HARDING LOEVNER

INTERNATIONAL EQUITY ADR

2017 Second Quarter Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDING JUNE 30, 2017[1]

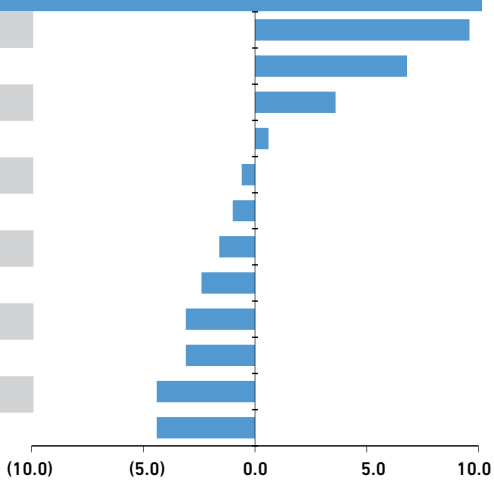
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY ADR (GROSS OF FEES)	6.87	17.74	20.88	5.20	9.82	4.87	8.40
HL INTL EQUITY ADR (NET OF FEES)	6.69	17.35	20.07	4.47	9.04	4.11	7.53
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	5.99	14.45	21.00	1.27	7.70	1.59	5.14
MSCI EAFE INDEX[5,6]	6.37	14.23	20.83	1.61	9.17	1.50	4.80

[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: December 31, 1989 corresponds to that of the linked International Equity Composite; [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.

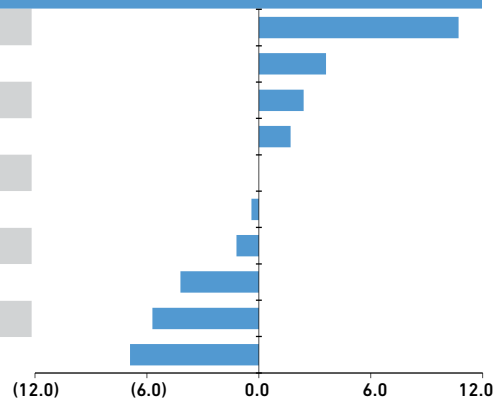
SECTOR EXPOSURE (%)

	HL INTL ADR	ACWI EX-US
HEALTH CARE	17.7	8.1
INFO TECHNOLOGY	17.6	10.8
CASH	3.6	–
INDUSTRIALS	12.6	12.0
MATERIALS	7.0	7.6
ENERGY	5.3	6.3
CONS STAPLES	8.3	9.9
REAL ESTATE	0.8	3.2
CONS DISCRETIONARY	8.2	11.3
UTILITIES	0.0	3.1
TELECOM SERVICES	0.0	4.4
FINANCIALS	18.9	23.3



GEOGRAPHIC EXPOSURE (%)

	HL INTL ADR	ACWI EX-US
EUROPE EMU	33.2	22.5
CASH	3.6	–
MIDDLE EAST	2.9	0.5
OTHER[7]	1.7	–
FRONTIER MARKETS[8]	0.0	–
EUROPE EX-EMU	21.5	21.9
PACIFIC EX-JAPAN	7.2	8.4
CANADA	2.4	6.6
EMERGING MARKETS	18.1	23.8
JAPAN	9.4	16.3



[7]Includes companies classified in countries outside the Index; [8]Includes countries with less-developed markets outside the Index.

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

Source: Harding Loevner International Equity ADR 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

Equity markets maintained their positive momentum as investors responded to broadly positive economic growth around the world and an apparent absence of inflation pressures.

Positive economic and political developments supported returns in the eurozone.

Style trends in the market favored stocks whose businesses demonstrated strong growth characteristics.

PORTFOLIO HIGHLIGHTS

Companies that can facilitate faster, more efficient manufacturing (i.e., enable productivity gains) have enjoyed sustained and profitable growth, and many of them find a place in our portfolio.

The semiconductor industry offers attractive growth opportunities.

MARKET REVIEW

Equity markets maintained their positive momentum in the second quarter as investors responded to broadly positive economic growth around the world and apparent absence of inflation pressures. Reported growth has shown most economies in the most synchronized advances since before the Global Financial Crisis a decade ago. The US Federal Reserve raising short-term interest rates for the third time since December was viewed as a confirmation of expectations for continued economic growth and a tightening labor market in the US. Commodity markets remained weak, and oil prices in particular continued to soften amid resilient US unconventional production and greater output from Nigeria and Libya.

Stocks inside the European Monetary Union (EMU) were particularly strong. GDP growth in the eurozone exceeded that in the US in the first quarter, showing that the post-financial crisis recovery in Europe is at long last gaining strength, allowing the European Central Bank to shift its attention away from deflation and toward guiding a normalizing economy. Banks throughout the region continued to heal, with a number of large multinational lenders raising substantial capital this year alongside indications of accelerating loan growth.

Those positive economic signs combined with resounding political victories for centrist candidate Emmanuel Macron and his year-old En Marche! party in the French presidential and parliamentary elections. His success is credited (perhaps prematurely) with halting the momentum of populist movements across the region that threatened to destabilize pan-European institutions, including the single currency, and a retreat from global trade. The euro gained 7% against the US dollar, flattering stock market returns in the eurozone.

Europe ex-EMU and emerging markets (EMs) were strong as well, benefiting from the confidence in broadening global growth. EMs were supported by stocks in Information Technology (IT). The sector has expanded thanks to new listings and sustained outperformance; it now comprises more than a quarter of the MSCI EM Index.

MARKET PERFORMANCE (USD %)

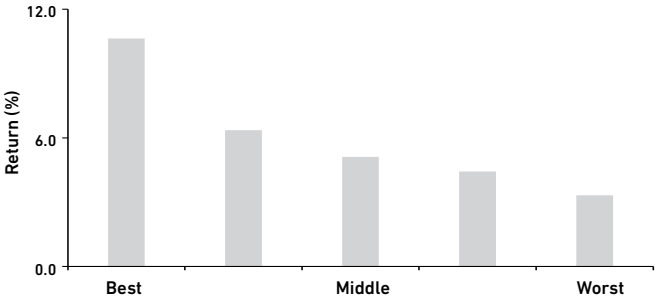
MARKET	2Q 2017	TRAILING 12 MONTHS
CANADA	0.8	12.5
EMERGING MARKETS	6.4	24.2
EUROPE EMU	8.5	29.1
EUROPE EX-EMU	6.9	15.4
JAPAN	5.2	19.6
MIDDLE EAST	6.7	-1.8
PACIFIC EX-JAPAN	1.6	19.6
MSCI ACW EX-US INDEX	6.0	21.0

SECTOR PERFORMANCE (USD %)
OF THE MSCI ACW EX-US INDEX

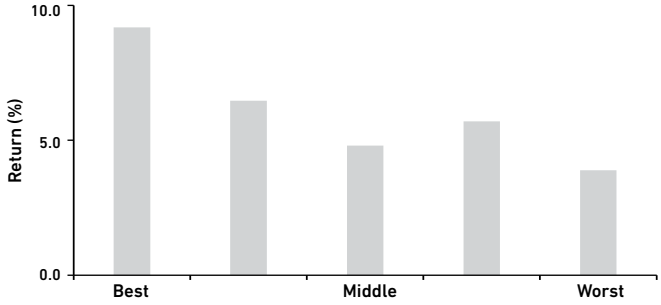
SECTOR	2Q 2017	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	5.8	24.4
CONSUMER STAPLES	7.3	6.9
ENERGY	-2.7	6.8
FINANCIALS	5.9	34.3
HEALTH CARE	7.3	4.8
INDUSTRIALS	7.0	24.3
INFORMATION TECHNOLOGY	13.0	42.4
MATERIALS	1.8	27.6
REAL ESTATE	5.9	9.6
TELECOM SERVICES	4.2	3.8
UTILITIES	5.5	6.9

Source: FactSet (as of June 30, 2017); MSCI Inc. and S&P.

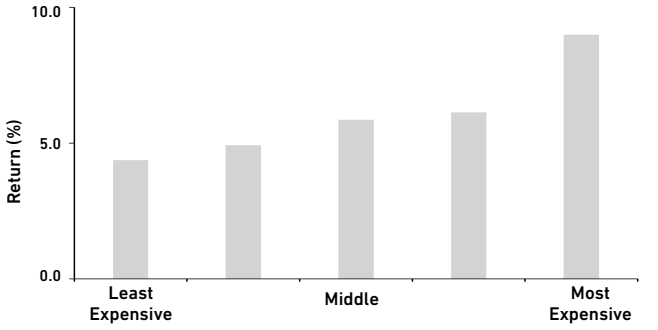
MSCI ACW EX-US INDEX PERFORMANCE BY GROWTH 2Q17



MSCI ACW EX-US INDEX PERFORMANCE BY QUALITY 2Q17



MSCI ACW EX-US INDEX PERFORMANCE BY VALUE 2Q17



Source: FactSet. Data as of June 30, 2017. MSCI Inc. and S&P.

Harding Loevner's Quality, Growth, and Value rankings 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.

Resource-rich Canada, along with Australia and Russia, lagged the MSCI All Country World (ACW) ex-US Index. US stock market returns once again trailed non-US returns, as in the first quarter.

IT was the best-performing sector by far, returning more than double the overall Index return, as investors pursued businesses with the strongest growth characteristics. The fastest-growing quintile of the market had the strongest returns, mirrored in the returns of the highest-quality fifth of the market. The less-rarefied four-fifths of the market, sorted either for growth or for quality, saw stock price returns clustered together without much additional differentiation. Investors did not seem to care about the price of that rapid growth or high quality, because the most expensive fifth of the market enjoyed the highest returns, while all the rest averaged returns similar to or below the Index.

PERFORMANCE AND ATTRIBUTION

The International Equity ADR composite returned 6.9% in the second quarter of 2017, ahead of the 6.0% return of the MSCI ACW ex-US Index. The following charts illustrate the sources of relative return by sector and region, respectively. For the year to date, the composite is up 17.7%, also ahead of the 14.5% six-month return of the Index.

Our portfolio's overweight in the top-performing IT sector contributed to relative performance. But despite solid returns for our companies, we did not match the sector's strong returns, largely because we did not own some of the fastest-growing EM businesses, notably Chinese internet giants Alibaba and Tencent, which were among the heavyweight leaders in the Index. Instead, we owned more-stable but slower-growing software and services companies like **Dassault Systèmes** and **SAP**, which underperformed, while our well-performing holding in **Naspers**—the South African internet and media investment company with a large stake in Tencent—is classified in the Consumer Discretionary sector.

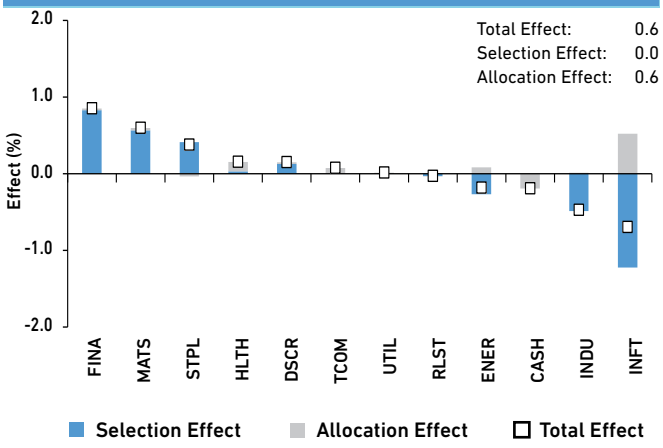
Security selection was strongest in Financials, as most of our EM banks outperformed, including Mexican bank **GF Banorte** and Turkish lender **Garanti Bank**. In addition, Asian life insurer **AIA Group** continued its run of outperformance following record growth in the first quarter. In Consumer Staples, **Nestlé** and **Unilever** were strong, as investors rewarded managements' steps to shake up their businesses after activist investors disclosed their shareholdings and pressed recommendations to management. Our two industrial-gas companies **Air Liquide** and **Linde** were solid performers, especially relative to the otherwise generally weak returns in Materials. **Schlumberger** and **Tenaris**, on the other hand, performed worse than the already-weak Energy sector.

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 June 30, 2017 is available on page 6 of this report.

Viewed geographically, our modest outperformance stemmed from good stock selection in Pacific ex-Japan, the eurozone, Canada, and EMs. AIA and Australian plasma-protein company **CSL Limited** drove outperformance in Pacific ex-Japan; the latter successfully entered the Chinese market following its purchase of a stake in a domestic blood-plasma collection operator. Pharmaceutical and crop-science leader **Bayer** led results in the eurozone, although it issued a profit warning on the last day of the quarter, causing a decline that day. In spite of our whining above about EM internet winners, our EM holdings bettered the Index due not only to the previously referenced banks but also to Naspers and IT heavyweight **Taiwan Semiconductor**. Our single holding in Canada, **Canadian National Railway**, was stronger than the lagging sector.

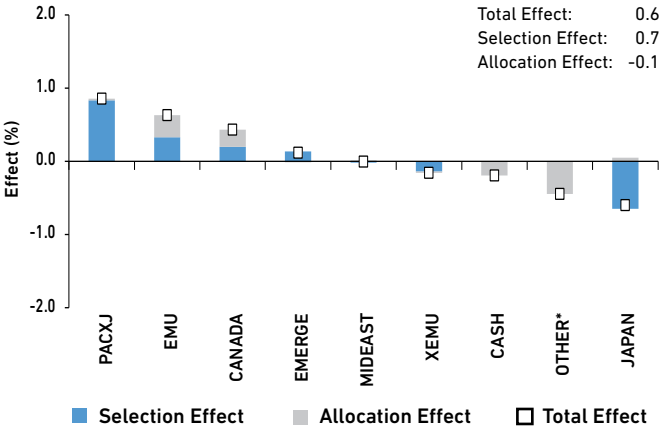
SECTOR PERFORMANCE ATTRIBUTION SECOND QUARTER 2017

INTERNATIONAL EQUITY ADR COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION SECOND QUARTER 2017

INTERNATIONAL EQUITY ADR COMPOSITE VS. MSCI ACW EX-US INDEX



**Includes companies classified in countries outside the Index. Source: FactSet; Harding Loevner International Equity ADR Composite; MSCI Inc. and S&P. The total effect shown here may differ from the variance of the Composite performance and benchmark performance shown on page 1 of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS presentation.*

PERSPECTIVE AND OUTLOOK

The investment environment has become increasingly challenging for investors concerned with the quality, growth, and price tripod that forms the foundation of Harding Loevner's investment philosophy. *Quality* as a standalone factor has become expensive in stock-price terms, in spite of the surge in *value* stocks last year. We have noted the investment industry's efforts to reverse-engineer the successful performance that high-quality portfolios have enjoyed over the past decade by constructing "smart beta" portfolios that use quantitative tools to identify companies with similar high-quality attributes. These approaches implicitly promise future outperformance similar to that observed in the past. Smart beta approaches overlap with other managers employing optimization software to create "low volatility" portfolios that appeal to investors fearful of the inherent ups and downs of stock market investing, overlapping simply because the stocks of high-quality companies have traded with much more restrained gyrations than the average stock in past market tempests. The broader emphasis on quality, enshrined in the documenting by academics of a quality factor effect, and commercialized through the creation of "quality indexes" as benchmarks for passive money, has meant increasingly persistent and decreasingly price-sensitive demand for the stocks of high-quality companies.

Our portfolio response has been to redouble our attention to the other two legs of our philosophical stool: growth and price. If quality is fashionable, based on either a blind embrace of its prior success or a backward-looking fear of another financial crisis, then the fruitful way forward must be one that remains discerning yet is courageously forward-looking. In the past twelve months, this route has involved an emphasis on price, encompassing the strong value rally capped by the "Trump bump," but it has also, in recent months, coalesced around companies achieving faster growth.

Faster economic growth has long been associated with rising labor productivity. Traditionally, labor productivity and wage growth were joined at the hip: as productivity grew, both companies and workers shared the benefits. However, the relationship between wage growth and productivity has steadily separated since the late 1970s, pressuring labor's share of profits.

NOT YOUR FATHER'S SEMICONDUCTOR INDUSTRY
Lakshman Venkitaraman, CFA

My view of the semiconductor industry is changing to become more positively inclined. Historically, the industry has suffered from a poor competitive structure. Periodic boom and bust cycles were the norm, driven by the cyclical overcapacity that resulted from the large increments of capital expansion with each major technological advance. This unattractive industry structure was exacerbated by the product cycles of semiconductor companies' main customers, personal computer and mobile-phone manufacturers, who were in turn subject to the general business cycles affecting the end users: companies and individuals. In response, manufacturers strove ruthlessly to standardize production, moving to semiconductor components that were undifferentiated in order to lower costs. That standardization reduced costs of switching between suppliers, and PC manufacturers had a strong incentive to play off one chipmaker against another since the microprocessor represented a high fraction of the end-product's cost. Additionally, a move to outsourced manufacturing at foundries such as Taiwan Semiconductor (TSMC) lowered barriers to entry for new chip-design firms, further increasing competition. Industry growth, at times rapid, was dependent on a few key consumer products, but that demand could be volatile and unpredictable, since, as mobile phones gained prominence, demand was increasingly based on fashion and design. Investing in semiconductors was not for the faint of heart.

Today, the complexity of manufacturing contemporary semiconductor chips, whose components can be 500 times smaller than a blood cell, has risen dramatically, and the capital investment required to compete at the highest technological level has increased significantly throughout the semiconductor value chain. TSMC, for example, announced last year that its latest foundry will carry a price tag of US$15.7 billion. However, low and volatile returns have made new capital much less available for both semiconductor start-ups and existing players. An inevitable consolidation among chipmakers has seen the weak being subsumed by the strong, and the strong merging to become stronger. Products are becoming more customized for a broadening variety of end uses, and thus customers are becoming a more fragmented bunch, weakening their bargaining power against the reduced set of powerful survivors. The industry is now led by a new breed of managers who pay close attention to returns instead of chasing growth or market share.

Innovation in semiconductors will be essential to future advances in artificial-intelligence applications. Parallel processing chips are used to train computer programs to improve via self-learning in a much shorter time frame. Such programs are already as good as human beings at tasks like classifying images and identifying words. Semiconductors are also integral to making cars intelligent and fully electric; cars can see using radars, understand by processing, and take action by harnessing actuators, all semiconductor-dependent components. Semiconductors will likely permeate a plethora of devices around us in the future. Tractors, planes, machines, watches, and more should soon incorporate a voice user interface using semiconductor chips. The industry should sustain attractive growth for many years as a result of these abovementioned factors. We seek to capitalize on this more benign competitive environment by investing in companies that have wide moats of manufacturing and process know-how. These companies supply core products that should see strong demand given the trends that we see emerging.

The fall of trade barriers over decades has dramatically increased consumer choices and lowered prices for those goods, while the outsourcing of manufacturing jobs from the developed world to the developing world enabled staggering gains in employment, and therefore per capita income, in developing countries. That weakened the bargaining position of less-skilled workers in the US and other developed economies. That labor arbitrage is essentially complete. Now, instead of low-skilled workers being replaced by cheaper labor abroad, their manufacturing jobs risk substitution by the application of industrial automation, robotics, and computing power. That substitution results in a similar dampening of wage growth. Furthermore, the service sector is no longer immune from the threat of technology. For example, in financial services the use of algorithmic trading and robo-advisors has begun eliminating high-paying jobs, while mobile phone apps have replaced human brokers.

Contrary to populist rhetoric, this is not solely an American or even a developed-world phenomenon. In their global company research travels, our analysts have seen the same application of industrial automation and robotics in Guangdong Province, China or Hwaseong, Korea as they have in Peoria or Columbus. Wenting Shen, one of our China analysts, recently returned from a month in the country and noted as much: "Standing in the middle of China's largest furniture factory last month, one can only hear the rhythms of machines, but hardly see any workers around…As frequently reported, China's blue-collar wages have been soaring, [while] automation equipment has become cheaper because of localized production of global brands as well as the improvement of substitute local brands."

Companies that can facilitate faster, more efficient manufacturing (i.e., enable productivity gains) have enjoyed sustained and profitable growth, and many of them find a place in our portfolio. Increasingly, their devices—such as **Fanuc's** industrial robots, and Schlumberger's downhole oil-well test tools—are integrated more fully with software and embedded with more semiconductor chips to gather information and precisely measure output, flows, temperatures, and tolerances. The prospect of machine learning has driven the capture of even more data, which will allow computers to use algorithms increasingly to make decisions independently. Lakshman Venkitaraman, CFA, one of our technology analysts, has lately updated his views of the semiconductor industry, and his comments are on the previous page.

We were absent from some of the most-rapidly growing IT companies in EMs, which were among the top performers in the ACW ex-US Index this quarter. IT is the only sector within the EM Index to match the strong performance of its US counterpart over the past five years. The majority of EM technology companies are either domiciled in China or tied to the country's new consumption-led, mobile internet-enabled economy. The high growth rates posted by the mega-cap EM IT heavyweights (Tencent, for example, has grown its revenues at more than 40% annualized in the last five years) are rooted in the rising wealth of the growing Chinese middle class, the acceleration of smartphone usage, and the migration of large segments of economic activity from offline to online, especially in entertainment, social communication, and consumer and financial transactions. Our research analysts have been diligent in their efforts to identify the emerging winners in these spaces and, indeed, our EM strategy colleagues own a number of them in their portfolio. We (the International Equity strategy portfolio managers) have been wrongly skeptical that the growth rates could live up to the prices demanded for the stocks.

PORTFOLIO HIGHLIGHTS

We have had a longstanding focus on growth companies in the IT sector and for over a decade have consistently been overweight IT in the portfolio relative to the Index. **Infineon Technologies**, a German manufacturer of automotive and industrial chips, is a new addition to the portfolio this quarter. Infineon's high-voltage chips differ from those used in mobile phones or computers as they must be able to withstand much higher voltage and are packaged to withstand intense heat over years of use. These chips account for a very small fraction of an automobile or factory machine's overall costs, so, given the complexity of the overall system and Infineon's track record of reliability, its customers are loath to risk switching to another supplier once they have incorporated Infineon's chips into their designs. Together with Taiwan Semiconductor, semiconductor-related companies comprise roughly a quarter of our IT weight.

Last quarter we highlighted management changes at Nestlé, a long-time portfolio holding. Nestlé has since announced several important operational changes, including a possible sale of its slow-growing US confectionary business, whose brands like Butterfinger and Baby Ruth generate approximately US$1 billion in annual sales. These brands are not segment leaders and therefore their margins are vulnerable to the rising bargaining power of distributors like Amazon.com or Walmart.

We bought a new holding in **HDFC Bank** to complement our holding in its rival **ICICI Bank**. HDFC remains the best-managed business in the Indian banking sector. It continues to grow rapidly in an underpenetrated market for financial services while the rest of the industry copes with simmering credit woes. We took advantage of the shrinkage in the premium commanded by HDFC's ADRs over the local shares to buy into the holding. We remain underweight Financials, although the holdings have increased. Telecom Services and Utilities, where we have no holdings, are the other two most significant portfolio slants against the benchmark. We continued to reduce some of our most expensive longtime holdings this quarter, including CSL Limited and Dassault Systèmes, a French 3D design-software provider.

Changes to Portfolio Guidelines

Each of Harding Loevner's investment strategies complies with a set of internal guidelines designed to ensure portfolio diversification. Effective October 1, 2017, we will adjust the International Equity ADR strategy's guidelines to reflect shifts in the relative sizes and risk profiles of the markets within its investment universe. For further information on this and other guideline adjustments, please contact Harding Loevner.

INTERNATIONAL EQUITY ADR HOLDINGS (AS OF JUNE 30, 2017)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
BMW Automobile manufacturer	Germany	1.2
LVMH MOËT HENNESSY Luxury goods group	France	1.4
NASPERS Media, internet, pay TV company	South Africa	2.7
TELEVISA Media, broadcasting, and entertainment	Mexico	0.7
WPP Advertising and marketing services	UK	2.2
CONSUMER STAPLES		
L'ORÉAL Beauty and personal care products	France	2.7
NESTLÉ Food company	Switzerland	3.8
UNILEVER Consumer products manufacturer	UK	1.8
ENERGY		
ROYAL DUTCH SHELL Oil exploration	UK	2.9
SCHLUMBERGER Oilfield services company	US	1.7
TENARIS Steel pipe manufacturer	Italy	0.7
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	4.0
ALLIANZ Multiline insurance	Germany	2.7
BBVA Commercial bank	Spain	2.9
DBS GROUP Commercial bank	Singapore	2.0
GARANTI BANK Commercial bank	Turkey	0.9
GF BANORTE Commercial bank	Mexico	1.4
HDFC BANK Commercial bank	India	1.0
HSBC Multinational commercial bank	UK	1.3
ICICI BANK Commercial bank	India	1.2
ITAU UNIBANCO Commercial bank	Brazil	1.5
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer & distributor	South Africa	0.8
BAYER Crop chemicals and pharmaceuticals	Germany	4.4
CSL LIMITED Blood plasma and recombinants	Australia	1.2
FRESENIUS MEDICAL CARE Dialysis svcs & eqpt	Germany	2.3
GRIFOLS Biopharmaceutical and diagnotstics	Spain	1.0
ROCHE HOLDING Pharma and diagnostic equipment	Switzerland	3.6
SHIRE Prescription medicine developer	UK	1.5
SONOVA HOLDING Hearing aid manufacturer	Switzerland	1.2
SYSMEX Clinical testing equipment	Japan	1.7

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
INDUSTRIALS		
ALFA LAVAL Heat transfer and fluid separation equipment	Sweden	1.2
ATLAS COPCO Industrial compressors & mining eqpt	Sweden	1.5
BBA AVIATION Flight support and services	UK	0.6
CANADIAN NATIONAL RAILWAY Railway operator	Canada	2.4
FANUC Industrial robots, controls, machine tools	Japan	2.8
JGC CORP Industrial facilities engineer	Japan	1.0
KUBOTA Farming and construction machinery	Japan	1.1
MONOTARO Online maintenance supplies distributor	Japan	1.1
PARK24 24-hr automated parking operator	Japan	1.0
INFORMATION TECHNOLOGY		
BAIDU Internet search provider	China	3.4
CHECK POINT Software company	Israel	2.8
DASSAULT SYSTÈMES CAD/CAM software designer	France	3.1
INFINEON TECHNOLOGIES Semiconductor mfg.	Germany	1.0
SAP Enterprise software provider	Germany	3.6
TAIWAN SEMICONDUCTOR Semiconductor chip foundry	Taiwan	3.6
MATERIALS		
AIR LIQUIDE Industrial gas company	France	2.3
FUCHS PETROLUB Lubricants manufacturer	Germany	1.3
LINDE Industrial gases and engineering	Germany	1.4
SASOL Refined product and chemicals group	South Africa	0.8
SYMRISE Global flavor and fragrance supplier	Germany	1.2
REAL ESTATE		
MITSUBISHI ESTATE Property mgt and real estate	Japan	0.8
TELECOM SERVICES		
No holdings		
UTILITIES		
No holdings		
CASH		3.6

Model Portfolio holdings are supplemental information only and complement the fully compliant International Equity ADR 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.

2Q17 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
AIA GROUP	FINA	3.8	0.61
NESTLÉ	STPL	3.6	0.55
BAYER	HLTH	3.2	0.44
NASPERS	DSCR	2.7	0.44
FRESENIUS MEDICAL CARE	HLTH	2.5	0.38

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
ARM HOLDINGS	INFT	0.7	1.66
TAIWAN SEMICONDUCTOR	INFT	4.0	1.40
SAP	INFT	3.5	1.33
BBVA	FINA	2.1	0.90
ALLIANZ	FINA	2.4	0.89

2Q17 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
SCHLUMBERGER	ENER	1.9	-0.32
FANUC	INDU	3.0	-0.19
ITAU UNIBANCO	FINA	1.6	-0.14
SHIRE	HLTH	1.2	-0.12
JGC CORP	INDU	1.0	-0.08

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
ANHEUSER-BUSCH INBEV	STPL	0.7	-0.50
PARK24	INDU	1.2	-0.42
SYSMEX	HLTH	2.2	-0.32
SCHLUMBERGER	ENER	2.3	-0.27
MTN GROUP	TCOM	0.2	-0.16

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL INTL ADR	ACWI EX-US
PROFIT MARGIN[1] (%)	11.5	9.1
RETURN ON ASSETS[1] (%)	6.9	4.5
RETURN ON EQUITY[1] (%)	13.4	12.1
DEBT/EQUITY RATIO[1] (%)	56.5	64.0
STD DEV OF 5 YEAR ROE[1] (%)	2.4	3.6
SALES GROWTH[1,2] (%)	1.7	-0.9
EARNINGS GROWTH[1,2] (%)	7.7	5.1
CASH FLOW GROWTH[1,2] (%)	8.7	6.8
DIVIDEND GROWTH[1,2] (%)	5.2	2.7
SIZE & TURNOVER	**HL INTL ADR**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	50.0	33.5
WTD AVG MKT CAP (US $B)	76.7	62.0
TURNOVER[3] (ANNUAL %)	14.4	–

RISK & VALUATION	HL INTL ADR	ACWI EX-US
ALPHA[2] (%)	2.31	–
BETA[2]	0.96	1.00
R-SQUARED[2]	0.91	1.00
ACTIVE SHARE[3] (%)	89	–
STANDARD DEVIATION[2] (%)	11.58	11.48
SHARPE RATIO[2]	0.84	0.66
TRACKING ERROR[2]	3.5	–
INFORMATION RATIO[2]	0.61	–
UP/DOWN CAPTURE[2]	102/89	–
PRICE/EARNINGS[4]	21.9	16.9
PRICE/CASH FLOW[4]	15.4	9.7
PRICE/BOOK[4]	2.6	1.7
DIVIDEND YIELD[5] (%)	2.2	2.9

[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 International Equity ADR Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: July 6, 2017); Harding Loevner International Equity ADR Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
HDFC BANK	INDIA	FINA
INFINEON TECHNOLOGIES	GERMANY	INFT

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

INTERNATIONAL EQUITY ADR COMPOSITE PERFORMANCE (AS OF JUNE 30, 2017)

	HL INTL ADR GROSS (%)	HL INTL ADR NET (%)	MSCI ACWI EX-US[1] (%)	MSCI EAFE[2] (%)	HL INTL ADR 3-YR STD DEVIATION[3] (%)	MSCI ACWI EX-US 3-YR STD DEVIATION[3] (%)	MSCI EAFE 3-YR STD DEVIATION[3] (%)	INTERNAL DISPERSION[4] (%)	NO. OF ACCOUNTS[5]	COMPOSITE ASSETS[5] ($M)	FIRM ASSETS (%)
2017 YTD[6]	17.74	17.35	14.45	14.23	12.46	12.29	12.28	N.A.[7]	171	813	1.73
2016	4.32	3.58	5.01	1.51	12.80	12.53	12.48	0.2	165	680	1.74
2015	-0.63	-1.30	-5.25	-0.39	12.52	12.13	12.47	0.3	165	630	1.89
2014	-0.16	-0.88	-3.44	-4.48	11.90	12.78	12.99	0.4	160	533	1.52
2013	14.93	14.10	15.78	23.29	15.03	16.20	16.22	0.7	159	520	1.57
2012	19.87	18.99	17.39	17.90	17.92	19.22	19.32	0.5	151	417	1.84
2011	-10.40	-11.08	-13.33	-11.73	21.86	22.74	22.45	0.3	167	365	2.68
2010	17.00	16.13	11.60	8.21	25.55	27.33	26.28	0.3	157	380	3.45
2009	35.76	34.69	42.14	32.46	23.40	25.30	23.65	0.4	118	265	4.14
2008	-35.17	-35.67	-45.24	-43.06	18.87	20.90	19.26	0.3	91	161	4.93
2007	14.08	13.28	17.12	11.63	10.27	10.62	9.41	0.6	84	243	3.82

[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]Total product accounts and assets are 27,855 and are $10,777 million, respectively, at June 30, 2017 and are presented as supplemental information; [6]The 2017 YTD performance returns and assets shown are preliminary ; [7]N.A. –Internal dispersion less than a 12-month period.

The International Equity ADR Composite contains fully discretionary, fee paying international equity accounts with the objective of long-term capital appreciation. Securities are held in Depository Receipt (DR) form, including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) or are otherwise traded on US exchanges. For comparison purposes, the Composite is measured against the MSCI All Country World ex-US Index, presented gross of withholdings. (Prior to December 31, 2012, the Composite was measured against the MSCI All Country World ex-US Index net of foreign withholding taxes for the periods presented. The presentation was changed to conform the treatment of withholding of the benchmark with that of the Composite.) 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 ex-US Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the US. The Index consists of 46 developed and emerging market countries. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. The Index consists of 21 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 March 30, 2017.

Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. The International Equity ADR Composite has been examined for the periods January 1, 1990 through March 31, 2017. The verification and performance examination reports are available upon request.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. Additional information is available upon request. 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 International Equity ADR accounts is 0.80% annually of the market value up to $20 million; 0.40% of amounts above $20 million. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The International Equity ADR Composite was created on August 31, 2000. Performance prior to August 31, 2000 is that of the International Equity Composite, which was managed similarly and materially represented the strategy of the International Equity ADR Composite.

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