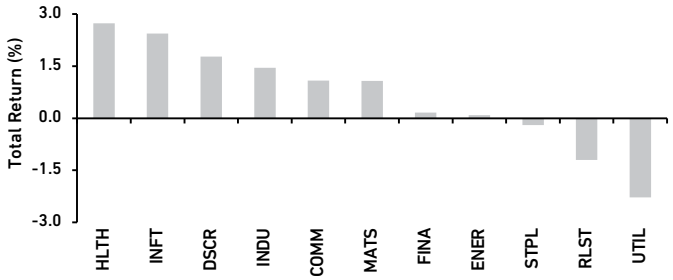
India offers substantial growth opportunities for banks, thanks to the country's low credit penetration. But investing in India's banking industry can be perilous: many banks suffer from poor management that has led to surging bad debt and, in several cases, charges of fraud. When we evaluate banks, we look for high-quality management and incentives that support good business processes. Two years ago, we considered investing in Yes Bank, the country's fourth-largest private bank, because of its high levels of growth and return on assets. However, through our research we found that the credit quality of the bank's loan book was not as strong as management claimed. We were also concerned about Yes Bank's culture of non-compliance, in particular the repeated underreporting of nonperforming loans. When this non-compliance was recently confirmed by India's central bank, Yes Bank's shares plummeted.

In contrast, the management of HDFC Bank adheres to rigorous credit-approval processes, rejecting the pursuit of growth regardless of risk. Crucially, HDFC's credit sanctioning and debt management units are separate, and neither has sales or operations responsibilities. The company's strong underwriting standards have helped it to do well across business cycles. At the end of its most recent fiscal year, HDFC's return on equity was 17%, among the highest among Indian banks, and its profit rose 21% year over year.

PERFORMANCE (% TOTAL RETURN) FOR THE PERIODS ENDED NOVEMBER 30, 2019[1]

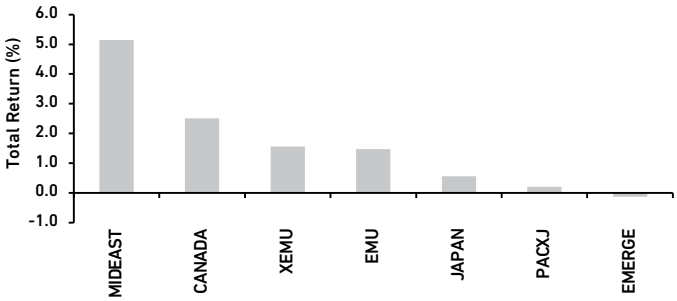
	1 MONTH	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL INTERNATIONAL EQUITY ADR (GROSS OF FEES)	1.70	18.45	12.36	10.76	5.91	7.44	8.13
HL INTERNATIONAL EQUITY ADR (NET OF FEES)	1.70	17.65	11.59	10.01	5.19	6.67	7.27
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	0.90	17.03	11.77	9.77	4.34	5.22	5.13
MSCI EAFE INDEX[5,6]	1.14	18.78	13.04	10.17	4.76	5.80	4.84

BENCHMARK PERFORMANCE BY SECTOR – NOVEMBER



- Health Care and Information Technology (IT) were boosted by better-than-expected earnings reports.
- Utilities and Real Estate stocks fell modestly this month, following their recent strong performance.

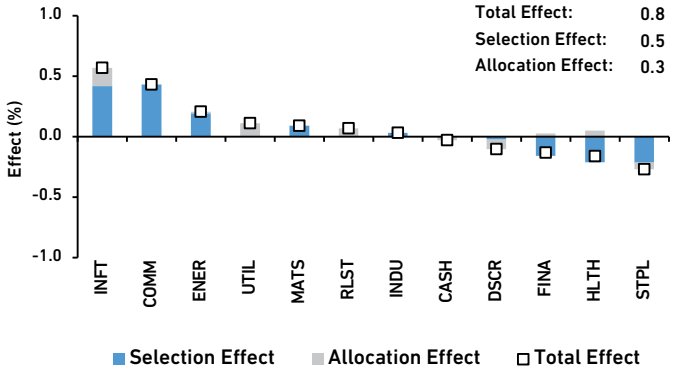
BENCHMARK PERFORMANCE BY GEOGRAPHY – NOVEMBER



- European stocks gained as Germany reported better-than-expected economic data.
- In Emerging Markets, Brazil fell 4% on concerns that President Jair Bolsonaro may hold off on trimming public-sector salaries due to mounting opposition to his plan.

PERFORMANCE ATTRIBUTION BY SECTOR – NOVEMBER

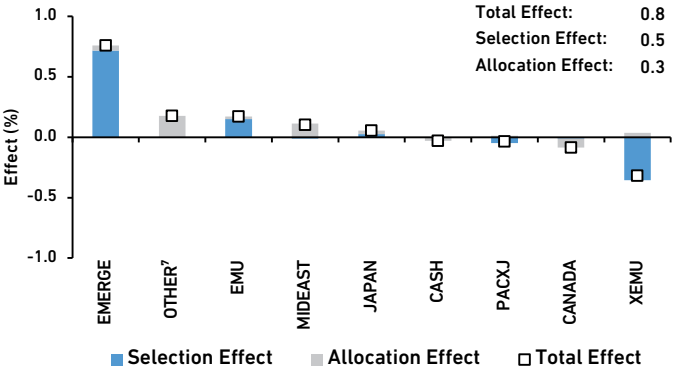
INTERNATIONAL EQUITY ADR COMPOSITE VS. MSCI ACW EX-US INDEX



- In IT, German semiconductor company Infineon Technologies announced it expects improved sales growth next year thanks to a seasonal recovery in demand from automotive customers.
- Stock selection in Financials was hurt by Brazilian bank Itaú Unibanco, whose share price in US dollars fell partly due to the 5% depreciation of the real.

PERFORMANCE ATTRIBUTION BY GEOGRAPHY – NOVEMBER

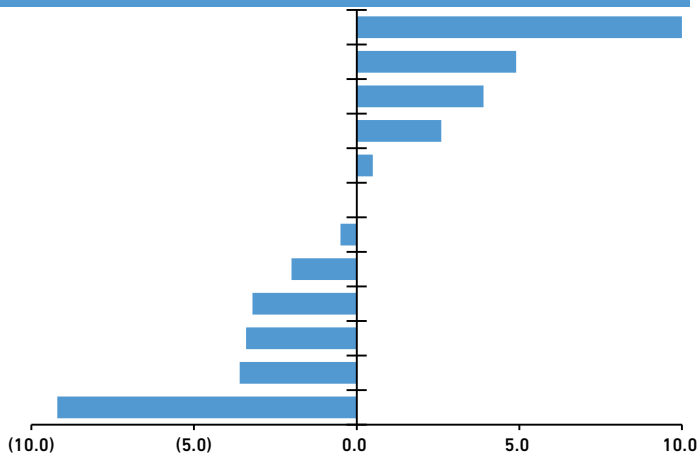
INTERNATIONAL EQUITY ADR COMPOSITE VS. MSCI ACW EX-US INDEX



- Stock selection in Emerging Markets was helped by Russian search engine Yandex, which rose as investors welcomed a restructuring plan that addresses a new law limiting foreign ownership of internet firms but remains friendly to foreign shareholders.
- In Europe ex-EMU, shares of Switzerland-based drug manufacturer Lonza fell after CEO Marc Funk announced his plan to resign in January.

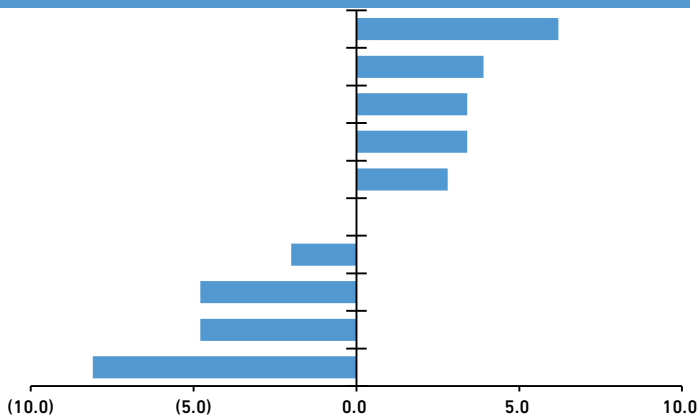
SECTOR EXPOSURE (%) AT NOVEMBER 30, 2019

SECTOR	HL INTL ADR	MSCI ACWI EX-US
INFO TECHNOLOGY	19.2	9.2
CONS STAPLES	14.5	9.6
CASH	3.9	—
HEALTH CARE	11.5	8.9
MATERIALS	7.8	7.3
COMM SERVICES	6.7	6.7
INDUSTRIALS	11.6	12.1
ENERGY	4.4	6.4
REAL ESTATE	0.0	3.2
UTILITIES	0.0	3.4
FINANCIALS	17.8	21.4
CONS DISCRETIONARY	2.6	11.8



GEOGRAPHIC EXPOSURE (%) AT NOVEMBER 30, 2019

REGION	HL INTL ADR	MSCI ACWI EX-US
EUROPE EX-EMU	26.5	20.3
CASH	3.9	—
EUROPE EMU	24.8	21.4
OTHER[7]	3.4	—
MIDDLE EAST	3.2	0.4
FRONTIER MARKETS[8]	0.0	—
PACIFIC EX-JAPAN	5.9	7.9
CANADA	2.0	6.8
EMERGING MARKETS	21.9	26.7
JAPAN	8.4	16.5



ENDNOTES

(1) The November 2019 Composite performance shown is 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 (7) Includes companies classified in countries outside the Index (8) Includes countries with less-developed markets outside the Index.

SOURCES

Benchmark Performance: FactSet; MSCI Inc. and S&P.
Sector/Geographic Attribution: FactSet; Harding Loevner International Equity ADR Composite; MSCI Inc. and S&P.
Sector/Geographic Exposure: FactSet; Harding Loevner International Equity ADR Model; MSCI Inc. and S&P.

DISCLOSURES

The International Equity ADR Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities and cash reserves. 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 return is measured against the MSCI All Country World ex-US Total Return Index. From 1999 (when the net index first became available) through December 30, 2012, the index return is presented net of foreign withholding taxes. Beginning December 31, 2012, Harding Loevner LP presents the gross version of the index to conform the benchmark's treatment of dividend withholding with that of the Composite. Harding Loevner presents the gross version of the index to conform the benchmark's treatment of dividend withholding with that of the Composite. Harding Loevner 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 September 30, 2019. 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 September 30, 2019. 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 International Equity ADR 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 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 48 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 and Canada. The Index consists of 21 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 International Equity ADR 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.

FactSet Fundamentals, Copyright 2019 FactSet Research Systems, Inc. All rights reserved.

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.