Global Equity

2015 First Quarter Report

Composite Performance (%) For Periods Ending March 31, 2015[1]

	3 Months	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Global Equity (gross of fees)	3.20	9.69	11.08	10.52	9.57	9.86
HL Global Equity (net of fees)	3.08	9.20	10.60	10.07	9.11	9.18
MSCI All Country World Index[4,5]	2.44	5.97	11.35	9.57	6.99	7.01
MSCI World Index[5,6]	2.45	6.60	12.82	10.61	6.97	7.03

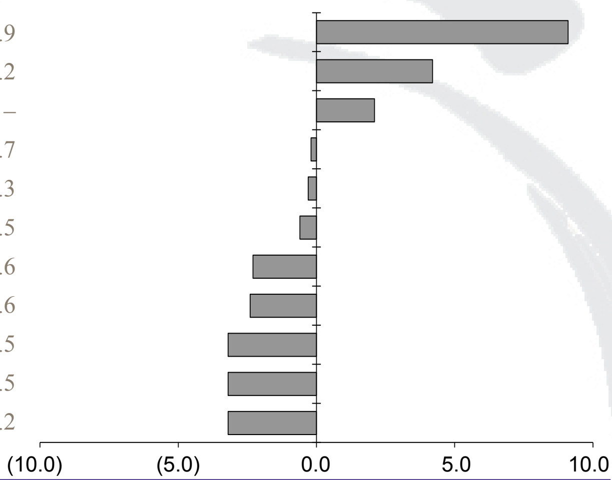
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1989; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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 (%)

Sector	HL Glbl	MSCI ACWI
Info Technology	23.0	13.9
Health Care	16.4	12.2
Cash	2.1	–
Cons Staples	9.5	9.7
Materials	5.0	5.3
Industrials	9.9	10.5
Cons Discretionary	10.3	12.6
Telecom Services	1.2	3.6
Financials	18.3	21.5
Energy	4.3	7.5
Utilities	0.0	3.2

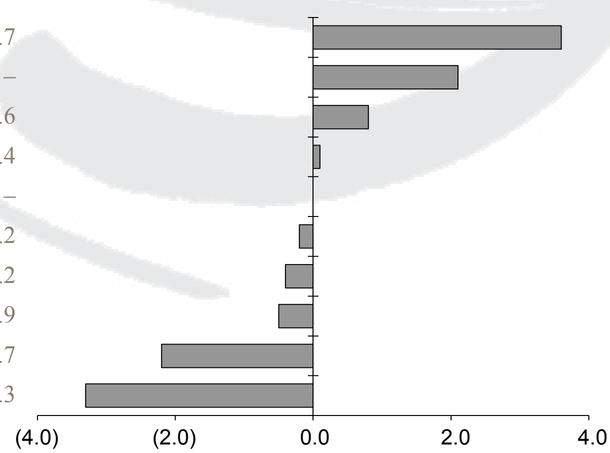
(Under) / Over The Benchmark



Geographical Exposure (%)

Region	HL Glbl	MSCI ACWI
Japan	11.3	7.7
Cash	2.1	–
United States	52.4	51.6
Emerging Markets	10.5	10.4
Frontier Markets[7]	0.0	–
Middle East	0.0	0.2
Pacific ex-Japan	3.8	4.2
Europe ex-EMU	11.4	11.9
Europe EMU	8.5	10.7
Canada	0.0	3.3

(Under) / Over The Benchmark



[7]Includes countries with less-developed markets outside the Index.

Market Review

- Equity markets made gains in the quarter, spurred by monetary stimulus in Europe and continued government prodding in Japan to foster a better equity culture.
- The US market lagged other developed markets in the quarter, as earnings estimates were revised lower to account for the translation effects of weaker currencies on earnings abroad.
- Japan was the best-performing market in US dollar terms, with Japanese stocks sought by both the Government Pension Investment Fund (GPIF) and foreign investors.

Portfolio Highlights

- We enjoyed strong performance from our holdings in Industrials in Japan.
- Our light holdings in the poor-performing Energy and Utilities sectors contributed to our outperformance.
- Our focus remains upon high-quality companies with strong growth potential.

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Sector and region allocations are supplemental information only and complement the fully compliant Global Equity Composite GIPS Presentation.

Source: Harding Loevner Global Equity Model; MSCI and S&P. MSCI Barra 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

Equity markets made gains in the quarter, spurred by monetary stimulus in Europe and continued government prodding in Japan to foster a better equity culture. Most of the European gains were erased when viewed through the lens of a US dollar-based investor, as the euro weakened further, a corollary effect of the European Central Bank's embarking on its promised "quantitative easing" of monetary policy.

The US market lagged other developed markets in the quarter, as earnings estimates were revised lower to account for the translation effects of weaker currencies on earnings abroad. Employment gains continued, with hiring intentions by US companies remaining firm, and notable wage rises at the low-skilled end of the labor market—including for Wal-Mart and McDonalds employees—injected a measure of debate about labor cost effects on the record US corporate profit margins. Meanwhile, market pundits watched every twitch of Federal Reserve Chair Janet Yellen's public appearances for hints of how soon (or how tardily) the Fed would increase its benchmark interest rate, fomenting debate on how much any rate rise would impact stock market valuations.

Market Performance (%)

Market	1Q 2015	Trailing 12 months
	USD	USD
Canada	-5.9	-5.4
Emerging Markets	2.2	0.8
Europe EMU	5.4	-5.4
Europe ex-EMU	2.1	-3.3
Japan	10.3	12.3
Middle East	9.1	13.7
Pacific ex-Japan	3.5	0.8
United States	1.4	12.8
MSCI ACW Index	2.4	6.0

Sector Performance (%) of the MSCI ACW Index

Sector	1Q 2015	Trailing 12 months
	USD	USD
Consumer Discretionary	5.8	11.8
Consumer Staples	2.4	8.9
Energy	-3.1	-16.5
Financials	0.7	4.2
Health Care	8.5	21.6
Industrials	2.2	3.0
Information Technology	2.8	16.4
Materials	1.5	-6.5
Telecom Services	1.8	2.6
Utilities	-4.8	1.2

Source: Wilshire Atlas (as of March 31, 2015); MSCI Barra and S&P.

Emerging Markets (EMs) provided lackluster returns overall, but masking, as is often true, widely divergent (and volatile) returns between individual markets. India's stock market rose only modestly, as the realities of regulatory reform and economic momentum haven't narrowed the gap with the audacious hopes for Narendra Modi's government. Brazilian stocks continued to flounder and the currency further weakened; President Dilma Rousseff's administration was caught up still more deeply in scandal, while the export economy remains in the doldrums. Political factors also re-surfaced in Turkey with Erdogan's government exerting undesirable influence on central bank policy. China, on the other hand, saw its stocks rise in response to some policy stimulus announcements, including several aimed at shoring up the banking system and local government borrowers. Russia, one of last year's worst performing markets, was one of the better EM performers in the quarter, although Russian stock prices, especially measured in hard currency, remain far below levels from 18 months ago, before the economy began to slide and before the Crimean annexation led to economic sanctions by Western nations.

Speaking of hard currency, that once-and-future king of hard currencies, the Swiss franc, was the source of some market fireworks in the quarter, when the Swiss National Bank (SNB), in a surprise announcement on January 15, abandoned its commitment to peg the franc to the euro at the fixed exchange rate of 1.20. This caused the franc to soar as speculators had to unwind "carry" trades wherein they had borrowed low-interest Swiss francs in order to invest in the bonds of higher-yielding currencies. The resulting scramble sent the franc as much as 40% higher on "stop-loss" buying, before settling the day 21% higher against the euro, but not before bankrupting at least one hedge fund and seriously wounding many other levered speculators, not to mention rendering a number of Swiss exporters significantly less competitive against foreign rivals. That left the franc one of the few currencies to strengthen—about 3%—against the US dollar in the quarter.

Although Eurozone shares rose 18% in euro terms, Japan was the best performing market in US dollar terms, as the euro lost 11% against the dollar whilst the dollar/yen exchange rate barely budged. Japanese stocks were sought by foreign investors, but also by the Government Pension Investment Fund (GPIF), which the Abe administration has prodded to move not only more into equities, but particularly into those of companies that deliver higher-than-average returns on equity—whether Japanese or foreign. To do so, GPIF has mandated some of its asset managers to benchmark themselves against the new JPX-Nikkei 400 Index comprising high ROE companies with strong corporate governance records.

The best performing sectors were Health Care, driven by a resurgence of biotech companies and further M&A activity, along with Consumer Discretionary and Information Technology. The Energy and Utilities sectors both declined in the quarter, and thus were the worst performing.

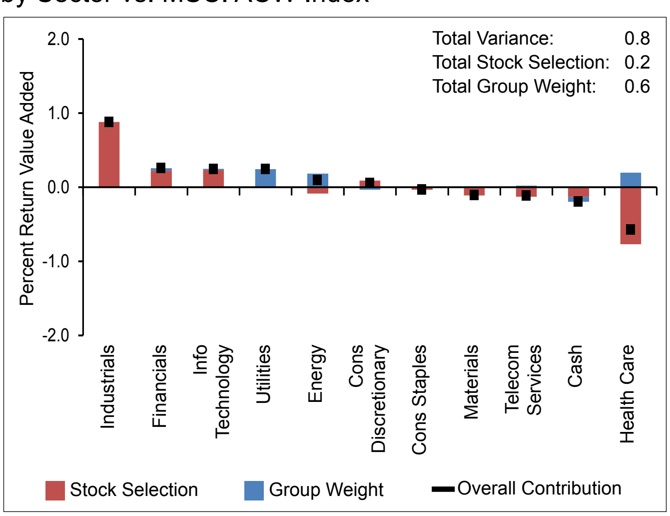
Currencies, as mentioned, played a key role in returns in the quarter, especially in Europe and some of the Emerging Markets. Besides the euro's 11% decline against the US dollar, the Swedish krona fell 9%, the British pound 5%, the Brazilian real lost 17% and the Turkish lira lost 10%, while the Swiss franc gained 3%. Style effects were modest, but present. Quality and growth style effects were modestly present, with stocks of higher quality or faster growing companies performing slightly better than the market. The "growth" sub-index outperformed the "value" sub-index in the quarter.

Performance and Attribution

The Global Equity Composite rose 3.2% in the quarter, ahead of its benchmark, the MSCI All Country World Index, which rose 2.4%. The following charts illustrate performance attribution for the quarter by sector and region, respectively.

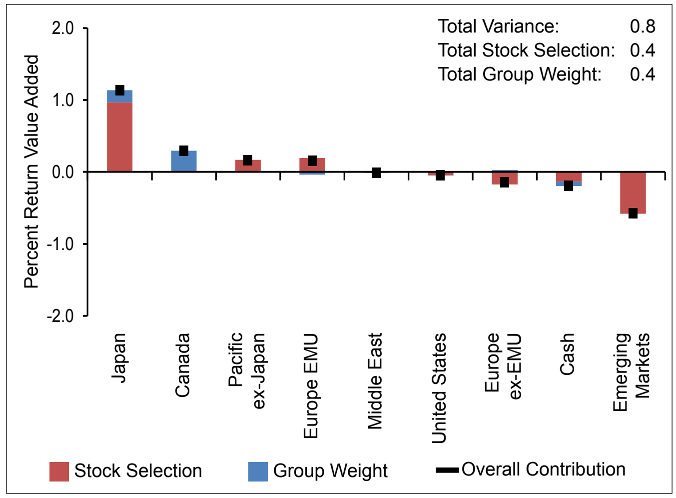
The portfolio outperformed the Index, due in part to its light holdings in Energy and Utilities. We also enjoyed good stocks within Industrials, as a handful of capital goods stocks (**MonotaRO, Fanuc, Roper**) each performed well. We also had modest outperformance from stock selection within Information Technology (laser maker **IPG Photonics** and optical sensor maker **Keyence**, mitigated by poor **Microsoft** and **F5 Networks**), and within Financials (small US banks **First Republic Bank** and **SVB Financial**, and Hong Kong-based insurer **AIA Group**.) We were in the right mind with our overweight to

Global Equity Composite 1Q15 Performance Attribution by Sector vs. MSCI ACW Index



Source: Wilshire Atlas; Harding Loevner Global Equity Composite; MSCI Barra and S&P.

Global Equity Composite 1Q15 Performance Attribution by Region vs. MSCI ACW Index



Source: Wilshire Atlas; Harding Loevner Global Equity Composite; MSCI Barra and S&P. The total variance shown here may differ from the variance of the Composite performance and benchmark performance shown on the first page of this report due to the way in which Wilshire Atlas calculates performance attribution. This information is supplemental to the Composite GIPS presentation.

the top-performing Health Care sector, but our stocks' lagging performance more than offset the benefit of the sector's strong returns, with radiotherapy specialist **Elekta** and US drugmaker **AbbVie** dragging down returns.

Viewed geographically, strong stock selection in Japan drove outperformance, with our holdings delivering double the Index return for Japan, already the best performing region, led by MonotaRO, the online provider of maintenance, repair, and operations (MRO) materials. Shares of robot maker Fanuc reacted positively to the company's embrace of improved shareholder engagement (discussed later in this report.) Emerging Market holdings hurt performance most, especially Russian internet search provider **Yandex**, South African energy producer **Sasol**, along with selected banks: India's **ICICI Bank** and Turkey's **Garanti Bank**. US stock selection was neutral (just behind the Index), with few patterns discernable, except that agriculture-related holdings in three sectors, **Bunge**, **Monsanto**, and **Trimble Navigation**, all performed poorly in the quarter.

Perspectives and Outlook

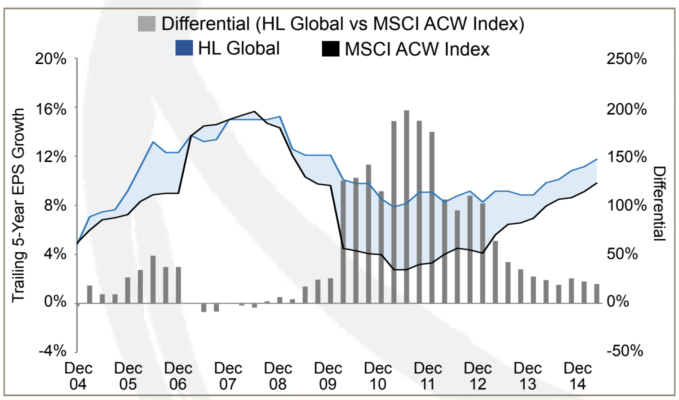
We wrote last quarter about our discomfort at the gradual, relative rise in the prices of stocks of high-quality companies as

Bold font indicates companies held in the portfolio during the quarter. 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, 2015 is available on page nine of this report.

other investors have come around to our immutable preference for high-quality growth businesses. This quarter, we turn from the subject of quality to the subject of growth, and will wrestle in public (an unappealing image!) with the problem of assessing how much it is worth.

First, a reminder that our portfolios have consistently been invested in companies that grow significantly faster than the market, as illustrated in the first chart. [Note we use trailing earnings results throughout, in order to keep our own and others' biases about the future separated from the discussion.] The growth rate of our portfolio companies has risen since the recession, and is higher than that of the Index. At economic cycle peaks, when growth opportunities are plentiful, the Index earnings growth has often rivaled that of our portfolio, just as earnings growth begins to peak. For now, the portfolio companies' growth rates have remained healthily above that of the market, and for both portfolio and Index, the trailing earnings growth rate is well below the heady levels of 2006-07.

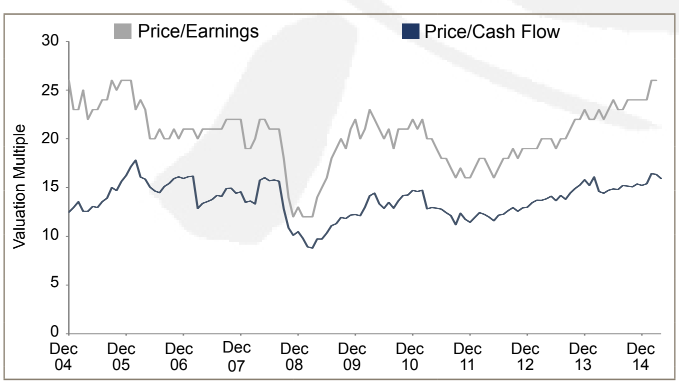
HL Global: Trailing 5-Year EPS Growth
December 2004 - March 2015



Source: Wilshire Atlas.

The second chart shows a time series of the price-to-earnings (P/E) and price-to-cash flow (P/CF) ratios of our portfolio, which have risen gradually over the past few years since the financial crisis, and are roughly back to the levels that preceded the crisis.

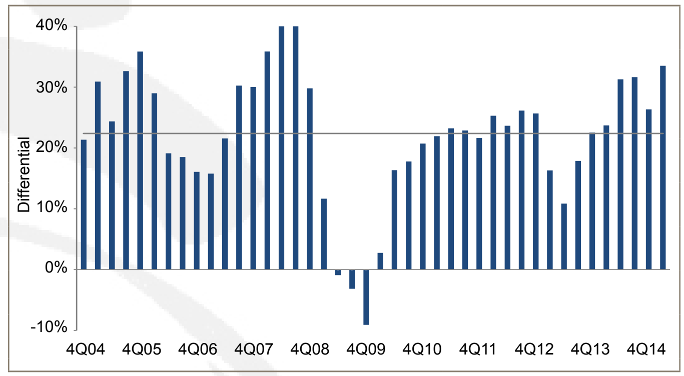
HL Global: Valuation December 2004 - March 2015



Source: Wilshire Atlas.

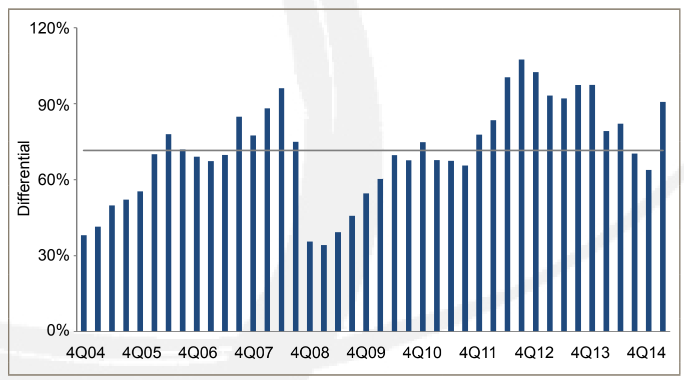
The third chart shows the premium to the Index average P/E ratio that the market has been willing to pay for our companies over time, in percentage terms. We do the same for price-to-sales and P/CF. As you can see, the P/E premium for our companies versus the Index P/E has averaged about 20% over the past decade, and is above that level now.

HL Global vs. MSCI ACW Index
Price/Earnings Differential



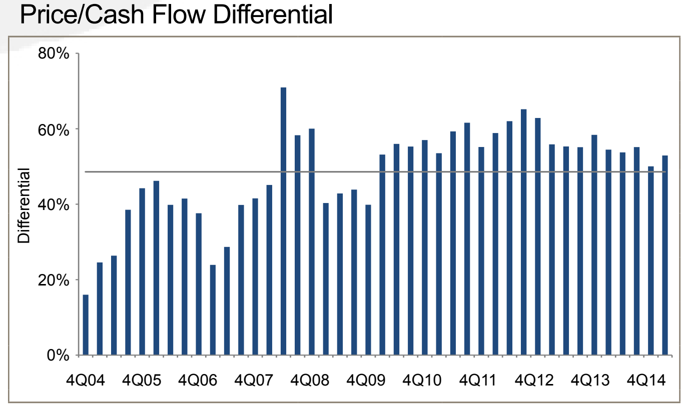
Source: Wilshire Atlas.

HL Global vs. MSCI ACW Index
Price/Sales Differential



Source: Wilshire Atlas.

HL Global vs. MSCI ACW Index
Price/Cash Flow Differential



Source: Wilshire Atlas.

The upshot is that our portfolio currently is not quite as *relatively* expensive as it has been in the last decade—and certainly not more so. Thus, we don't yet see wholesale warning signs for us embedded in the price levels of our stocks.

Since there is no clear guide from overall valuations, whether absolute or relative, the question comes back around to just how scarce is growth, and how defensible is the current level of profitability that companies are achieving? The issue is getting more of our attention, because companies, especially the best-quality businesses, and the fastest-growing ones, have seen their stocks rise faster (in local currency, at least) than their earnings, starting with the US, then in Japan, and now in Europe. The better stock price performance of the high-quality growth companies is thanks in part to their rarity in a generally poor economic environment and in part to the decline in bond yields, which inform the discount rate used to value their streams of earnings and dividends.

We've always been willing to pay higher-than-average multiples of sales, earnings, or cash flow for stocks of better-than-average companies that can grow faster than average. But the seeming perpetuation of unconventional monetary stimulus leads us to question that willingness: just *how much* more are we willing to pay? We are not of the "Growth at Any Price" persuasion, or what Waylon Jennings/Billy Joe Shaver dubbed "Too Much Ain't Enough." Harding Loevner analysts build and maintain very detailed financial models for their companies, whose future cash flow assumptions feed into valuation models that discount those cash flows back to the present, to arrive at an estimate of "fair value." So more of our analysts are sensing the prices of their stocks to be "high" relative to their rather stable estimates of fair value, with some concluding that prices are too high. Portfolio managers so far, for the most part, have been reluctant to act on these worries by reducing allocations to pricey stocks in general, implicitly adopting a stance of tolerance towards rich valuations.

Nowhere, of course, has this problem of valuing the rare growth stock in a sluggish growth environment facing aggressive central bank stimulus been more pronounced than in Japan, where those conditions have lasted for two years, so far. Yoko Sakai, our analyst for Japanese companies, found that our valuation model, using a semi-fixed discount rate to value expected future corporate cash flows, produced fair values for her companies that were quickly outstripped by the prices set in the soaring market gripped in the reflation fever of "Abenomics." To remain invested in Japan, HL portfolio managers had to be tolerant of stretched valuations on our internal discounted cash flow models, recognizing two important corollary effects of the government's policies on stocks: first, that most analysts would not be able to forecast accurately the full extent of the operating leverage the yen's "maxi" devaluation would have on reported earnings, especially of exporters; and second, that alternative investments other than equities for domestic Japanese investors were being rendered unpalatable from the standpoint of preservation of value.

The operating leverage effect became clear as company earnings results came in a year later. Japan's Topix Index rose 54% in calendar 2013, but the earnings of its constituent companies registered a 69% rise in trailing 12-month earnings for December 2013. So the startling rise in the market was well-supported—after the fact—by an even stronger rise in reported earnings: the higher price-to-earnings ratio, mirrored in the valuation models of most analysts, were evidence of justified investor confidence outstripping the ability of analysts to correctly forecast the earnings power of Japanese companies turbo-charged by devaluation and monetary stimulus. Growth simply turned out to be higher than forecast, as Japan's stock market contained more winners from Abenomics than losers.

Currencies played a key role in returns this quarter, especially in Europe and some of the Emerging Markets.

We suspect that the discomfort our analysts are experiencing with European stock price levels in their valuation work is a replay of what Yoko wrestled with in her single market of Japan, in its experiment with "unconventional" policies. The start of actual quantitative easing by the ECB, after many quarters of trying to get by with jawboning and promises to "do whatever it takes" is bringing the practices of the US Fed and the Bank of Japan to the hold-outs of Europe. And the euro, obligingly, slid as much as the yen did, 20% from its level twelve months ago. We should expect at least some earnings to outstrip forecasts on the upside, once again thanks to the operating leverage that devaluation and monetary stimulus can spark.

Here is what we wrote in our International Equity Strategy report in 1Q2013:

We are intrigued by the notion that there might be a relationship between the appetite for stable dividend stocks in the US or Switzerland and the massive stock market rally in Japan. Investors—in varying degrees—may be concluding that ***the bonds issued by their governments are no longer reliable sources of stable returns, and, along with their bank deposits, may not even remain good stores of value*** *if the inflation goals set by their monetary authorities are realized. The careful weighing of coupon income, price risk, and expected inflation that drives Western bond investors to invest in stable (high quality?) dividend stocks is the same calculus happening at hyper-speed in Japan, where savers, households, and professional investors are being metaphorically exhorted to get their money out of cash deposits because their government is purposely going to trash its spending value.* ***The world is entering a very peculiar phase of financial risk and return….***

…Japanese companies that export manufactured goods are unambiguously aided by the weaker yen. And with a backdrop of a plummeting currency and determinedly aggressive reflationary policies, it is a logical knee-jerk reaction for leveraged property companies and distressed exporters to see their shares soar along with their prospects for rising profits, as the (real) value of their assets rises while their yen costs or liabilities remain fixed. And equities in general are a logical asset for those seeking a new store of value. ***The productive assets owned by companies that stocks represent are more likely to preserve their real value than are any fixed income or cash equivalent instrument.*** *We have no insight into just how extreme the reflation efforts will become in pursuit of achieving the government's inflation targets to be achieved, but we know that our own investment process favors multinational companies whose fortunes are less impacted by domestic policies and economic performance than the average company in any domicile, and we are unlikely to change that preference within Japan to accommodate a more extreme view of likely policy actions there.*

The combined action of economic pessimism and central bank action has left fixed income in the Eurozone registering negative yields from overnight deposits out to bond maturities as long as seven years, at least in countries considered creditworthy. In Switzerland, where the SNB has decisively abandoned the currency debauchers, the "security" of holding a government bond will cost an investor nearly 1% per year. Which means that a whole new set of savers and investors must contemplate just what constitutes a "store of value," focusing as much on the risks (and costs) of supposedly safe assets as on the returns to riskier assets. We believe this is still in its early stages in Europe, even if the shift is well along in Japan, where GPIF's actions are spawning copycat conversions to equity worship, both foreign and domestic.

Fanuc's President Inaba, in a surprising public interview, announced that the company is "ready to start constructive discussions with shareholders."

Portfolio Structure

In the first quarter of 2013, just after Abe was elected, we owned five companies in Japan, and held 9% of our portfolio in that market, slightly more than the Index weight. In the two years just ended, the Japanese market—measured in US dollars—has almost, but not quite, kept up with the Index. Our Japanese holdings, on the other hand, have delivered more than double the return of the Index in that period, and our holdings now are larger (11%) and more numerous (nine companies) than they were then. We are normally much more likely to respond to higher prices by selling than by holding or buying more. But a new factor gives us pause: the growing call within Japan to improve corporate profitability and, more generally, to recognize the interests of shareholders as the first priority of a company, instead of just as one among many stakeholders' competing interests.

A recent experience with Fanuc will illustrate what we mean. Fanuc, the leading robotics company in the world, and producer of highly specialized computer-numeric controllers for factory automation, has an admirable track record of robust profitability and organic growth. (It has grown revenues at roughly 8% compound for the last decade, earnings per share even faster.) Its shares are considered one of Japan's "blue chip" stocks, and they trade at relatively high multiples to earnings and cash flow. But Fanuc is notorious for its inaccessibility to analysts, and for its hoarding of the cash garnered from its ample profits over the years. The current policies of the Abe government are aimed at raising the productivity and profitability of the average Japanese company, so that the whole of Japanese society, from its pensioners dependent on investment income to its youth entering the work force, can hope for a sustained livelihood whilst the government itself copes with its own long-deferred problems of structural deficits and too much accumulated debt, alongside its rapidly aging, and now shrinking, population. Those policies seek to create corporate competition to be seen as amongst the best governed and most profitable cohort, as exemplified in the jockeying to be counted in the JPX-Nikkei 400 Index.

Fanuc has taken note, perhaps not least because of the arrival on their shareholder register of Third Point, a US-based activist investor. Third Point has publicly asserted that Fanuc's $8 billion hoard of cash (roughly 15% of the company's market capitalization at the beginning of January) ought to be distributed to shareholders, as it cannot possibly all be needed to run the business better, and is a drag on the company's overall profitability given the zero returns (or negative, in stable currency terms) to cash. And while Fanuc has proven itself impervious to shareholders' pleas in the past, it may not be impervious to the nascent national cultural consensus embodied in the qualifications for membership in that JPX Index (which include high return on equity). Fanuc's President Inaba, in a surprising public interview, announced that the company is "ready to start constructive discussions with shareholders." He is also open to raising the dividend payout from current 30% and that a share buyback is "one of the options."

If this sort of change of heart is happening at the best companies, one can imagine the entire corporate fabric of Japan shifting its focus to delivering higher profitability and better returns to shareholders. The GPIF has even signed up to the Japanese Stewardship Code, similar to the UK Stewardship Code (to which Harding Loevner is a signatory), which mandates engagement with investee companies to encourage or agitate for sustainable growth, the latter an attribute that has been sorely lacking amongst Japanese companies for many years. As Yoko asks (rhetorically): "Who says Japanese conformism is a bad thing?!" For students of valuation models, suffice to say that the present discounted value of the Japanese market would be far higher if the average company could raise its long-term average ROE to the world average of 6% after inflation from the dreadful 3.5% that it currently earns. [And for students of P/E ratios: the "price" can be higher if the "earnings" are going to be sustainably higher.]

We did make a significant number of portfolio changes outside Japan in the quarter, shifting the emphasis of the portfolio even more towards growth. Within Consumer Discretionary, we sold two apparel makers with retailing operations, **Ralph Lauren** and **Inditex**. We have grown concerned that these and similar consumer businesses are confronting competitive pressures from e-commerce, and are responding by making heavy investments in that channel in order to achieve "omni-channel" distribution. We view these defensive expenditures as the price to remain in the game; we fear returns are deteriorating for the industry.

We'd much rather own companies that are investing for growth rather than for defense, and added several new ones this quarter. We have again bought **Amazon.com**, the internet retailer we sold just over a year ago on fears that raising prices to "Prime" customers was a break in the unspoken compact with loyal customers, and possibly a sign of troubled cash flow generation relative to ambitious capital investment plans. Those fears have so far proven unfounded, and we have come to regard the company's determined investment outside the US as playing sound offense, in contrast to the defensive investments of traditional retailers, trying to stay relevant to their existing customers. Outside the Consumer Discretionary sector but clearly consumer facing, we bought new holdings in China's dominant search engine provider **Baidu**, and in **Facebook**, the global social media giant with 1.4 billion active users. Both companies have explicitly undertaken margin-damaging expense ramp-ups to adapt their businesses to mobile platforms and to invest in emerging growth avenues, moves that hurt their share price performance in the short run, but which should drive strong growth in the long run.

We continue to be attracted to companies that either benefit from, or enable others to benefit from, the falling costs of collecting, storing, and analyzing data. In addition to last quarter's purchase of **Verisk**, we completed the purchase this quarter of **IMS Health**, whose staggering collection of medical data, including 85% of the world's drug prescriptions along with other medical records and patient data, is increasingly valuable as the ability to analyze the data improves via "big data" technology, and opportunities to monetize the same industry-wide data proliferate in different directions. We also bought a new holding in **salesforce.com**, the provider of customer relationship management (CRM) software. What newly intrigues us here is the company's drive to provide mobile data analytics in real time for its users of their customer information: "big data" in the palm of your hand.

These purchases were, in part, funded by the sale of **Informatica**, whose price rebounded with the arrival in its shareholder register of an activist investor that has precipitated a sale to private equity investors. We also reduced our holding in **Dassault Systèmes** and Microsoft.

We sold our holding in **Swatch Group**, which has much of its cost base in Switzerland, but was already facing pricing pressure in its main product categories in markets abroad, implying a slow recovery of profit margins from the hit they will have taken in the Swiss Franc revaluation. With the proceeds, we bought a new holding in **Makita**, the Japanese producer of electric power tools. Makita earns more than 80% of its revenues outside of Japan, and will benefit as housing remodeling and construction recovers from the doldrums everywhere, in Europe and especially in Emerging Markets, where it has assiduously invested over decades.

We sold our holding in **Standard Chartered**, throwing in the towel after more than a dozen years as a shareholder, dismayed that our milepost of revenue growth exceeding expense growth has been missed, and worried that credit risks are rising due to so much of the growth it has achieved coming from Chinese borrowers through various channels. Even the announcement of new management, made after our sale, will be hard pressed to right the ship quickly if our worries about credit costs are substantiated. We invested the proceeds in **BBVA**, the Spanish bank with large EM operations, including the largest and most profitable bank in Mexico, and now a controlling minority stake in Turkey's Garanti Bank. BBVA's shares had retreated on euro weakness and Greece contagion fears, to trade below stated book value, which afforded us a chance to buy a high quality franchise at an attractive price, just as the bank's Spanish operations are poised to exit the seven year slog of loan write-offs and restructuring since the Spanish housing market collapsed in the financial crisis, revealing substantial earnings power.

Portfolio Management Team Expansion

Richard Schmidt, CFA has joined our Global Equity Strategy Portfolio Management team. Rick joins Peter Baughan, CFA and Ferrill Roll, CFA, the Co-Lead Portfolio Managers of the Strategy as well as Chris Mack, CFA and Alec Walsh, CFA, who each support Peter and Ferrill by managing "paper" portfolios that express their investment views but are not employed directly in managing client capital. Rick, too, is now managing a Global paper portfolio. He joined Harding Loevner in 2011 and is a Consumer Staples and Financials analyst, as well as Portfolio Manager for both the Emerging Markets and Frontier Emerging Markets Strategies.

Global Equity Holdings (as of March 31, 2015)

Sector/Company/Description	Country	End Wt. %
Consumer Discretionary		
ABC-MART - Footwear retailer	Japan	1.6
Amazon.com - Online retailer	US	1.2
BorgWarner - Auto component manufacturer	US	1.3
Nike - Global athletic footwear & apparel	US	3.1
Sands China - Integrated resorts & casinos operator	Hong Kong	0.6
Stanley Electric - Auto lighting & LED packaging	Japan	1.1
WPP - Advertising & marketing services	UK	1.5
Consumer Staples		
Bunge - Soybean processor	US	1.0
Colgate Palmolive - Household products	US	1.7
L'Oréal - Beauty and personal care products	France	1.1
Magnit - Discount supermarket operator	Russia	0.9
Nestlé - Food company	Switzerland	2.5
Procter & Gamble - Consumer goods company	US	0.9
Unicharm - Absorbent consumer products	Japan	1.5
Energy		
ExxonMobil - Integrated oil & gas company	US	1.3
Sasol - Refined product & chemicals group	South Africa	0.8
Schlumberger - Oilfield services company	US	2.2
Financials		
AIA Group - Life insurance	Hong Kong	2.4
American Express - Consumer finance & payments	US	1.0
Bank Central Asia - Commercial bank	Indonesia	1.0
BBVA - Commercial bank	Spain	1.1
First Republic Bank - Private banking & wealth mgt.	US	1.9
Garanti Bank - Commercial bank	Turkey	1.6
HDFC Bank - Commercial bank	India	1.4
ICICI Bank - Commercial bank	India	1.2
JPMorgan Chase - Commercial & investment bank	US	1.3
Lazard - Financial advisory and asset management	US	1.4
SVB Financial - Commercial bank	US	2.1
Wells Fargo - Commercial bank	US	1.9
Health Care		
Abbott Labs - Health care & nutrition products	US	1.1
AbbVie - Biopharmaceutical company	US	1.2
Cochlear - Hearing implants producer	Australia	0.9
DaVita HealthCare Partners - Dialysis & medical svcs	US	2.1
Elekta - Radiation therapy equipment	Sweden	1.4
Essilor International - Ophthalmic lens mfg.	France	1.0
Grifols - Biopharmaceutical and diagnostics	Spain	1.0
IMS Health - Information services provider	US	1.0

Global Equity Holdings (as of March 31, 2015)

Sector/Company/Description	Country	End Wt. %
Lonza Group - Biopharmaceuticals/pharma mfg.	Switzerland	1.1
M3 - Medical information services	Japan	1.1
Roche Holding - Pharma & diagnostic equipment	Switzerland	1.3
Shire - Prescription medication developer	UK	1.0
Sonova Holding - Hearing aid manufacturer	Switzerland	1.1
Waters - Analytic instruments for life sciences	US	1.1
Industrials		
3M Company - Diversified industrial conglomerate	US	1.4
Emerson Electric - Industrial conglomerate	US	1.2
Fanuc - Industrial robots, controls, machine tools	Japan	1.8
Makita - Power tool manufacturer	Japan	1.1
MonotaRO - Online distributor of maintenance supplies	Japan	0.6
Roper - Niche industrial business conglomerate	US	2.6
Verisk - Risk analytics	US	1.1
Information Technology		
ARM Holdings - Semiconductor chip designer	UK	1.4
Baidu - Internet search provider	China	2.0
Citrix Systems - Enterprise software services	US	1.2
Dassault Systèmes - CAD/CAM software designer	France	1.0
eBay - Internet shopping/payments solutions	US	2.5
F5 Networks - Network technology	US	1.3
Facebook - Social network	US	1.1
Google - Internet search & multimedia	US	2.1
IPG Photonics - High-perf. fiber lasers/amplifiers	US	1.4
Kakaku.com - Price comparison website	Japan	0.6
Keyence - Sensor & measurement equipment	Japan	1.9
MasterCard - Global payments	US	2.2
Microsoft - Software company	US	0.9
salesforce.com - Cloud-computing software company	US	1.0
SAP - Enterprise software provider	Germany	1.0
Trimble Navigation - GPS technology	US	0.8
Yandex - Russian search engine	Russia	0.5
Materials		
Air Liquide - Industrial gas company	France	1.3
Linde - Industrial gases and engineering	Germany	1.0
Monsanto - Seed, genomics & agricultural products	US	1.9
Praxair - Industrial gas company	US	0.8
Telecom Services		
América Móvil - Cellular phone operator	Mexico	1.2
Utilities		
No holdings		
Cash		2.1

Model portfolio holdings are supplemental information only and complement the fully compliant Global Equity 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.

Last Quarter

Largest Contributors to Absolute Return (%)

	Sector	Weight	Contribution
Fanuc	INDU	1.6	0.47
Keyence	INFT	1.7	0.35
ABC-MART	DSCR	1.4	0.29
MonotaRO	INDU	0.5	0.29
AIA Group	FINA	2.3	0.29

Largest Detractors from Absolute Return (%)

	Sector	Weight	Contribution
Garanti Bank	FINA	1.9	-0.31
American Express	FINA	1.1	-0.20
Microsoft	INFT	1.6	-0.19
Elekta	HLTH	1.6	-0.19
F5 Networks	INFT	1.4	-0.18

Last 12 Months

Largest Contributors to Absolute Return (%)

	Sector	Weight	Contribution
Allergan	HLTH	1.5	1.08
Shire	HLTH	0.8	1.07
Sigma-Aldrich	MATS	1.4	0.98
Nike	DSCR	2.7	0.91
AIA Group	FINA	2.1	0.67

Largest Detractors from Absolute Return (%)

	Sector	Weight	Contribution
Sasol	ENER	1.2	-0.50
Yandex	INFT	0.8	-0.50
Trimble Navigation	INFT	1.1	-0.49
Swatch Group	DSCR	0.9	-0.46
Elekta	HLTH	1.2	-0.43

The portfolio holdings identified above do not represent all of the securities held in the portfolio. 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. Quarterly data is not annualized.

Portfolio Characteristics

	HL Global	MSCI ACWI		HL Global	MSCI ACWI
Market Cap[1] ($M)	$38,796	$43,307	Wtd. Avg. Market Cap ($M)	$67,976	$89,736
Profit Margin[1] (%)	13.0	10.8	Price/Earnings[3]	26.3	19.2
Return on Assets[1] (%)	8.1	5.5	Price/Cash Flow[3]	16.9	11.0
Debt/Equity[1] (%)	29.7	48.2	Price/Book[3]	3.6	2.1
Return on Equity[1] (%)	16.6	13.9	Dividend Yield[4] (%)	1.4	2.4
Std Dev of 5 Year ROE[1] (%)	2.6	3.1	Alpha[2] (%)	1.29	–
Sales Growth[1,2] (%)	11.2	5.8	Beta[2]	0.95	1.00
Earnings Growth[1,2] (%)	11.8	9.8	R-Squared[2]	0.95	1.00
Cash Flow Growth[1,2] (%)	12.2	8.1	Sharpe Ratio[2]	0.74	0.66
Dividend Growth[1,2] (%)	8.1	7.0	Standard Deviation[2] (%)	13.94	14.26

[1]Weighted median; [2]Trailing five years, annualized; [3]Weighted harmonic mean; [4]Weighted mean.
Source (Alpha, Beta, R-Squared, Sharpe Ratio, Standard Deviation): eVestment Alliance (eA); Harding Loevner Global Equity Composite, based on the Composite returns; MSCI Barra. Source (other characteristics): Wilshire Atlas (Run Date: April 10, 2015); Harding Loevner Global Equity Model, based on the underlying holdings; MSCI Barra.

Completed Portfolio Transactions

Positions Established

Company	Country	Sector
Amazon.com	United States	DSCR
Baidu	China	INFT
BBVA	Spain	FINA
Facebook	United States	INFT
IMS Health	United States	HLTH
Makita	Japan	INDU
salesforce.com	United States	INFT
Shire	United Kingdom	HLTH

Positions Sold

Company	Country	Sector
Aggreko	United Kingdom	INDU
Inditex	Spain	DSCR
Informatica	United States	INFT
Ralph Lauren	United States	DSCR
Standard Chartered	United Kingdom	FINA
Swatch Group	Switzerland	DSCR

Portfolio attribution and characteristics are supplemental information only and complement the fully compliant Global Equity 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.

Global Equity Composite Performance (as of March 31, 2015)

	Global Equity Gross (%)	Global Equity Net (%)	MSCI ACWI[1] (%)	MSCI World[2] (%)	Global Equity 3-Yr Std Deviation[3] (%)	MSCI ACWI 3-Yr Std Deviation[3] (%)	MSCI World 3-Yr Std Deviation[3] (%)	Internal Dispersion[4] (%)	No. of Accounts	Composite Assets ($M)	Percent Firm Assets (%)
2015 YTD[5]	3.20	3.08	2.44	2.45	10.40	10.40	10.36	N.A.[6]	31	10,189	26.74
2014	6.91	6.43	4.71	5.50	10.82	10.48	10.21	0.3	31	9,961	28.46
2013	21.64	21.12	23.44	27.37	13.92	13.92	13.52	0.5	32	11,165	33.69
2012	18.44	17.98	16.80	16.54	16.49	17.11	16.72	0.1	25	9,071	40.03
2011	-6.96	-7.31	-6.86	-5.02	19.03	20.59	20.16	0.2	13	5,316	39.10
2010	16.54	16.16	13.21	12.34	22.85	24.51	23.74	N.M.[7]	6	2,879	26.15
2009	42.85	42.42	35.41	30.79	20.82	22.37	21.44	N.M.	4	1,463	22.86
2008	-37.98	-38.27	-41.84	-40.33	17.07	17.98	17.03	N.M.	3	118	3.61
2007	17.62	16.92	12.18	9.57	8.72	8.64	8.09	N.M.	3	124	1.95
2006	19.24	18.59	21.53	20.65	9.25	8.11	7.62	N.M.	2	102	2.16
2005	17.22	16.79	11.37	10.02	10.53	9.90	9.67	N.M.	2	85	3.32

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the composite and the Index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]The 2015 YTD performance returns and assets shown are preliminary; [6]N.A.–Internal dispersion less than a 12-month period; [7]N.M.–Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year.

The Global Equity Composite contains fully discretionary, fee paying global equity accounts investing in US and non-US equity and equity-equivalent securities with the objective of long-term capital appreciation. For comparison purposes, the Composite is measured against the MSCI All Country World 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 All Country World Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The Index consists of 46 developed and emerging market countries. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. The Index consists of 23 developed market countries. You cannot invest directly in these Indices.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Harding Loevner has been independently verified by Ashland Partners & Company, LLP for the period November 1, 1989 through December 31, 2014.

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 Global Equity Composite has been examined for the periods December 1, 1989 through December 31, 2014. 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 Global Equity accounts is 1.00% annually of the market value up to $20 million; 0.50% of amounts from $20 million to $100 million; 0.45% of amounts from $100 million to $250 million; above $250 million on request. 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 Global Equity Composite was created on November 30, 1989.

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HARDING LOEVNER LP
400 Crossing Blvd, Fourth Floor • Bridgewater, NJ 08807 • Tel (908) 218-7900 • Fax (908) 218-1915 • www.hardingloevner.com