HARDING LOEVNER

GLOBAL EQUITY

2018 Third Quarter Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED SEPTEMBER 30, 2018[1]

	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL GLOBAL EQUITY (GROSS OF FEES)	3.16	7.26	14.86	18.01	12.56	11.47	10.21
HL GLOBAL EQUITY (NET OF FEES)	3.05	6.91	14.36	17.47	12.04	11.01	9.55
MSCI ALL COUNTRY WORLD INDEX[4,5]	4.40	4.26	10.35	14.00	9.24	8.77	7.24
MSCI WORLD INDEX[5,6]	5.10	5.89	11.84	14.17	9.89	9.17	7.32

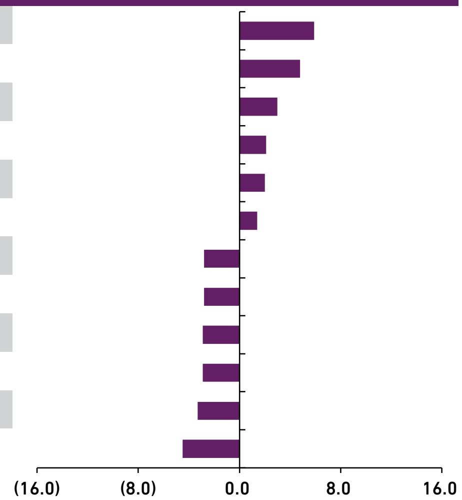
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1989; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

Please read the above performance in conjunction with the footnotes on the last page 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 GLOBAL	MSCI ACWI
HEALTH CARE	17.7	11.8
INDUSTRIALS	15.5	10.7
MATERIALS	8.0	5.0
CASH	2.1	—
INFO TECHNOLOGY	22.0	20.0
CONS DISCRETIONARY	13.6	12.2
CONS STAPLES	5.1	7.9
TELECOM SERVICES	0.0	2.8
REAL ESTATE	0.0	2.9
UTILITIES	0.0	2.9
ENERGY	3.4	6.7
FINANCIALS	12.6	17.1

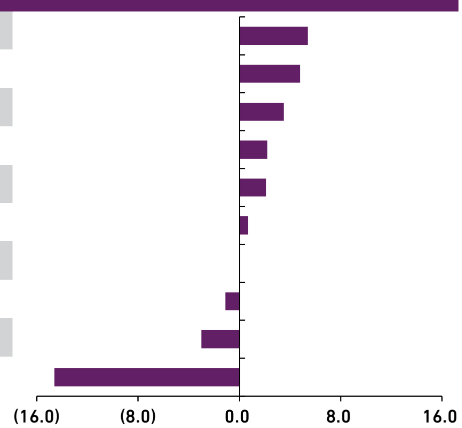
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL GLOBAL	MSCI ACWI
EUROPE EX-EMU	14.9	9.5
EMERGING MARKETS	15.9	11.1
EUROPE EMU	13.4	9.9
JAPAN	9.8	7.6
CASH	2.1	—
MIDDLE EAST	0.9	0.2
FRONTIER MARKETS[7]	0.0	—
PACIFIC EX-JAPAN	2.5	3.6
CANADA	0.0	3.0
UNITED STATES	40.5	55.1

(UNDER) / OVER THE BENCHMARK



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

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

Source: Harding Loevner Global Equity 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

Global stock markets rose in the quarter, led by the strongest performance by US equities in nearly five years. Other developed markets gained modestly, but the strengthening US dollar against other major currencies dampened dollar-based returns in Japan, the UK, and the eurozone. Also affected by the rising dollar, Emerging Markets (EMs) fell, weighed down by weakness in China and worries that rising US interest rates and trade frictions will combine to derail growth and investment in developing economies.

Ten years after the fall of Lehman Brothers, the second-longest bull market in postwar US history continued through the quarter with few signs, on the surface at least, of slowing. Due to the substantial tax cuts enacted last autumn, estimates of this year's earnings for US companies are indicating nearly twice as much profit growth as in the rest of the world. These estimates helped propel a broad-based US market rally, with all sectors in the US finishing the quarter in positive territory. Information Technology (IT) and Industrials, traditionally high-beta sectors, outperformed the index. But, unusually for a non-cyclical sector, Health Care led the market surge as investor worries about government intervention in drug pricing abated, boosting large-cap pharmaceutical stocks. The FAANG stocks, erstwhile market leaders, were mixed: although both **Amazon.com** and **Apple** advanced to reach the US$1 trillion market capitalization milestone, **Facebook** and Netflix declined sharply.

MARKET PERFORMANCE (USD %)

MARKET	3Q 2018	TRAILING 12 MONTHS
CANADA	1.0	2.7
EMERGING MARKETS	-0.9	-0.4
EUROPE EMU	0.0	-1.5
EUROPE EX-EMU	1.8	2.3
JAPAN	3.8	10.6
MIDDLE EAST	5.2	15.3
PACIFIC EX-JAPAN	-0.5	4.4
UNITED STATES	7.5	17.9
MSCI ACW INDEX	4.4	10.3

SECTOR PERFORMANCE (USD %)
OF THE MSCI ACW INDEX

SECTOR	3Q 2018	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	3.1	15.8
CONSUMER STAPLES	2.2	2.4
ENERGY	2.6	16.9
FINANCIALS	2.6	2.1
HEALTH CARE	11.0	14.3
INDUSTRIALS	6.0	7.2
INFORMATION TECHNOLOGY	6.1	23.2
MATERIALS	0.4	5.1
REAL ESTATE	-1.4	1.0
TELECOM SERVICES	5.1	-2.3
UTILITIES	0.8	1.1

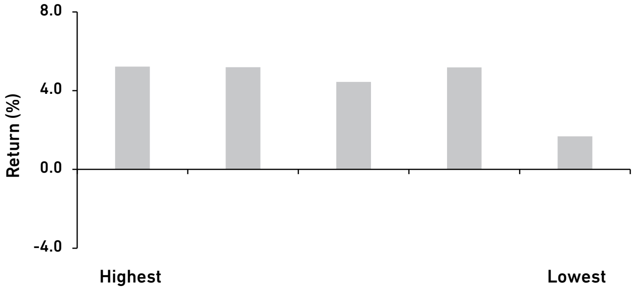
Source: FactSet (as of September 30, 2018). MSCI Inc. and S&P.

The Federal Reserve hiked overnight interest rates in late September, the eighth increase since late 2015. Short-term interest rates remain below the current inflation rate, doing little to dampen growth in the US economy or in US corporate earnings. These "normalizing" rate hikes have yet to deter investors in US equities more than temporarily so far; the same cannot be said of investors in US bonds or EM equities.

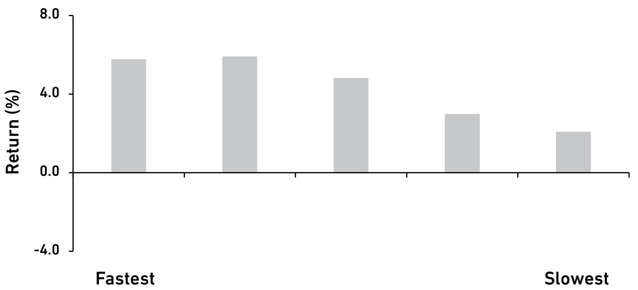
Higher US short-term interest rates have been accompanied—led, even—by higher long-term rates (and lower bond prices). As these higher reference yields rippled through global markets, investors punished markets in some of the developing economies most dependent on foreign capital, as borrowing costs and refinancing risks became more daunting. The severe economic crises in Turkey and Argentina each have their own unique provenance, but they have one common feature: neither country's production or savings are sufficient to fund domestic spending. The sharp declines of their capital markets and currencies have raised the specter of EM contagion, the risk that investors retreat en masse from EMs. So far, that has not happened, and the resilience of some EMs has been remarkable. The Mexican peso was surprisingly the world's strongest currency in the quarter, one of the few to appreciate against the US dollar this year. That was despite the victory of left-leaning Andrés Manuel López Obrador in July's presidential election and the Trump administration's (recently abandoned) threats to rip up NAFTA. Currency depreciation elsewhere was fairly contained.

Developing markets can be shaken by relatively mild actions by the Fed, but the troubles that beset EM index heavyweight China this quarter were primarily domestic in origin. After the losses of this quarter, the MSCI China Index has suffered a cumulative decline of 20% since its January highs; the fall has been even starker for the CSI 300 (A-share) Index. Government efforts to reduce leverage throughout the economy and bring transparency to the country's unregulated lending ("shadow banking") have, inevitably if unintentionally, slowed GDP growth. Chinese health care companies were hurt by a vaccine scandal and greater regulatory focus on decreasing the price of drugs. The escalating trade war with the US is beginning to have significant effects, as Chinese firms postpone capital investments to improve productivity or expand capacity in the face of uncertainty. Wary investors have been focusing on Argentina and Turkey as possible canaries in the EM coal mine and wondering whether other countries might fall into crisis as US interest rates rise, but the noxious vapors of decelerating growth emanating from China may pose a greater risk than the Fed to its fellow emerging economies. China plays a key role as trading partner to many other developing countries; it is the single largest export market for nine of the other twenty-three countries in the MSCI EM Index and is among the top five export markets for two-thirds of them.

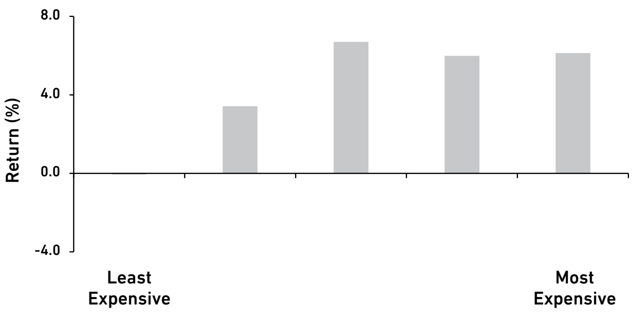
MSCI ACW INDEX PERFORMANCE BY QUALITY 3Q18



MSCI ACW INDEX PERFORMANCE BY GROWTH 3Q18



MSCI ACW INDEX PERFORMANCE BY VALUE 3Q18



Source: FactSet (as of September 30, 2018). MSCI Inc. and S&P.

The preceding charts divide the market into quintiles according to Harding Loevner's Quality, Growth, and Value rankings, which are proprietary measures determined using objective data. Quality rankings are based on the stability, trend, and level of profitability, as well as balance sheet strength. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected changes in earnings and profitability. Value rankings are based on several valuation measures, including price ratios.

Some of the biggest share price declines, not only in EMs, but also globally, were of Chinese internet search, e-commerce, and social media companies, predominantly domestic consumer businesses that rank among the most valuable companies in the world. Both **Alibaba** and Tencent were among the 10 largest negative contributors to returns to the MSCI All Country World Index. We discuss China's internet giants later in this report.

Elsewhere in the world, developed markets were mixed as investors continued to struggle with familiar problems. In Europe, investors are contemplating a worst-case "no-deal" Brexit, with negotiations between the UK and Europe still inconclusive as the deadline approaches. However, the UK market experienced only a modest decline this quarter, supported by the performance of its important multinational pharmaceutical companies, which rallied alongside their American counterparts. US-instigated trade friction dampened Chinese demand for Japanese machine tools and led to lower manufacturing output in Japan. However, strong corporate profits, along with the export-enhancing effects of a weaker yen and the continued strength of the Japanese labor market, and thus domestic spending, kept Japanese stocks firm.

Style effects, once again, favored higher-quality, higher-growth, and more-expensive stocks, as seen in the previous charts. These effects were pronounced in the US, but not clear cut for non-US stocks.

PERFORMANCE AND ATTRIBUTION

The Global Equity composite rose 3.2% in the third quarter, underperforming the index's gain of 4.4%. For the year to date, the composite returned 7.3%, compared with the index's 4.3% rise. The charts on the next page attribute the quarter's performance by sector and region, respectively.

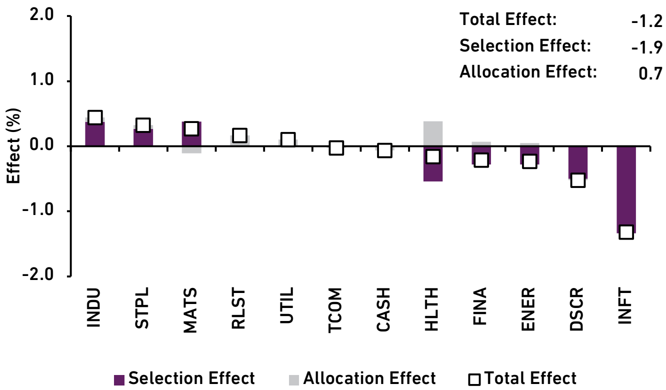
By sector, poor stocks within IT were the largest drag on relative returns in the quarter. Shares of **IPG Photonics**, a US-based producer of industrial lasers, fell sharply after it reported a slowdown in orders. The company said Chinese manufacturers are reducing capital expenditures due to uncertainty over US tariffs. China-based **AAC Technologies**, already suffering from the poor uptake of Apple's last iPhone models, delivered poor earnings and raised concerns that its components for consumer electronics products would suffer from escalating trade measures even though, in September, Apple secured an exemption for its products from the US tariffs on Chinese goods. Facebook fell on continued scrutiny of how it exploits personal information and its rising expenses to improve the safety, security, and privacy of its service.

Consumer Discretionary holdings also hurt returns. Shares of South African media conglomerate **Naspers** fell in tandem with its largest investment, China gaming and social media giant Tencent, as Chinese regulators halted approval of new video games in the country. Tencent's profit margins also deteriorated in its latest quarter due to rising expenses associated with its many new ventures. **Booking Holdings'** (formerly Priceline.com) shares also fell, as investors worried that some other websites, such as TripAdvisor, that have been an important source of new customer referrals to Booking are now diverting those potential customers to their own channels, threatening Booking's future growth. Global advertising agency **WPP**, which ejected its longtime CEO last quarter, continued to face questions about how it will fend off disintermediation from Google, Facebook, and other online-advertising venues.

Viewed by geography, our underweight in the US detracted from our performance, as the US continued its long run of outperformance; so, too, did the correspondingly heavier weights in Europe and EMs. In addition, returns from our US holdings,

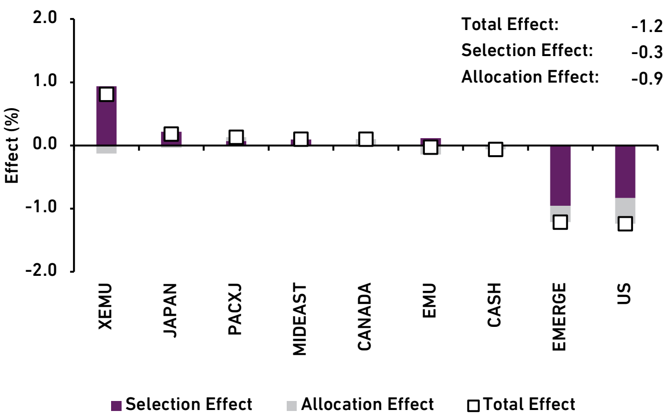
SECTOR PERFORMANCE ATTRIBUTION
THIRD QUARTER 2018

GLOBAL EQUITY COMPOSITE VS. MSCI ACW INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
THIRD QUARTER 2018

GLOBAL EQUITY COMPOSITE VS. MSCI ACW INDEX



Source: FactSet; Harding Loevner Global Equity 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 the first page of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS Presentation.

hurt by IPG Photonics, Facebook, Booking, and oilfield services company **Schlumberger**, lagged the strong index returns. Meanwhile, our EM holdings, which overemphasize IT, fared even worse than that lagging index. Our holdings in the other regions added value relative to the index.

Our slant away from the US detracted from our performance for the first nine months of the year also, but good stock selection in every region (except Canada, where we had no investments), more than compensated for that drag. Viewed by sector, our year-to-date outperformance resulted from both good sector allocation and good stock selection, except in Energy and IT, where slowdowns in China's technology hardware spending affected the outlook for IPG Photonics and Japanese sensor manufacturer **Keyence**, coinciding with the troubles of AAC Technologies.

Companies held in the portfolio during the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at September 30, 2018 is available on page 9 of this report.

PERSPECTIVE AND OUTLOOK

The sharp fall in China's stock market this year has a number of distinct causes. Shares of domestically listed companies have been hurt by tightening liquidity, the result in part of government restrictions on non-bank lending. Manufacturers, especially export-oriented ones, have postponed new capital investments, justifiably worried about the effects on demand for their wares of successive rounds of tariffs imposed by the Trump administration over the past six months. Among the biggest contributors to China's decline has been the fall in the shares of its internet giants—online retailer Alibaba, search engine **Baidu**, and social media and gaming company Tencent. The reasons for their fall are not so obvious. They serve domestic rather than foreign customers, so they have little direct exposure to the ongoing trade war. They have no need to borrow, generating very strong free cash flow, as do the largest US internet companies. Yet this year, the share prices of the counterparts have diverged, the Chinese IT sector falling sharply and US IT continuing upward. The share price divergence appears to be greater than warranted by the relative deterioration evident in the Chinese companies' competitive situation.

Indeed, the business models of the largest internet companies in China and the US are remarkably similar, as are the competitive structures of their industries in their respective home markets. They have also achieved similar growth over the last decade. Their profitability arises from having achieved dominance with their core platforms, building on the network effects that accelerate once they reach a critical mass of users. Search results on either Google or Baidu are superior to less-used rivals because more user searches can be analyzed to improve the efficacy of the search engine. Socializing on Facebook or Tencent's WeChat platforms becomes more appealing as more friends use the platforms. Once that self-reinforcing process is in place, the businesses can increase customer stickiness and bolster profits by pursuing additional value enhancements, such as reinvesting profits in service improvements created using machine learning to analyze users' experience across billions of interactions. Other competitive strategies can include seeking to achieve economies of scale rapidly (i.e., spreading fixed costs over a larger revenue base) and employing product bundling strategies that increase customer loyalty, reflected in the manifold benefits of membership in Amazon's Prime or Alibaba's 88 VIP programs.

Another common feature of US and Chinese internet leaders is the degree to which they continue to be managed by their visionary founders, who own large stakes in the companies and tend to operate with a very long investment horizon in building value in the businesses they control. At the same time, both the US and Chinese companies are characterized by the risks attendant in weak governance structures, wherein the founders' unbridled authority over strategic decisions cannot be effectively challenged by their boards of directors or by outside shareholders. This tight grip on control means that over-confident founder/managers can attempt to achieve similar dominance and self-reinforcing network effects a second time, by potentially over-investing to expand into adjacent (non-core) businesses, sacrificing short-term profits with no need to contemplate dissenting views or minority shareholder priorities.

Both US and Chinese internet companies are characterized by the risks attendant in weak governance structures, wherein the founders' unbridled authority over strategic decisions cannot be effectively challenged by their boards of directors or by outside shareholders.

The US and Chinese internet companies also face similar challenges from increased scrutiny by regulators. We wrote about rising regulatory risks for US companies three quarters ago, and we remain alert for manifestations of those risks. The challenge, however, has been greater in China, where the government and Communist Party impose requirements to support their policies and restrict any material that may undercut their legitimacy. In August, for example, the General Administration of Press and Publication suspended approvals of new video games amid public officials' concern about game addiction and eyesight impairment in young people. With games accounting for 35–40% of its revenues and an even larger percentage of profits, Tencent would be hurt if the license approval process becomes permanently contentious, curtailing its ability to keep its core constituency engaged with new products. This kind of regulatory intervention in China, which occurs without warning and for which there is no legal recourse, is more arbitrary and potentially more damaging than the fines levied on Google by the European Union, or the expensive content monitoring efforts that Facebook has been forced to adopt after public shaming.

Along with more-damaging regulatory actions, we have witnessed an intensification of rivalry among internet companies in China that has not been, so far, nearly as virulent in the US. We suspect (without hard evidence) that there is greater propensity among Chinese internet users to switch platforms to the "new, new thing" than in the US. (After all, half of the 800 million mobile internet users in China are under the age of 30.) This willingness to switch enables new entrants, making profitability hard to sustain. **Weibo** and Tencent both have lost some user attention to an emergent short-video platform, Douyin, whose active users has swelled fourfold just since last December, to 225 million.

Another factor intensifying the rivalry among China's online leaders is that after many years of rapid internet adoption, growth in new users is harder to come by, prompting greater competition for the attention of existing users. As a result, China's internet companies have increased spending on new services that they bundle with their existing products at no extra cost to users. They have also stepped up investments in additional areas of commerce, hoping not only to defend their existing market dominance but also to achieve new network effects. Alibaba, for example, has steadily invested in logistics and delivery, bringing its e-commerce services closer to the offline last mile in an effort to keep its customers happily tied to its platform by increasing convenience. Tencent, having declared 2018 a "year of investment," has invested in major new games for its core platform, short-video and newsfeed platforms, expanded cloud services, its WeChat Pay mobile payment platform, and various e-commerce businesses that compete directly with Alibaba. These company strategies appear to be designed specifically to attract and lock in consumers through the convenience and economy of bundled services. Alibaba, for one, can point to increasing customer loyalty as measured by rising numbers of purchases across ever more varied product categories. We have seen this strategy before…at Amazon.

Offsetting this more-intense competition between the leading online players in China is an important difference that they enjoy relative to their US peers. The existing brick-and-mortar incumbents in China's retailing, entertainment/media, and information/publishing industries are far less powerful than the incumbents in the US. Amazon must do battle with Walmart, whose revenues are three times as large and whose balance sheet resources match Amazon's; Alibaba's revenues are more than double those of its nearest offline competitor, while its operating cash flow is at least 10 times larger, generated from 17 times the gross merchandise value. Facebook and Netflix face off against **Disney**, Comcast, and Viacom, which have powerful content franchises. In China, these legacy industries were far more fragmented, if they even existed at all in private-sector form, as the mobile internet took hold over the past decade. Thus, the leading Chinese companies face a much smaller or weaker set of potential substitutes, leaving them greater firepower to direct at their online rivals or the ability to conform to government directives without irretrievably dashing profitability.

We have reduced our earnings and growth estimates for Alibaba, Tencent, and Baidu, and thus our forecasts of their fair value have fallen, but only by 5–10% between early January and now. Their share prices, however, have fallen by 25% or more since January, from just above our fair-value estimate at the start of the year to significantly below our current estimates. As a result, we have stuck with our investments in China's internet businesses, pending any further developments. In contrast, we are viewing the US companies with even greater suspicion.

PORTFOLIO HIGHLIGHTS

We made no new purchases or complete sales in the quarter. Our inactivity reflects a high degree of uncertainty about the potential outcomes of unfolding trade tensions and their impact on valuations. One possibility that we recognize may occur is an extended trade war between the US and China. Another is that Washington and Beijing will find common ground before the end of the year, when higher tariffs on nearly all Chinese exports to the US are slated to take effect. Our inability to forecast the certitude of either possibility makes us leery of jettisoning investments in the strong businesses we hold whose share prices have underperformed—especially given our expectation that they have some ability to navigate successfully upcoming changes in the global trade order.

We do see mounting signs that industry in China may be delaying investment as trade war uncertainty builds. For example, US-based IPG Photonics, the global leader in industrial fiber lasers, has achieved rapid growth fueled by strong demand in China, where factories are increasingly replacing traditional tools with fiber lasers that cut, weld, mark, and clean materials faster and cheaper than legacy tools. Recently IPG reported Chinese customers are delaying orders due to uncertainty over the trade dispute. The sudden order weakness surprised the market—and us—and triggered a sharp sell-off in IPG's shares. Nevertheless, IPG's lasers are gaining importance in advanced manufacturing, enabling the miniaturization now critical in the production of smartphones and batteries for electric vehicles. Further, as the cost of manufacturing fiber lasers continues to decline, and their power and usefulness continue to rise, applications are emerging in new markets such as medical, telecom services, and cinema. At this point, we do not believe that delayed customer orders will negatively affect IPG's long-term prospects for growth. The company retains dominant market share and continues to invest aggressively in next-generation technologies. We will look for opportunities to add to our position in the stock, recognizing that additional order delays are likely in the short term.

IPG's lasers are gaining importance in advanced manufacturing, enabling the miniaturization now critical in the production of smartphones and batteries for electric vehicles.

In contrast, we have seen no slowdown in orders for **MonotaRO**, a Japanese seller of industrial supplies such as hand tools and personal protective equipment. As a disruptive force in Japan's highly fragmented maintenance, repair, and operations (MRO) industry, MonotaRO continues to take market share from traditional providers. The industry has always featured numerous distribution layers. Each layer adds to the customers' cost by obscuring information on sourcing. MonotaRO's business model is revolutionary in its transparency and simplicity: it sells directly to end users some 15 million industrial consumables via its Amazon-like e-commerce platform, cutting out the many layers of wholesalers, enabling it to share the savings with customers in the form of lower prices. MonotaRO, which currently serves over 3 million customers, gains approximately 50,000 new customers per month, and its existing customers increase their average spending by 8–10% per year. If Chinese demand for cutting-edge Japanese industrial components ebbs, MonotaRO should weather that cyclical headwind as its disruptive business model attracts customers in more need than ever of its lower prices.

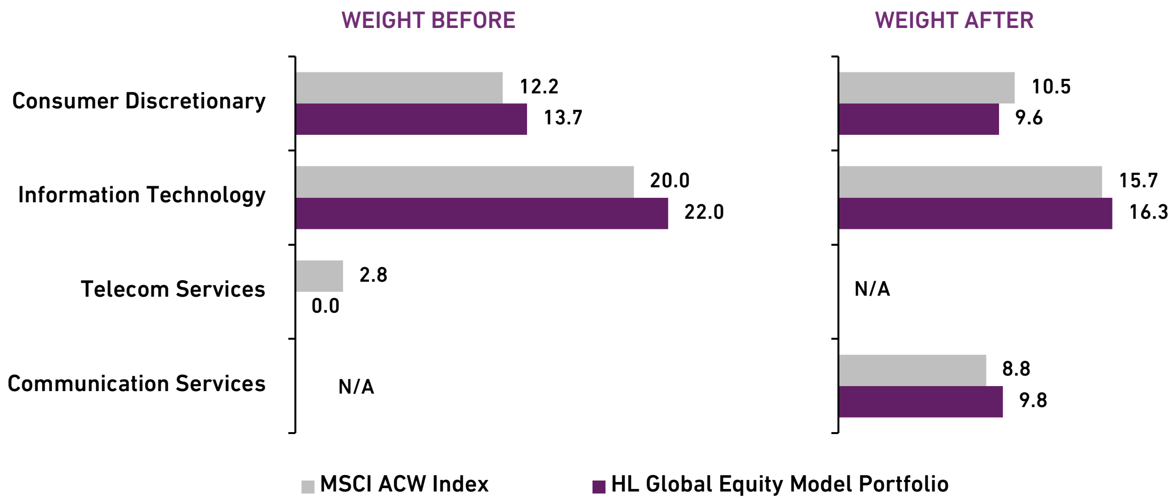
After years of outperformance by shares of US companies, we are finding more attractively valued, high-quality, growing companies outside the US than within it.

The portfolio continues to have light holdings in the US, which comprise just over 40% of it, a weight that is now 15 percentage points lower than that of the index. The tilt against the US has increased steadily over the last eight quarters, and the underweight has been detrimental to our relative returns all year. Our relative US stance is a reflection of our bottom-up valuation process. After years of outperformance by shares of US companies, we are finding more attractively valued, high-quality, growing companies outside the US than within it. Today, the US is still enjoying stronger economic growth and corporate earnings momentum than other regions. But insofar as we believe much of the US market's momentum to be a short-term reaction to one-time profit gains from corporate tax reductions, we do not see fundamental support for its continuation.

UPCOMING INDEX CHANGES AND OUR PORTFOLIO POSITIONING

At the end of the third quarter, MSCI and S&P made significant changes to how companies are classified by sector and industry within the Global Industry Classification Standard (GICS). They changed the name of the Telecommunications Services sector to Communication Services, reflecting the convergence of telecom, media, and technology. Companies that provide content and information through cable, internet, and wireless platforms, including traditional media companies such as Pearson and entertainment companies such as Disney and Netflix, moved from Consumer Discretionary to Communication Services. The changes also affected many companies previously classified as Information Technology. For example, e-commerce businesses such as Alibaba and **eBay** joined the Consumer Discretionary sector, while internet-search businesses such as Alphabet (Google) and Baidu and digital platforms such as Facebook and Tencent shifted to the Communication Services sector.

While the changes to GICS became effective at the end of September, MSCI will not reflect the new classifications in its indexes until December 3. The effect of the changes on the sectoral weights of the MSCI All Country World Index and on our portfolio, as though the changes had been reflected in the index at September 30, are shown in the chart below.



Source: Harding Loevner Global Equity Model; MSCI Inc., and S&P; Data as of September 30, 2018.

Classification changes have no impact on our investable opportunity set nor on our fundamental analysis of companies. We bring them to your attention due to their future impact on the presentation of sectoral exposures, absolute and relative, and on performance attribution.

GLOBAL EQUITY HOLDINGS (AS OF SEPTEMBER 30, 2018)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
CONSUMER DISCRETIONARY		
AMAZON.COM E-commerce retailer	US	1.7
BMW Automobile manufacturer	Germany	0.8
BOOKING HOLDINGS Online travel services	US	2.4
DISNEY Diversified media and entertainment provider	US	1.0
LUXOTTICA Eyewear manufacturer and retailer	Italy	1.2
NASPERS Internet and media services	South Africa	2.3
NIKE Athletic footwear and apparel retailer	US	1.7
TELEVISA News and entertainment broadcaster	Mexico	1.1
WPP Marketing and advertising services	UK	1.3
CONSUMER STAPLES		
COLGATE PALMOLIVE Consumer products manufacturer	US	1.1
L'ORÉAL Cosmetics manufacturer	France	0.9
NESTLÉ Foods manufacturer	Switzerland	1.1
RECKITT BENCKISER Consumer products manufacturer	UK	1.2
WALGREENS BOOTS ALLIANCE Drugstores operator	US	0.7
ENERGY		
EXXONMOBIL Oil and gas producer	US	0.9
SCHLUMBERGER Oilfield services	US	1.7
TENARIS Steel-pipe manufacturer	Italy	0.8
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	2.5
BANK CENTRAL ASIA Commercial bank	Indonesia	1.2
BBVA Commercial bank	Spain	0.9
FIRST REPUBLIC BANK Private bank and wealth manager	US	2.5
HDFC BANK Commercial bank	India	0.8
ICICI BANK Commercial bank	India	1.2
ITAÚ UNIBANCO Commercial bank	Brazil	0.9
STANDARD CHARTERED Commercial bank	UK	1.5
SVB FINANCIAL GROUP Commercial bank	US	1.1
HEALTH CARE		
ABBOTT LABS Health care products manufacturer	US	1.2
ABCAM Life science services	UK	1.0
AMERISOURCEBERGEN Pharma services	US	1.0
ESSILOR Ophthalmic lenses manufacturer	France	1.3
GRIFOLS Blood plasma fractionation operator	Spain	1.3
LONZA GROUP Life science products developer	Switzerland	3.3
M3 Medical information services	Japan	1.5
REGENERON Biopharma manufacturer	US	1.7
SONOVA HOLDING Hearing aids manufacturer	Switzerland	1.0
SYSMEX Clinical laboratory equipment manufacturer	Japan	1.6
WATERS Analytical instruments manufacturer	US	1.2
WUXI BIOLOGICS Biopharma manufacturer	China	1.6
INDUSTRIALS		
3M COMPANY Diversified product manufacturer	US	0.8
ATLAS COPCO Industrial equipment manufacturer	Sweden	0.7

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
EPIROC Industrial equipment manufacturer	Sweden	0.3
FANUC Industrial robot manufacturer	Japan	0.7
INTRUM JUSTITIA Credit management services	Sweden	0.9
KONE Elevator and escalator manufacturer	Finland	1.4
KUBOTA Industrial and consumer equipment manufacturer	Japan	1.2
MAKITA Power tool manufacturer	Japan	1.0
MONOTARO Factory materials supplier	Japan	1.5
PARK24 Automated parking lot operator	Japan	0.8
ROPER Diversified technology businesses operator	US	3.0
VERISK Risk analytics and assessment services	US	2.4
WABCO Vehicle control systems supplier	US	0.8
INFORMATION TECHNOLOGY		
AAC TECHNOLOGIES Smartphone components manufacturer	China	1.4
ALIBABA E-commerce retailer	China	0.8
APPLE Consumer electronics and software developer	US	1.9
BAIDU Internet products and services	China	1.1
CHECK POINT Cybersecurity software developer	Israel	1.0
COGNEX Machine vision systems manufacturer	US	1.1
COGNIZANT TECHNOLOGY IT consultant	US	1.0
EBAY E-commerce retailer	US	0.8
FACEBOOK Social network	US	1.4
IPG PHOTONICS Lasers and amplifiers manufacturer	US	0.9
KEYENCE Sensor and measurement equipment manufacturer	Japan	1.6
MASTERCARD Electronic payment services	US	1.9
MICROSOFT Consumer electronics and software developer	US	1.1
PAYPAL Electronic payment services	US	3.5
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	1.0
WEIBO Social network	China	0.4
YANDEX Internet products and services	Russia	1.2
MATERIALS		
AIR LIQUIDE Industrial gases producer	France	1.0
CHR. HANSEN Natural ingredients developer	Denmark	1.4
LINDE Industrial gases supplier and engineer	Germany	1.3
NOVOZYMES Biotechnology producer	Denmark	1.1
SASOL Energy and chemical technology developer	South Africa	0.9
SYMRISE Fragrances and flavors manufacturer	Germany	2.4
REAL ESTATE		
No Holdings		
TELECOM SERVICES		
No Holdings		
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.

3Q18 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
LONZA GROUP	HLTH	3.0	0.76
APPLE	INFT	1.8	0.35
MONOTARO	INDU	1.3	0.30
VERISK	INDU	2.3	0.27
AMAZON.COM	DSCR	1.6	0.26

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
NIKE	DSCR	2.1	1.27
SVB FINANCIAL GROUP	FINA	2.0	1.19
PAYPAL	INFT	3.4	1.13
AMAZON.COM	DSCR	1.3	0.97
MASTERCARD	INFT	1.8	0.87

3Q18 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
NASPERS	DSCR	2.5	-0.41
IPG PHOTONICS	INFT	1.1	-0.39
AAC TECHNOLOGIES	INFT	1.0	-0.29
FACEBOOK	INFT	1.6	-0.25
SYSMEX	HLTH	2.0	-0.21

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
AAC TECHNOLOGIES	INFT	0.3	-0.46
NASPERS	DSCR	1.0	-0.43
STANDARD CHARTERED	FINA	0.9	-0.37
BBVA	FINA	1.2	-0.36
TELEVISA	DSCR	1.0	-0.29

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL GLOBAL	MSCI ACWI
PROFIT MARGIN[1] (%)	14.2	11.4
RETURN ON ASSETS[1] (%)	8.3	6.1
RETURN ON EQUITY[1] (%)	17.0	14.5
DEBT/EQUITY RATIO[1] (%)	51.4	72.8
STD DEV OF 5 YEAR ROE[1] (%)	4.0	4.6
SALES GROWTH[1,2] (%)	7.4	3.1
EARNINGS GROWTH[1,2] (%)	11.4	8.0
CASH FLOW GROWTH[1,2] (%)	10.1	7.4
DIVIDEND GROWTH[1,2] (%)	9.3	7.7
SIZE & TURNOVER	**HL GLOBAL**	**MSCI ACWI**
WTD MEDIAN MKT CAP (US $B)	32.4	59.0
WTD AVG MKT CAP (US $B)	108.9	160.7
TURNOVER[3] (ANNUAL %)	22.2	—

RISK AND VALUATION	HL GLOBAL	MSCI ACWI
ALPHA[2] (%)	3.09	—
BETA[2]	1.00	—
R-SQUARED[2]	0.92	—
ACTIVE SHARE[3] (%)	89	—
STANDARD DEVIATION[2] (%)	10.11	9.71
SHARPE RATIO[2]	1.19	0.90
TRACKING ERROR[2] (%)	2.8	—
INFORMATION RATIO[2]	1.18	—
UP/DOWN CAPTURE[2]	111/87	—
PRICE/EARNINGS[4]	24.4	17.2
PRICE/CASH FLOW[4]	18.4	11.8
PRICE/BOOK[4]	3.6	2.3
DIVIDEND YIELD[5] (%)	1.2	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 Global Equity Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: October 3, 2018); Harding Loevner Global Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
THERE WERE NO NEW PURCHASES THIS QUARTER		

POSITIONS SOLD	COUNTRY	SECTOR
THERE WERE NO COMPLETE SALES THIS QUARTER		

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 Global Equity Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

GLOBAL EQUITY COMPOSITE PERFORMANCE (AS OF SEPTEMBER 30, 2018)

	HL GLOBAL EQUITY GROSS (%)	HL GLOBAL EQUITY NET (%)	MSCI ACWI[1] (%)	MSCI WORLD[2] (%)	HL 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)	FIRM ASSETS (%)
2018 YTD[5]	7.26	6.91	4.26	5.89	10.17	9.24	9.02	N.A.[6]	30	12,231	21.14
2017	33.26	32.66	24.62	23.07	11.16	10.37	10.24	0.2	27	8,946	16.57
2016	7.13	6.62	8.48	8.15	11.37	11.07	10.94	0.1	29	7,976	20.45
2015	2.65	2.18	-1.84	-0.32	11.16	10.78	10.80	0.5	28	7,927	23.81
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

[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 2018 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 accounts investing in US and non-US equity and equity-equivalent securities and cash reserves, and is measured against the MSCI All Country World 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 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 47 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 for the period November 1, 1989 through June 30, 2018.

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 June 30, 2018. 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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