

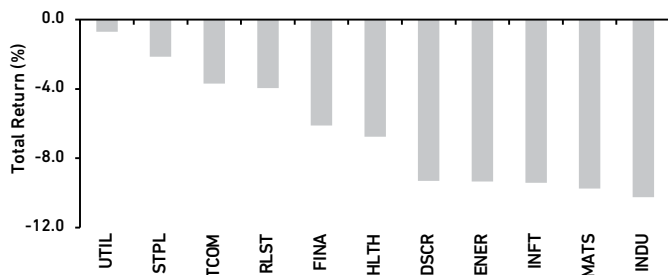
China's once rapid rate of internet adoption is slowing as nearly 60% of its 1.4 billion people are now online. As a result, internet companies are spending heavily to develop new services to increase the value of existing users and attract new ones. Such investments accelerate revenue growth but often compress margins, sometimes to the point of destroying value. **Baidu**, China's largest search engine provider, provides a cautionary tale.

In 2015, Baidu, in a bid to become a greater part of its users' lives, embarked on US\$3.2 billion of spending over three years to develop a variety of "online-to-offline" services, such as food delivery. E-commerce giant **Alibaba** and social and gaming platform Tencent had entered the same areas, and the three companies raced to achieve the scale necessary for profitability. All lost money on these initiatives. After two years of hemorrhaging, Baidu capitulated, selling the startup services—often to its rivals.

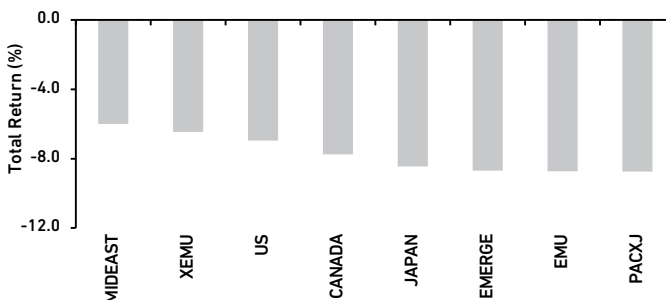
Baidu's pruning and return to focus on its main businesses, online search and artificial intelligence, have been fruitful. In the third quarter, its revenues grew 27% year over year, and its margins remained stable. Its news feed app has helped the company increase the amount of time each user spends on its platform, and capture a larger share of ad budgets. Sometimes, discretion is the better part of valor.

PERFORMANCE (% TOTAL RETURN) FOR THE PERIODS ENDED OCTOBER 31, 2018¹

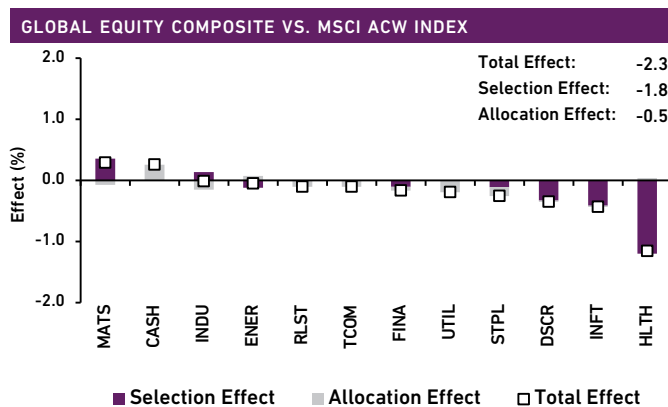
	1 MONTH	YTD	1 YEAR	3 YEARS ²	5 YEARS ²	10 YEARS ²	SINCE INCEPTION ^{2,3}
HL GLOBAL EQUITY (GROSS OF FEES)	-9.76	-3.20	0.85	10.61	9.61	12.59	9.79
HL GLOBAL EQUITY (NET OF FEES)	-9.84	-3.61	0.41	10.11	9.11	12.12	9.13
MSCI ALL COUNTRY WORLD INDEX ^{4,5}	-7.47	-3.53	0.00	8.32	6.71	10.33	6.93
MSCI WORLD INDEX ^{5,6}	-7.32	-1.86	1.71	8.52	7.40	10.64	7.02

BENCHMARK PERFORMANCE BY SECTOR – OCTOBER


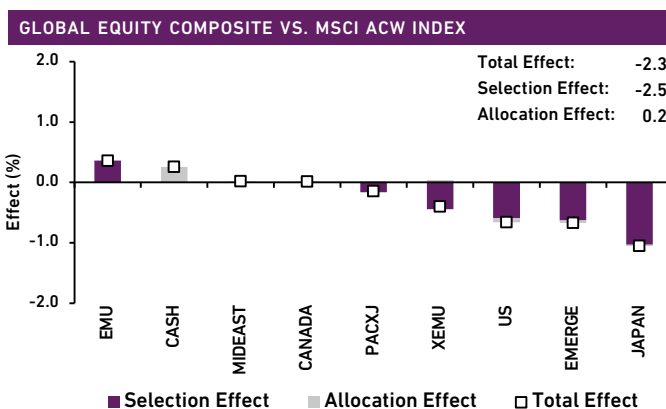
- Industrials fell the most as companies, especially those in the US, reported disappointing earnings and gave weaker forward guidance due to the US-China trade war.

BENCHMARK PERFORMANCE BY GEOGRAPHY – OCTOBER


- Emerging Markets continued to fall as concerns persisted about slowing China growth, trade tensions, and higher interest rates. Brazil was the lone bright spot, rising sharply after far-right candidate Jair Bolsonaro won the country's presidential election.

PERFORMANCE ATTRIBUTION BY SECTOR – OCTOBER


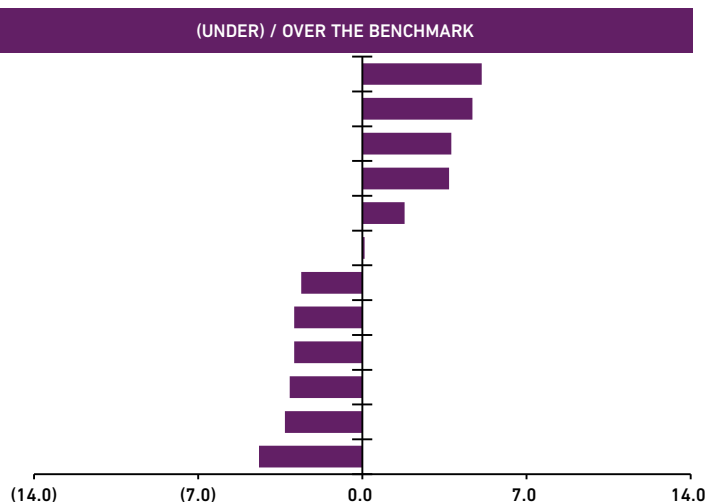
- German industrial-gas producer **Linde** led our stocks in Materials, as the company's planned merger with US industrial-gas producer Praxair won antitrust clearance in the US.

PERFORMANCE ATTRIBUTION BY GEOGRAPHY – OCTOBER


- Our positive stock selection in the eurozone was thanks to gains in Linde.
- Seven of our eight holdings in Japan detracted, especially medical information website **M3**, power-tool manufacturer **Makita**, and factory-materials supplier **MonotaRO**. Makita and MonotaRO both posted weaker-than-expected results.

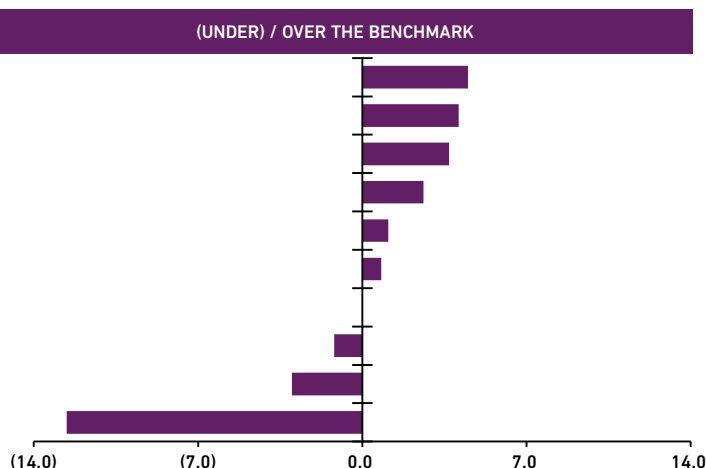
SECTOR EXPOSURE (%) AT OCTOBER 31, 2018

SECTOR	HL GLOBAL	MSCI ACWI
INDUSTRIALS	15.5	10.4
HEALTH CARE	16.7	12.0
MATERIALS	8.5	4.7
CASH	3.7	—
INFO TECHNOLOGY	21.4	19.6
CONS DISCRETIONARY	12.1	12.0
CONS STAPLES	5.8	8.4
REAL ESTATE	0.0	2.9
TELECOM SERVICES	0.0	2.9
UTILITIES	0.0	3.1
ENERGY	3.3	6.6
FINANCIALS	13.0	17.4



GEOGRAPHIC EXPOSURE (%) AT OCTOBER 31, 2018

REGION	HL GLOBAL	MSCI ACWI
EMERGING MARKETS	15.4	10.9
EUROPE EX-EMU	13.7	9.6
CASH	3.7	—
EUROPE EMU	12.3	9.7
JAPAN	8.6	7.5
MIDDLE EAST	1.0	0.2
FRONTIER MARKETS ⁷	0.0	—
PACIFIC EX-JAPAN	2.4	3.6
CANADA	0.0	3.0
US	42.9	55.5



ENDNOTES

(1) The October 2018 Composite performance shown is preliminary (2) Annualized returns (3) Inception date: November 30, 1989 (4) The Benchmark Index (5) Gross of withholding taxes (6) Supplemental Index (7) Includes countries with less-developed markets outside the Index.

SOURCES

Benchmark Performance: FactSet; MSCI Inc. and S&P.

Sector/Geographic Attribution: FactSet; Harding Loevner Global Equity Composite; MSCI Inc. and S&P.

Sector/Geographic Exposure: FactSet; Harding Loevner Global Equity Model; MSCI Inc. and S&P.

DISCLOSURES

The Global Equity Composite contains fully discretionary, fee-paying equity 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. 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. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). 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. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the Global Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit www.hardingloevner.com. The firm maintains a complete list and description of composites, which 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.

Companies held in the portfolio during the month appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner.

Portfolio holdings, portfolio attribution, and sector/geographic allocations are supplemental information only and complement a fully compliant Global Equity Composite GIPS Presentation, which is available upon request. The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

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