drugs.

The main detractor in IT was **Largan Precision**, which supplies precision lenses to smartphone manufacturers, including Apple. Investors worried that iPhone X demand is falling short of expectations.

Viewed by region, our Chinese holdings added the most to relative returns, with contributions from companies in a variety of industries, including textile manufacturing, gas distribution, online job search, and health care (all as noted above), as well as social media (**Weibo**) and video-surveillance equipment (**Hangzhou Hikvision**). Our overweight to the strong Russian market, as well as good performance from **Lukoil**, also boosted relative returns. Meanwhile, we had poor returns in South Korea, notably from home-furnishings company **Hanssem**, which reported worse-than-expected results for 2017.

INVESTMENT PERSPECTIVES

Two years into an extended rally, EMs maintained their upward trajectory—but just barely. Last year's strong returns were spurred by synchronized global economic growth, rising commodity prices, and an acceleration in corporate earnings growth, especially for fast-growing e-commerce and IT companies. Positive trends for EMs seem to be persisting into 2018. Corporate earnings expectations, underpinned by robust global economic growth, remain strong. Across most EMs, inflation remains benign and current account deficits are narrower, relieving dependence on external financing. In China, by far the largest EM, the government has reduced risks by reining in credit growth and moderating capital outflows. Many EM countries—notably Russia and Brazil—are earlier in the upward stage of the business cycle than the US and other developed economies. Additionally, the EM Financials sector's recent strong outperformance is perhaps signaling a positive outlook for credit demand.

As we manage the portfolio in the current environment, we are careful to differentiate between what we can reasonably foresee, and what we cannot.

The outlook for EM equity market returns appears more balanced now than in 2016–17, as these positive factors are more fully reflected in share prices and investors are having to digest some ugly new prospects, including rising global interest rates and a potential trade war between the US and China.

We do not position our portfolio in reliance of forecasts of political or economic developments. That does not mean we ignore clouds gathering above our companies. As we manage the portfolio in the current environment, we are careful to differentiate between what we can reasonably foresee, and what we cannot.

Trade Fears

We fear a rise in protectionism. Free trade is how economies get rich; restricted trade is how they get poor. But we also recognize the impossibility of generating investment insights from the unknowable. What will be the exact changes in US trade policy? What products or services will ultimately be affected? What will other countries' reactions be? Are the current threats a negotiating tactic that will ultimately bring concessions and lead to more trade-friendly relations? Nobody knows. What we *do* know, from experience (ours and others'), is that we have little ability to predict geopolitical outcomes. For this reason,

PORTFOLIO RISK ANALYSIS AND THE CORRECTION
BY SCOTT CRAWSHAW

The revival in market volatility this quarter provided a stark contrast to the recent period characterized by dampened volatility and investors' willingness to ignore the risks inherent in equities. By the end of 2017, the volatility in global equity index returns had fallen to that of fixed income barometers! We have written about the risks that we perceive in equity markets during this prolonged, ascending market, including our concerns about rising valuations of long-duration growth stocks, which are precisely the kind our investment philosophy propels us to own.

The quantitative risk model we use to analyze portfolio risks has signaled in recent quarters an increasing contribution to forecasted market volatility from stocks in China, where our weight has been rising, and IT. The model's analysis is a reflection of relatively high volatility in technology stocks and a strong statistical relationship between the sector and China, the source of internet-related companies that are now dominant in the index. However, the model's forecast of aggregate portfolio volatility and "beta" have remained below that of the index and 1.0, respectively, consistent with the long-term pattern for our strategy.

The quantitative risk model we use has pointed to our China stocks as strong diversifiers.

Notably, the model has pointed to our China stocks as strong diversifiers, specifically relative to the index. This analysis provides some confirmation that our adding new Chinese holdings (including companies listed only as local A-shares) spanning multiple industries has been fruitful from a portfolio-risk-reduction perspective. The acute correction from January 26 to February 9 provided, in effect, a test of the model's predictions. Our portfolio "captured" only 91% of the index's roughly 10% drop, consistent with the model's prediction of below-market systematic risk, and our China stocks contributed over four-fifths of our excess return during this period.

Although we have no insight into the near-term direction of markets (nor indeed of our stocks), experience has taught us that sticking to our philosophy of owning only (apparent) quality and growth increases the probability of avoiding terrible outcomes in the poorest markets. Our equity strategies have compiled superior risk-adjusted returns over the long term in part through their tendency to achieve better-than-expected results in challenging environments, when market returns are negative or only slightly positive.

The calculations in this section are based on holdings-based returns.

we have not changed course. Instead, we continue our usual work of probing deeply a broad and varied set of high-quality, growing companies to assess the likelihood that, and extent to which, their growth is sustainable, and what that implies about the value of their shares. So far, we have made no changes to the portfolio in reaction to Trump's recent tariffs or other countries' retaliation.

We believe that companies with competitive advantages, financial strength, and strong managements will be resilient to shocks from any number of directions, including changes in trade patterns. One example of such a company is **TSMC**, the semiconductor foundry. It is one of the few global businesses that offers the combination of cost-efficient, high-volume, and sophisticated chip manufacturing. In addition to its industry-leading factories, TSMC also customizes its chip-fabrication technology for its largest clients, such as Nvidia. Its customers would have few alternatives to turn to if, by chance, Taiwan were swept into the trade dispute and new tariffs made TSMC's products more expensive.

Many of our Chinese companies are domestically focused and operate in industries that have little direct exposure to US trade policy.

A significant amount of our portfolio companies' revenues is from China, the main target of Trump's tariffs and threatened restrictions. Many of our Chinese companies are domestically focused and operate in industries that have little direct exposure to US trade policy. Examples include 51Job Inc. (online job search); ENN Energy (natural gas distribution); **China Mobile** (mobile telephony); and Jiangsu Hengrui Medicine (health care). To be sure, we also hold export-oriented Chinese businesses that would be directly affected by a severe breakdown in trade relations, such as clothing manufacturer Shenzhou International, Industrials company **Han's Laser**, and global appliance manufacturer **Midea Group**. However, even their US-sourced revenues are low. Shenzhou's is the highest of the three, at around 12%. Midea manufactures for major US brands including GE and Electrolux, but its US revenues represent only approximately 5% of the total.

If the current skirmish were to escalate into an all-out trade war, it would be a calamity for global growth, and those emerging economies that are most exposed to global trade, such as China, Malaysia, Mexico, and South Korea, would be hurt badly. Then again, the latest round of complaints and pushbacks may be viewed as a hardball form of negotiation whose outcome might ultimately be positive for trade. In recent years, China has been opening new industries to foreign investment and reducing tariffs. Rather than inciting China to dial back on such reforms, the confrontation could just as easily speed China's progress in that direction.

Challenges for Chinese Internet Companies

We cannot base our investment decisions on what might—or might not—happen in government offices. Instead, our decision-making is guided by the analysis of companies' fundamentals and management decisions and how both may be affected by changes in the competitive dynamics of industries. In our bottom-up approach, we look for businesses with high and consistent returns on capital, significant free cash flow, healthy balance sheets, and management focused on their companies' core strengths.

In 2017 the companies that generated the most impressive revenue and profit growth, and whose stocks contributed the most to EM returns, included the leading Chinese internet companies **Alibaba** (e-commerce) and Tencent (online gaming and other entertainment) as well as South Africa's Naspers (thanks to its one-third ownership of Tencent). We hold all three, as well as other growing internet platforms including **JD.com** (e-commerce), Weibo (social media), and **Baidu** (internet search). Therefore, we are particularly mindful of any potential change to the sustainability of their revenue growth and high returns.

These companies continue to have strong competitive advantages, high-quality fundamentals, and impressive growth prospects. They enjoy a vast domestic market, face few foreign competitors, and exhibit great skill in capturing a share of the rising incomes of hundreds of millions of Chinese consumers. In the fourth quarter, Tencent reported that its games continued to show healthy growth in average revenue per user. Weibo's results showed sales grew nearly 80% and net income rose over 200% in 2017 year-over-year. Advertising on its platform has become a "must have" for large companies. Such strong competitive positions will not be surmounted easily.

Nevertheless, we are watching carefully for evidence of changes in the sustainability of their revenues, profits, and returns. One sign—a contraction of profit margins year-over-year due to increased spending—appeared in some recent earnings reports, including Alibaba's and Tencent's. No market is infinite and it is not surprising that many Chinese internet businesses are reporting a slowing rate of user growth. Well over half of China's 1.4 billion people regularly connect to the internet and more than 750 million people already have smartphones. Acquiring new users—and retaining existing ones—are thus more difficult and increasingly expensive. A related concern is that, as the market grows more slowly, rivalry among established companies is increasing. New competitors are also growing in strength and numbers—notably in the social media space—and luring the established companies' users. One is Toutiao, a private Beijing-based company, which has two popular apps offering artificial-intelligence-curated newsfeeds and short videos.

Our portfolio companies are responding to the more challenging environment in different ways. Alibaba's efforts to sustain its growth include making sizeable investments to acquire traditional "brick and mortar" retail assets, thereby expanding the company's customer fulfillment infrastructure. The company has also made international investments, including Southeast Asian e-commerce company, Lazada, which may not replicate the returns on investment generated in Alibaba's home market. E-commerce company JD.com has been investing in its subsidiary, JD Logistics, which offers a suite of services including delivery, warehousing, and inventory management. The company is also expanding outside China, including spending to establish a presence in the competitive European market. We are monitoring the impact of these initiatives on returns. Weibo, the social media platform, profits from low content costs—production has been largely sourced from its own user base as key opinion leaders, celebrities, and companies have willingly posted content (increasingly in video format) to engage Weibo's huge network of users. But its user acquisitions costs have risen as China's smartphone industry has become more consolidated and the number of competing platforms has grown. Where once phone companies pre-installed Weibo's app for free in return for placing advertisements on the social-media platform, now Weibo increasingly must pay to be pre-installed on phones.

In monitoring our Chinese internet holdings (and indeed all portfolio companies), we will continue evaluating their share prices relative to our forecasts of growth and return. We will take action where we determine share prices do not reflect threats to the sustainability of returns, whether they be slowing growth or the cost of that growth. Baidu is a case in point. Last year, after holding Baidu for six years, we sold the company because we had grown dismayed by management's decisions to spend US$3.2 billion on a variety of "online-to-offline" services, such as food delivery, in a bid to become a greater part of their users' lives. Companies must invest and take risks to keep growing, and we do not expect all of their investments to be successful. But we decided to act in that case because we felt Baidu was straying too far from its competencies. After suffering heavy losses, Baidu ultimately sold the services to refocus on its core online search and artificial intelligence technologies. This quarter we re-purchased Baidu's stock because we thought the re-oriented company once again possessed—even in the face of new competitive threats—solid growth and return prospects not fully reflected in the share price.

PORTFOLIO HIGHLIGHTS

With some new purchases and significant appreciation, our portfolio's combined weight of China and Hong Kong grew to 34%—10 percentage points higher than a year ago and just below the 35% limit of our self-imposed portfolio guidelines. As they sift through the gamut of potential equity investments in China, including the large number of domestically listed A-share companies, our analysts are finding high-quality, growing businesses operating in a variety of industries. In addition to Baidu, discussed earlier, our China purchases this quarter include:

Sunny Optical, a global leader in manufacturing optical components for smartphones, autos, and other consumer electronics. Many major smartphone manufacturers use its camera modules and lens sets. New phone features—such as 3D "vision" for virtual- and augmented-reality apps—rely on advanced camera modules, one of Sunny's specialties. The company also builds lens sets for the automotive industry, which is a growing destination for advanced optical components for driver assistance features. The complexities of building the lens sets while complying with automakers' strict safety requirements make it unlikely that Sunny's dominance in that market will be challenged anytime soon.

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Han's Laser, China's largest maker of laser-based equipment, with approximately 40% share of its domestic market. The company began in 1996 by offering low-powered lasers that perform engraving, surface treatment, marking, and other processes used in the manufacture of products such as consumer electronics. Low-powered lasers currently account for about 60% of sales, much of it to smartphone makers, primarily Apple, who use lasers to differentiate the look and feel of their products. In 2009 the company began offering more-advanced, high-powered lasers, used for heavy-duty cutting and welding by industrial customers such as automobile and airplane manufacturers. The rise of automated manufacturing has introduced another evolving application with high growth potential for the company: using lasers to encode on production components miniature barcodes that are recognized by robots' vision systems. Han's competitive advantages include its ability to provide laser tools that are customized to the needs of its clients and its leading-edge technology supported by heavy spending on research and development.

CSPC Pharmaceutical Group (CSPC), a leader in China's pharmaceutical industry with a broad product portfolio. The bulk of the company's revenues are derived from finished drugs—specialties include treatments for cancer and stroke—but it also offers raw materials for drug production, such as vitamin C and caffeine. The company is ahead of many of its peers in proprietary drug development and has a strong position in generics. We think CSPC is poised to benefit from the consolidation in the pharmaceutical industry being propelled by recent regulatory changes that raise the bar on pharmaceutical product quality and penalize low-quality producers.

Not all of China's policy actions have benefited our companies. We completed the sale of container-terminal operator **China Merchants** just after quarter end. When we purchased this holding in 2010, we based our decision on China's growth in container volumes and China Merchants' ability to offer new, higher-value services to handle a growing variety of imports, such as chilled containers for food. We also believed the company's strong competitive position would allow it to increase container fees, subject to reasonable government regulation. The latter expectation was burst in November, when the Chinese antitrust regulator demanded price cuts of 10–20% at some of China's largest container terminal ports. Our conclusion, and our principal reason to sell, was the company no longer appeared free to manage its business in the interest of shareholders.

As we have increased our weight in China, our weight in India has continued to fall. We reduced our position in **Maruti Suzuki**, the leading Indian automaker, following a sustained period of share price appreciation. We also sold our position in **Bharti Infratel**, a cellphone tower operator, out of concern that wireless telecom industry consolidation will result in fewer companies leasing space on its towers.

EMERGING MARKETS HOLDINGS (AS OF MARCH 31, 2018)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
CONSUMER DISCRETIONARY		
ARÇELIK Consumer appliances manufacturer	Turkey	0.4
ASTRA INTERNATIONAL Auto business operator	Indonesia	0.9
CTRIP.COM Online travel services	China	0.6
ECLAT TEXTILE Technology-based textile manufacturer	Taiwan	0.9
HANKOOK TIRE Tire manufacturer	South Korea	1.2
HANSSEM Home-furnishings retailer	South Korea	0.7
JD.COM E-commerce retailer	China	1.4
MARUTI SUZUKI Automobile manufacturer	India	1.3
MIDEA GROUP Consumer appliances manufacturer	China	1.5
NASPERS Internet and media services	South Africa	0.9
SANDS CHINA Integrated resorts and casinos operator	Hong Kong	1.3
SHENZHOU INTERNATIONAL Textile manufacturer	China	1.8
CONSUMER STAPLES		
AMBEV Alcoholic beverages manufacturer	Brazil	1.1
AMOREPACIFIC Cosmetics manufacturer	South Korea	0.8
CBD Foods and consumer products retailer	Brazil	0.7
COCA-COLA HBC Coca-Cola bottler	UK	1.4
EAST AFRICAN BREWERIES Alcoholic beverages manufacturer	Kenya	0.3
FEMSA Beverages manufacturer and retail operator	Mexico	0.5
LG HOUSEHOLD & HEALTH CARE Cons products manufacturer	South Korea	1.5
ENERGY		
CNOOC Oil and gas producer	China	1.8
LUKOIL Oil and gas producer	Russia	2.1
NOSTRUM OIL & GAS Oil and gas producer	UK	0.1
NOVATEK Natural gas producer	Russia	1.6
TENARIS Steel-pipe manufacturer	Italy	1.1
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	2.5
B3 Clearing house and exchange	Brazil	0.9
BANCO BRADESCO Commercial bank	Brazil	1.5
BANCO MACRO Commercial bank	Argentina	0.8
BANCO SANTANDER CHILE Commercial bank	Chile	1.1
BANCOLOMBIA Commercial bank	Colombia	0.9
BANK OF GEORGIA Commercial bank	UK	0.9
BANK PEKAO Commercial bank	Poland	1.0
BANK RAKYAT Commercial bank	Indonesia	1.8
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.6
CREDICORP Commercial bank	Peru	1.2
DISCOVERY HOLDINGS Insurance provider	South Africa	1.3
GARANTI BANK Commercial bank	Turkey	0.9
GF BANORTE Commercial bank	Mexico	1.5
HDFC CORP Mortgage lender	India	1.6
HONG KONG EXCHANGES Clearing house and exchange	Hong Kong	1.5
ITAÚ UNIBANCO Commercial bank	Brazil	2.1
KOMERČNÍ BANKA Commercial bank	Czech Rep.	1.0
SBERBANK Commercial bank	Russia	3.0

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
SIAM COMMERCIAL BANK Commercial bank	Thailand	1.3
STANDARD BANK Commercial bank	South Africa	1.8
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer	South Africa	1.2
CSPC PHARMACEUTICAL GROUP Pharma manufacturer	China	0.8
GEDEON RICHTER Pharma manufacturer	Hungary	0.8
JIANGSU HENGRUI MEDICINE Pharma manufacturer	China	1.1
SINO BIOPHARMACEUTICAL Pharma manufacturer	China	1.3
INDUSTRIALS		
51JOB INC. Online human resource services	China	2.1
AIRTAC Pneumatic-equipment manufacturer	Taiwan	0.8
ASUR Airport operator	Mexico	1.1
CHINA MERCHANTS* Container-terminal operator	China	0.0
COPA HOLDINGS Airline operator	Panama	0.9
DP WORLD Container-terminal operator	UAE	0.9
HAN'S LASER Laser equipment manufacturer	China	0.9
JIANGSU EXPRESSWAY Toll road and bridge operator	China	0.5
WEG Industrial equipment manufacturer	Brazil	0.7
INFORMATION TECHNOLOGY		
AAC TECHNOLOGIES Smartphone components manufacturer	China	1.2
ADVANTECH Industrial PCs manufacturer	Taiwan	0.3
ALIBABA E-commerce retailer	China	1.1
ASM PACIFIC TECHNOLOGY Semiconductor eqpt manufacturer	Hong Kong	0.8
BAIDU Internet products and services	China	0.4
HANGZHOU HIKVISION Surveillance camera manufacturer	China	1.5
HON HAI PRECISION Electronics manufacturer	Taiwan	1.1
LARGAN PRECISION Smartphone lens modules producer	Taiwan	0.9
NAVER Internet services	South Korea	0.5
NETEASE Gaming and internet services	China	0.4
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	4.4
SUNNY OPTICAL Optical component manufacturer	China	0.8
TENCENT Internet and IT services	China	4.3
TSMC Semiconductor manufacturer	Taiwan	4.6
WEIBO Social network	China	1.2
MATERIALS		
SASOL Energy and chemical technology developer	South Africa	0.9
REAL ESTATE		
EMAAR PROPERTIES Real estate developer and manager	UAE	0.8
TELECOM SERVICES		
BHARTI AIRTEL Telecom services	India	0.6
CHINA MOBILE Mobile telecom services	China	0.8
SAFARICOM Mobile network operator	Kenya	1.0
UTILITIES		
ENN ENERGY Gas pipeline operator	China	2.1
CASH		2.1

*The sale of China Merchants was completed just after the end of the quarter.
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.

1Q18 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
51JOB INC.	INDU	1.7	0.60
ITAÚ UNIBANCO	FINA	2.1	0.48
ENN ENERGY	UTIL	1.8	0.43
LUKOIL	ENER	2.1	0.38
TSMC	INFT	4.2	0.34

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TENCENT	INFT	4.1	2.64
TSMC	INFT	4.2	1.55
SBERBANK	FINA	2.7	1.48
51JOB INC.	INDU	1.6	1.47
SAMSUNG ELECTRONICS	INFT	4.0	1.20

1Q18 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
GEDEON RICHTER	HLTH	1.3	-0.30
MARUTI SUZUKI	DSCR	1.9	-0.24
BHARTI AIRTEL	TCOM	0.7	-0.21
LARGAN PRECISION	INFT	1.1	-0.17
ASTRA INTERNATIONAL	DSCR	1.1	-0.15

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
TELEVISA	DSCR	0.9	-0.34
LARGAN PRECISION	INFT	1.6	-0.24
SUN PHARMACEUTICAL	HLTH	0.1	-0.22
ASTRA INTERNATIONAL	DSCR	1.2	-0.19
HANSSEM	DSCR	0.6	-0.19

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	17.7	16.2
RETURN ON ASSETS[1] (%)	7.4	7.2
RETURN ON EQUITY[1] (%)	18.6	16.4
DEBT/EQUITY RATIO[1] (%)	36.9	51.5
STD DEV OF 5 YEAR ROE[1] (%)	3.6	3.2
SALES GROWTH[1,2] (%)	8.0	3.9
EARNINGS GROWTH[1,2] (%)	14.0	12.2
CASH FLOW GROWTH[1,2] (%)	13.2	12.0
DIVIDEND GROWTH[1,2] (%)	9.8	6.6
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	24.5	26.1
WTD AVG MKT CAP (US $B)	80.8	104.9
TURNOVER[3] (ANNUAL %)	20.7	—

RISK AND VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	3.42	—
BETA[2]	0.90	—
R-SQUARED[2]	0.94	—
ACTIVE SHARE[3] (%)	73	—
STANDARD DEVIATION[2] (%)	13.81	14.85
SHARPE RATIO[2]	0.59	0.34
TRACKING ERROR[2] (%)	3.6	—
INFORMATION RATIO[2]	0.87	—
UP/DOWN CAPTURE[2]	98/85	—
PRICE/EARNINGS[4]	17.3	14.1
PRICE/CASH FLOW[4]	12.8	9.4
PRICE/BOOK[4]	2.7	1.8
DIVIDEND YIELD[5] (%)	1.9	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: April 3, 2018); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
BAIDU	CHINA	INFT
BANCO MACRO	ARGENTINA	FINA
CSPC PHARMACEUTICAL GROUP	CHINA	HLTH
HAN'S LASER	CHINA	INDU
SUNNY OPTICAL	CHINA	INFT

POSITIONS SOLD	COUNTRY	SECTOR
BHARTI INFRATEL	INDIA	TCOM
CHINA MERCHANTS	CHINA	INDU

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

EMERGING MARKETS COMPOSITE PERFORMANCE (AS OF MARCH 31, 2018)

	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 (%)
2018 YTD[4]	3.12	2.90	1.47	14.51	16.23	N.A.[5]	23	19,803	35.22
2017	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

[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 2018 YTD performance returns and assets shown are preliminary; [5]N.A.–Internal dispersion is less than a 12-month period.

The Emerging Markets Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities of companies domiciled predominately in emerging markets and cash reserves, and is measured against the MSCI Emerging Markets Total Return Index (Gross) for comparison purposes. 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 December 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 December 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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400 CROSSING BLVD, FOURTH FLOOR • BRIDGEWATER, NJ 08807
T (908)218-7900 • F (908)218-1915 • HARDINGLOEVNER.COM