HARDING LOEVNER

International Equity

2015 Second Quarter Report

Composite Performance (%) For Periods Ending June 30, 2015[1]

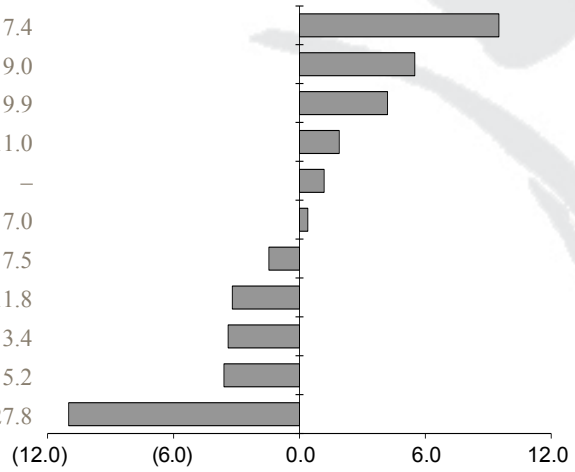
	3 Months	YTD	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Intl Equity (gross of fees)	0.43	5.58	0.96	11.83	10.80	8.85	8.52
HL Intl Equity (net of fees)	0.29	5.28	0.39	11.22	10.16	8.15	7.70
MSCI All Country World ex-US Index[4,5]	0.72	4.34	-4.85	9.92	8.23	6.01	5.19
MSCI EAFE Index[5,6]	0.84	5.88	-3.82	12.45	10.02	5.60	4.83

[1]The Composite performance returns shown are preliminary; [2]Annualized returns; [3]Inception date: December 31, 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.

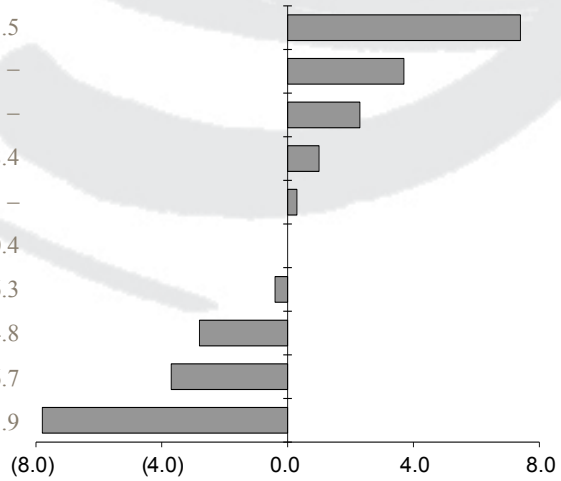
Sector Exposure (%)

Sector	HL Intl	ACWI ex-US	(Under) / Over The Benchmark
Info Technology	16.9	7.4	
Health Care	14.5	9.0	
Cons Staples	14.1	9.9	
Industrials	12.9	11.0	
Cash	1.2	–	
Energy	7.4	7.0	
Materials	6.0	7.5	
Cons Discretionary	8.6	11.8	
Utilities	0.0	3.4	
Telecom Services	1.6	5.2	
Financials	16.8	27.8	



Geographical Exposure (%)

Region	HL Intl	ACWI ex-US	(Under) / Over The Benchmark
Europe EMU	28.5	21.5	
Other[7]	3.9	–	
Cash	1.2	–	
Pacific ex-Japan	9.1	8.4	
Frontier Markets[8]	0.0	–	
Middle East	0.0	0.4	
Japan	15.9	16.3	
Europe ex-EMU	21.8	24.8	
Canada	3.6	6.7	
Emerging Markets	16.0	21.9	



Market Review

- The modest return of the international index masked considerable volatility during the quarter.
- Politics are a rising source of economic risks as governments occupy a growing share of most economies and unorthodox monetary policies continue worldwide.
- The A-share bubble in China and the government's heavy-handed response highlighted risks to investing in the country.

Portfolio Highlights

- Portfolio investments are determined by our bottom-up insights; the best investments are often superb businesses operating from troubled economies.
- We invest in a number of high-quality businesses focused on China with strong growth potential, despite our misgiving about the country's underdeveloped capital markets.
- The portfolio has no direct or indirect exposure to Greece and has been unaffected by the crisis.

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

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

Source: Harding Loevner International Equity Model. MSCI and S&P. MSCI Barra and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

Market Review

Markets ended at June 30 almost unchanged from where they began the quarter. That endpoint-dependent outcome, however, is not an indicator that a placid time was had by all; rather, it masks considerable volatility during the period, which gave ample opportunity for investors to be drawn into foolish optimism when prices rose, or panic out of good long-term investments when they fell.

One tempest was whipped up by sharp movements in bond markets—especially in Europe, where the German 10-year Bund (government bond) traded up on economic pessimism and deflationary fears to reach a yield to maturity of just 0.08% (that is, almost nothing), only to fall back sharply as negative economic data proved inconsistent to a price that implied a 0.98% yield. While a mere 90 basis point movement over a few weeks might seem like a cloudburst in a beer stein, the harsh reality of bond arithmetic at super-low interest rates means that the long end of the normally staid German bond market fell 16% in price over just six weeks. These movements had a concomitant impact on other bond markets—long-maturity US Treasuries, for instance, fell more than 10% in price—as well as on global equity markets.

European stocks, which had been trading higher early in the quarter, gave up their gains, especially higher-yielding stocks that had been favored as proxies for bonds, although the equity markets in Europe actually fared a bit better than the longer-maturity Bunds cited above. However, as the deadline for Greece to make a large debt payment to the IMF at the end of June neared, worries about its possible default weighed further on European equities. German stocks were among the hardest hit, in part due to the squall in its bond market, but in part due to pessimism over whether it could sustain its export success in the face of a clearly slowing investment boom in China, alongside the renewed uncertainty in the eurozone. The euro itself, on the other hand, rebounded slightly from its first quarter depreciation. The UK stock market failed to hold on to its post-election bounce, but the British pound did: its 6% appreciation in the quarter left the UK one of the best-performing markets in US dollar terms.

Japan matched the UK as the best performing major market, led by Financials, in part because of changing policies—prodded by the government—regarding their substantial equity holdings. These investments, which have risen substantially in value over the past two years, serve little business purpose and do nothing to increase corporate profitability, which remains a key objective of Prime Minister Shinzo Abe.

Generally poor economic data from emerging economies weighed on investor sentiment in those markets, although Brazil and Russia, two resource-heavy markets, rebounded along with the Energy sector. China's stock markets soared towards pre-financial-crisis heights, fueled by monetary loosening and local investors buying stocks on margin, as well as foreign investors taking full advantage of quotas made available through the newly opened Shanghai-Hong Kong Stock Connect link. Soared, that is, until early June, when local investor sentiment turned ugly—marred by curtailed margin limits and by a decision by MSCI not to include (yet) China-listed "A-shares" in its Emerging Markets Index—and the Shanghai Stock Exchange Composite Index gave up 30% by mid-July, more than reversing the gains it made early in the quarter.

Sector returns showed little dispersion, and we could divine no particular patterns from their performance. Telecom Services was the top sector, boosted by swirling M&A. Energy, also bolstered by M&A activity, was strong in the quarter, as were Financials, led by Japanese banks on hints of unwinding equity stakes, and by Asian financials with links to China, especially via Hong Kong. An exception were banks in the eurozone, due to restructuring needs to meet regulatory requirements, as well as receding chances that Greece would reach a deal to extend the European support needed to keep its banks afloat and its economy within the monetary union. Health Care and Information Technology lagged the Index.

Market Performance (%)

Market	2Q 2015	Trailing 12 months
	USD	USD
Canada	-0.7	-14.7
Emerging Markets	0.9	-4.7
Europe EMU	-0.9	-8.6
Europe ex-EMU	2.1	-5.7
Japan	3.0	8.6
Middle East	-1.3	9.6
Pacific ex-Japan	-2.9	-6.4
MSCI ACW ex-US Index	0.7	-4.9

Sector Performance (%) of the MSCI ACW ex-US Index

Sector	2Q 2015	Trailing 12 months
	USD	USD
Consumer Discretionary	-0.2	1.2
Consumer Staples	1.0	-2.8
Energy	2.6	-28.8
Financials	2.2	-0.9
Health Care	-0.8	5.8
Industrials	-0.6	-5.3
Information Technology	-2.6	2.0
Materials	-0.5	-15.2
Telecom Services	3.6	1.2
Utilities	1.3	-11.9

Source: Wilshire Atlas (as of June 30, 2015); MSCI Barra and S&P.

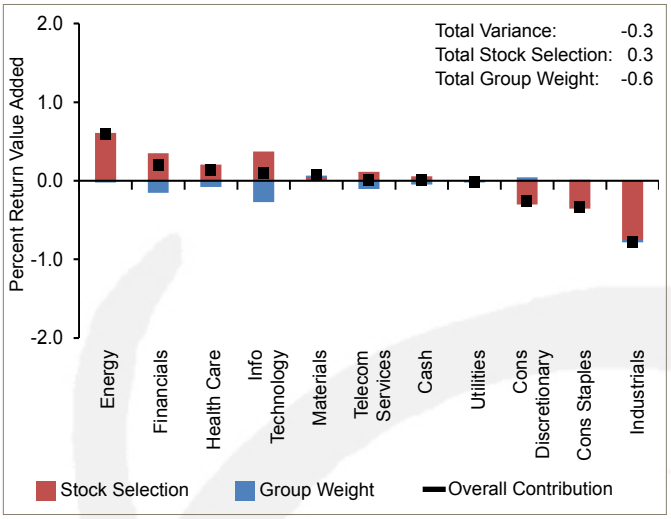
Performance and Attribution

The International Equity Composite returned 0.4%, just behind the return of the Index, which returned 0.7%. The charts on the following page illustrate performance attribution for the quarter by sector and region, respectively.

The dispersion of returns between sectors and regions was small in the quarter. We were fortunate that was the case, given that we were overweight just one of the five best-performing sectors (Consumer Staples, but not Telecom, Energy, Financials, or Utilities) but did have hefty weights in the three worst-performing ones (Information

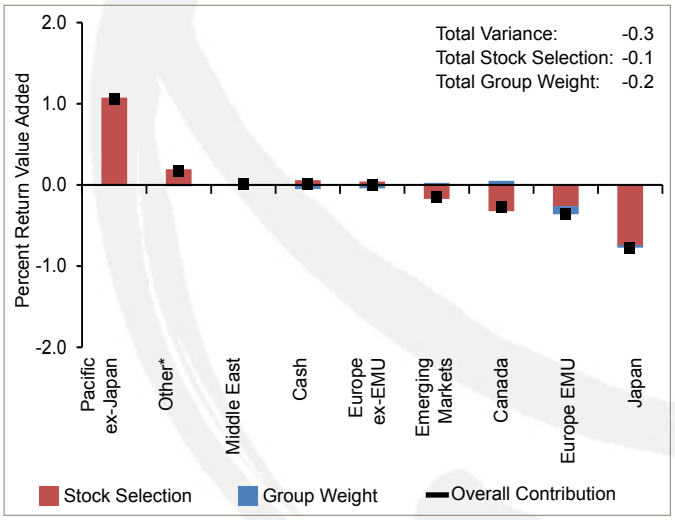
Bold font indicates companies held in the portfolio during the quarter. Only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at June 30, 2015 is available on page six of this report.

International Equity Composite 2Q15 Performance Attribution by Sector vs. MSCI ACW ex-US Index



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

International Equity Composite 2Q15 Performance Attribution by Region vs. MSCI ACW ex-US Index



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

Technology, Health Care, and Industrials). Two stocks, **Hong Kong Exchanges**, which enjoyed mind-numbingly large volumes as the Shanghai-Hong Kong Stock Connect hit full stride in the A-share supernova, and **BG Group**, which received a takeover bid from Royal Dutch Shell, essentially rescued what otherwise would have been a poor quarter performance-wise.

Geographically, we suffered poor stocks within Japan, where lower-quality companies (led by Financials) generally outperformed. By contrast, we had good stocks in Pacific ex-Japan, including essentially all our Financials in that region, especially Hong Kong Exchanges.

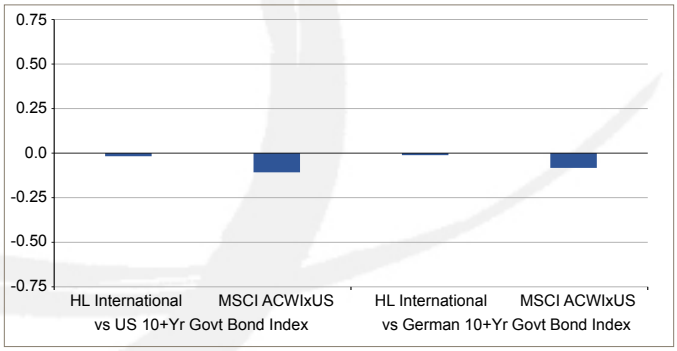
Perspectives and Outlook

We wrote at the end of last year that our biggest worry for 2015 was that market volatility would rise as the Federal Reserve moved ahead with its signaled intentions to end quantitative easing and eventually to raise interest rates. Despite the tiny net change in the benchmark Index this quarter, that worry has not been entirely misplaced, as illustrated by the gyrations seen in European bond markets and the Chinese stock markets—although those venues were not at the top of our list of likely trouble spots.

Indeed, it would be wrong to lay the blame for the volatility within those particular markets at the Fed's door. Little has changed from last quarter regarding the Fed's apparent intentions or its expected path to normalizing monetary policy and raising interest rates in line with a strengthening economy. The US economy has recovered from weakness attributed to the severe winter, but has not accelerated to the point that forces the Fed's hand in any way, so that bond investors and interest rate pundits continue their guessing game as to when rates will rise. But US Treasury yields moved higher coincidently with the sharp movement in German Bund yields, and spreads for riskier credits have widened as well; so fixed income investors continue to lose ground, albeit slowly, the Bund-led rout of early May notwithstanding.

We have looked for signs that our portfolio of long-duration growth stocks would be vulnerable to rising interest rates, but found that, at least during the recent six-week period of rising bond yields in the US and Germany, our portfolio exhibited less sensitivity to those rising yields than did the Index, which itself was not much disturbed by the bond market, except by its most violent movements in the first two weeks of May, when all risk assets had a rough patch.

Correlation of Daily USD Total Returns, April 20 - June 10, 2015



Source: Harding Loevner International Equity Composite; MSCI Barra; Bloomberg.

We'll not get away without mentioning the Greek drama that took over the headlines as the quarter was ending (and just as we had decided we had precious little to write about!). We have long viewed the debt level in Greece as inevitably leading to default (which it now has begun to do), but have also come to believe that the financial linkages between Greece and the broad European economy have been severed or insulated, with the bulk of the debt now in the hands of official bodies and thus removed from the banking system and the private sector. This view, expressed in the portfolio by the absence of any direct or even indirect exposure to the country—a result of our insistence that the analysis of a business must account for the environment in which it operates—has allowed us to look on the latest acts of the drama in bemused, rather than alarmed, fashion. While Spanish and Italian yields have widened relative to the core of European yields, there seems little sense of a recurrence of the extreme pressures on sovereign yields or bank funding that we witnessed in 2011–2012. It thus appears that the Greek crisis will remain a Greek story; it will not end the European "project". We

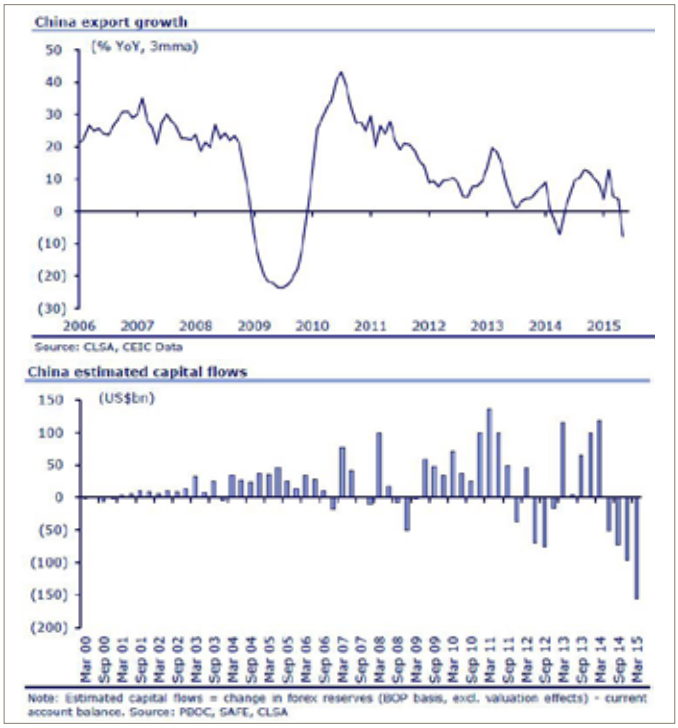
recall, though, Milton Friedman's thoughts on the matter, published just before plans were finalized to create and adopt the euro in 1997:

The drive for the euro has been motivated by politics not economics… to set the stage for a federal United States of Europe. I believe that adoption of the euro would have the opposite effect. It would exacerbate political tensions by converting divergent shocks that could have been readily accommodated by exchange rate changes into divisive political issues.[1]

Indeed, politics are a rising source of economic risks worldwide. Twice in the past twelve months in one of the world's oldest and most stable democracies and free-market economies, the United Kingdom, the passions of regional (Scottish National) and nationalistic (UK Independent) parties inserted themselves into elections where different results would have substantially handicapped that country's recovery from the financial crisis and its potential to prosper through trade with the rest of Europe; a referendum on EU membership, now on the cards, may yet do so. So we are reminded that one doesn't have to venture into investments in, say, Turkey—with a chaotic civil war happening at its borders while an Islamist party attempts (unsuccessfully!) to consolidate unchallengeable Presidential power—to incur political risks. One doesn't need to experience invasion, or sanctions, or nationalization in Russia to be subject to political risks. One doesn't need to endure political scandal and paralysis in Brazil to be subject to political risks. They are everywhere, and rising, to judge from the sobering signals we are receiving. Recall that it was not very long ago that polarization in US politics nearly caused a default on US government obligations. In our view, the reasons that politics matter more than they used to just a decade or so ago is two-fold: governments have inexorably come to account for a larger and larger share of most economies, and the activist intervention in the economy via unorthodox monetary policy has risen dramatically since the financial crisis.

The country with the most extreme overlap of the political sphere with the economic sphere, and therefore with markets, is China, where the Communist Party (CPC) still controls the laws of the land and their enforcement, including over economic transactions. Its stewardship has been remarkable for over thirty years, but such concentrated control remains, in our view, a major risk to investment there. Monolithic decision making has long been discredited as detrimental to good decision making: good judgment requires effective feedback; hubris leads to bad judgment. The CPC has a poor feedback loop, and the economic success since Deng Xiaoping pioneered reforms may easily have bred overconfidence in the Party's ability to control or fix the economy. There are signs that things are amiss. The investment-led growth model has led to too many unproductive fixed assets; exports from China are now actually falling. Corruption has become endemic—prompting President Xi Jinping's anti-corruption campaign, which, although welcome, may be stifling new business activity, given state and municipal involvement in so many industries. The government-sponsored stock market rally in Shanghai and Shenzhen has been accompanied by massive insider selling, while capital has been flowing out of the country at an accelerating rate for over a year. The move away from a fixed-asset-investment-led economy to one based on internal consumption may travel a rocky road. The bubble (now burst, in early July) in the A-share market may prove to be something more than just a local curiosity.

That said, when viewing from the top down a macroeconomic and political environment that lacks attractions for investing, we are reminded that some of our best company investments over the past decade have been in superb businesses operating from troubled economies,



Source: Christopher Wood and Joe Man, "The illusion of 'normality,'" *CLSA Asia Maxima* 3Q15 (2015): 24-25. Used with permission.

such as deflationary Japan, or the hopelessly bogged down eurozone. We approach China in the same way, as illustrated by our purchase of more **Baidu**, an internet search provider, last quarter.

Here is our own China analyst Jingyi Li on the subject:

The China A-share market is on the back side of a short-lived bubble conceived last winter. Financial innovation, liberalization, and general optimism inundated the young capital market too fast and too much, while the regulators were slow to recognize and react to the new forms of risks.

The rapid correction, making a lot of noise lately, is a healthy development for the long run. The Chinese government made several interferences to dampen the near-term impact. We understand its concerns and hope the interventions are transitory, as the new administration's long-term goal is toward a more market-oriented economy. We will continue to monitor the situation and evaluate whether the A-share market is open and mature enough for our future participation.

China's staggering structural issues and its ambitious reform agenda will have far more profound impact than whatever short-term consequence this burst may bring. Our research focus, as always, is to find the strongest companies as they are well-positioned to weather inevitable turmoil like this and continue to reach for their greater prosperity.

Portfolio Structure

We made very limited changes to the portfolio in the quarter, and thus the structure has changed very little from last quarter, with a large emphasis on Information Technology (IT) followed by Health Care, and a modest holding of Financials relative to the outsized segment in the Index. We remain near the benchmark weight in Japan, and underweight Emerging Markets; overweight the European Monetary Union, but underweight non-EMU Europe.

[1]Milton Friedman, "The euro: monetary unity to political disunity?" *Project Syndicate* (August 28, 1997).

Comments on ESG and our Investment Process

Incorporating social or ethical factors into the investment decision-making process has always been of interest to a sub-set of equity investors; in recent years this interest has become increasingly widespread under the umbrella of the now-common term "ESG." ESG refers to the consideration of companies' activities in three broad categories—Environmental, Social, and Governance—that can have an impact beyond companies' narrow aims of earning profits through providing goods and services to their customers. We want to summarize our views on this important investment trend, which we expect to discuss further in future reports.

We discern two distinct (though not necessarily exclusive) approaches to investing according to ESG criteria: One can look upon a company's ESG profile as a set of factors that influence the long-term risk and return characteristics of its securities, and to which careful attention therefore needs to be paid in the normal course of investment management. Or, one can look upon certain ESG considerations as ends in themselves, to be promoted through (among other means) the investment process—even at the potential cost of higher risk or lower returns.

As an investment firm, we embrace the former approach. Our sole goal is to generate superior risk-adjusted returns for our clients by creating the best possible portfolios we can. In our investment process, we regard ESG issues as among many important issues that arise in analyzing companies and their investment potential. For instance, we have always stressed strong corporate governance (i.e., "G") when selecting stocks, believing that, without it, management's ability to translate a company's market opportunities, strong competitive position, and investible resources into economic gain may not result in financial benefits to shareholders, the stakeholders on whose behalf we act.

We also consider social and environmental factors as sources of risk. For instance, companies that rely on taking advantage of current pricing mechanisms for fossil fuels—which impose costs (e.g., environmental degradation) associated with consumption of those fuels on society at large and not on their own accounts—run the risk that changes in regulations, laws, and consumer behavior may turn those "externalities" into significant new costs for their business, perhaps threatening their profitability and financial strength. Further, in all our investment decisions, we recognize that the long-term interests of shareholders are unlikely to be served by companies that disregard the interests of other stakeholders, including employees, suppliers, and customers.

As a firm, our fiduciary obligation to our clients is to fulfill our responsibility of growing their capital through the consistent implementation of our investment philosophy. Each of us at Harding Loevner has personal views on the ethical dimensions of the activities undertaken by the companies in which we invest, but the firm does not seek to impose such ESG-related views on our investments, except to the extent those views may coincide with our views of how to incorporate ESG considerations to improve portfolios by lowering risk or enhancing return. Some separately managed account clients have asked us to help them to incorporate in their portfolios their own investment philosophy as it relates to ESG considerations by avoiding certain types of corporate profile or activities, whether better to reflect their personal or institutional ethical values, or their own estimation of the impact of ESG factors on prospective risk and return. Wherever possible, we are happy to oblige such requests and, in fact, take pride in our expertise in implementing specialized investment screens tailored to clients' objectives.

Our misgivings about China and its underdeveloped capital markets do not mean that we have no investments focused on doing business there; quite the contrary. We own Baidu, a Chinese language internet search engine, whose shares are listed on US NASDAQ rather than in Shanghai; we bought more shares this quarter as the price declined. We own Hong Kong Exchanges, which, as mentioned, soared on the actual opening of the Stock Connect link to the Shanghai Exchange, an event that created huge trading volumes and expectations of more. Our thesis since purchase two years ago has come to fruition, but we are uncertain as to just how big or long-lasting the leap in turnover from integrating the previously segregated capital markets will be. We reduced our holding (by half) in the quarter. We also have holdings in Hong Kong-listed **AIA Group**, an Asian insurer with a rapidly growing business on the mainland, and **Sands China**, a Macau casino operator. We added to Sands in the quarter as well. All told, we hold nearly a tenth of the portfolio in Hong Kong or China-based companies, more than the combined Index weight for those two countries.

In addition to these, we bought a new holding in **Naspers**, a South African media and internet holding company. Its largest asset is its 33% stake in Tencent, the dominant mobile internet platform in China. Tencent, owned for several years in our Emerging Markets Equity Strategy, started out in mobile phone messaging, transformed into a gaming platform, and is now a major force in mobile payments. Tencent itself owns 20% of JD.com, China's second-largest e-commerce company (behind Alibaba), and 25% of 58.com, an online classified advertising service. In addition to Tencent, Naspers also owns large minority stakes in Mail.Ru, Russia's leading e-mail and web-site hosting company, and in Flipkart, an Indian e-commerce company that is attempting to replicate Amazon's on-line retailing and payments businesses. Naspers boasts eight million pay-TV subscribers in sub-Saharan Africa, along with e-commerce sites in Brazil and Eastern Europe. At the time of our purchase, the aggregate market value of Naspers' stakes in publicly quoted Tencent, Mail.Ru, and Flipkart was about 20% more than the market value of Naspers itself—assigning less than zero value to the rest of Naspers' (unquoted) holdings.

We sold our holding in Poland's **Bank Pekao**, which we've held in the portfolio since second quarter 2005, whose share price is nearly unchanged in US dollar terms—actually a good run relative to the global Financials sector, and especially against European Financials. But its steady good performance has left it expensive relative to the rest of its sector, even as rivalry in the Polish market seems to be rising, squeezing net interest margins and raising costs. In a sluggish market Bank Pekao, attempting to avoid earnings stagnation, has been pursuing loan growth aggressively. Usually, when banks grow by taking on greater credit risk, they end up paying for it with higher loan losses down the road. The "endowment effect" is an obstacle to deciding to sell this sort of "stale winner," i.e., a stock that has outperformed but whose underlying investment thesis is dated and potentially no longer valid. We try mightily to remain mindful of such behavioral traps, deeply rooted in our human nature.

We also added to existing holdings in **Samsung Electronics**, **Unilever**, and **Sasol**.

International Equity Holdings (as of June 30, 2015)

Sector/Company/Description	Country	End Wt.(%)
Consumer Discretionary		
BMW - Automobile manufacturer	Germany	2.2
LVMH Moët Hennessy - Luxury goods group	France	1.0
Naspers - Media, internet, pay TV company	South Africa	1.1
Sands China - Integrated resorts & casinos operator	Hong Kong	1.0
WPP - Advertising and marketing services	UK	3.2
Consumer Staples		
Anheuser-Busch InBev - World's largest brewer	Belgium	1.9
Bunge - Soybean processor	US	1.9
L'Oréal - Beauty and personal care products	France	2.5
Nestlé - Food company	Switzerland	3.7
Unicharm - Absorbent consumer products	Japan	2.6
Unilever - Consumer products manufacturer	UK	1.6
Energy		
BG Group - Oil and gas producer	UK	2.4
Imperial Oil - Integrated oil and gas company	Canada	1.7
Sasol - Refined product and chemicals group	South Africa	1.2
Schlumberger - Oilfield services company	US	2.0
Financials		
AIA Group - Life insurance	Hong Kong	4.0
Allianz - Multiline insurance	Germany	2.6
BBVA - Commercial bank	Spain	1.4
DBS Group - Commercial bank	Singapore	1.4
Garanti Bank - Commercial bank	Turkey	1.2
Hong Kong Exchanges - Clearing house & exchange	Hong Kong	1.0
ICICI Bank - Commercial bank	India	2.8
Itau Unibanco - Commercial bank	Brazil	1.4
Mitsubishi Estate - Property mgt and real estate	Japan	1.0
Health Care		
CSL Limited - Blood plasma and recombinants	Australia	1.7
Fresenius Medical Care - Dialysis svcs & eqpt	Germany	1.5
M3 - Medical information services	Japan	1.2
Novo Nordisk - Insulin biotechnology & production	Denmark	2.3
Roche Holding - Pharma & diagnostic equipment	Switzerland	2.9
Shire - Prescription medication developer	UK	1.2
Sonova Holding - Hearing aid manufacturer	Switzerland	1.1
Sysmex - Clinical testing equipment	Japan	2.6

International Equity Holdings (as of June 30, 2015)

Sector/Company/Description	Country	End Wt.(%)
Industrials		
Atlas Copco - Industrial compressors & mining eqpt	Sweden	1.5
Canadian National Railway - Railway operator	Canada	1.9
Fanuc - Industrial robots, controls, machine tools	Japan	2.8
JGC Corp - Industrial facilities engineer	Japan	1.2
Kone - Elevator and escalator manufacturer	Finland	1.3
Misumi Group - Machinery parts distributor	Japan	1.6
MonotaRO - Online maintenance supplies distributor	Japan	0.8
Schneider Electric - Industrial conglomerate	France	1.9
Information Technology		
ARM Holdings - Semiconductor chip designer	UK	1.9
Baidu - Internet search provider	China	2.8
Dassault Systèmes - CAD/CAM software designer	France	4.4
Keyence - Sensor and measurement equipment	Japan	2.1
Samsung Electronics - Electronic devices & components	South Korea	2.3
SAP - Enterprise software provider	Germany	1.8
Taiwan Semiconductor - Semiconductor chip foundry	Taiwan	1.5
Materials		
Air Liquide - Industrial gas company	France	2.9
Fuchs Petrolub - Lubricants manufacturer	Germany	1.0
Linde - Industrial gases and engineering	Germany	1.0
Symrise - Global flavor and fragrance supplier	Germany	1.2
Telecom Services		
MTN Group - Cellular phone operator	South Africa	1.6
Utilities		
No holdings		
Cash		1.2

Model portfolio holdings are supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

Last Quarter

Largest Contributors to Absolute Return (%)

	Sector	Weight	Contribution
Hong Kong Exchanges	FINA	1.2	0.86
BG Group	ENER	2.4	0.66
Dassault Systèmes	INFT	4.4	0.32
AIA Group	FINA	3.9	0.18
Sysmex	HLTH	2.4	0.18

Largest Detractors from Absolute Return (%)

	Sector	Weight	Contribution
Canadian National Railway	INDU	2.0	-0.29
Samsung Electronics	INFT	2.3	-0.27
Unicharm	STPL	2.5	-0.26
BMW	DSCR	2.2	-0.24
Atlas Copco	INDU	1.6	-0.22

Last 12 Months

Largest Contributors to Absolute Return (%)

	Sector	Weight	Contribution
Hong Kong Exchanges	FINA	1.5	1.30
Sysmex	HLTH	2.0	0.98
AIA Group	FINA	3.5	0.94
Misumi Group	INDU	1.3	0.57
Dassault Systèmes	INFT	3.9	0.55

Largest Detractors from Absolute Return (%)

	Sector	Weight	Contribution
JGC Corp	INDU	1.5	-0.71
Schlumberger	ENER	2.2	-0.69
Schneider Electric	INDU	2.1	-0.62
Imperial Oil	ENER	2.0	-0.61
Sands China	DSCR	0.8	-0.54

The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance over the period. Quarterly data is not annualized.

Portfolio Characteristics

	HL Intl	ACWI ex-US		HL Intl	ACWI ex-US
Market Cap[1] ($M)	$40,334	$30,360	Wtd Avg Mkt Cap ($M)	$59,302	$52,152
Profit Margin[1] (%)	13.0	10.0	Price/Earnings[3]	22.5	17.4
Return on Assets[1] (%)	8.1	4.0	Price/Cash Flow[3]	12.1	9.1
Debt/Equity[1] (%)	27.8	45.7	Price/Book[3]	2.9	1.7
Return on Equity[1] (%)	15.1	13.0	Dividend Yield[4] (%)	1.9	2.9
Std Dev of 5 Year ROE[1] (%)	2.4	2.9	Alpha[2] (%)	3.01	–
Sales Growth[1,2] (%)	8.9	5.7	Beta[2]	0.92	1.00
Earnings Growth[1,2] (%)	12.5	8.0	R-Squared[2]	0.96	1.00
Cash Flow Growth[1,2] (%)	8.6	4.1	Sharpe Ratio[2]	0.73	0.52
Dividend Growth[1,2] (%)	9.1	5.7	Standard Deviation[2] (%)	14.53	15.51

[1]Weighted median; [2]Trailing five years, annualized; [3]Weighted harmonic mean; [4]Weighted mean.

Source (Alpha, Beta, R-Squared, Sharpe Ratio, Standard Deviation): eVestment Alliance (eA); Harding Loevner International Equity Composite, based on the Composite returns; MSCI Barra.

Source (other characteristics): Wilshire Atlas (Run Date: July 8, 2015); Harding Loevner International Equity Model, based on the underlying holdings; MSCI Barra.

Completed Portfolio Transactions

Positions Established

Company	Country	Sector
Naspers	South Africa	DSCR

Positions Sold

Company	Country	Sector
Bank Pekao	Poland	FINA

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

International Equity Composite Performance (as of June 30, 2015)

	Intl Equity Gross (%)	Intl Equity Net (%)	MSCI ACWI ex-US[1] (%)	MSCI EAFE[2] (%)	Intl Equity 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	Composite Assets ($M)	Percent Firm Assets (%)
2015 YTD[5]	5.58	5.28	4.34	5.88	10.04	10.21	10.37	N.A.[6]	44	10,780	26.93
2014	-0.12	-0.68	-3.44	-4.48	11.98	12.78	12.99	0.2	43	9,495	27.12
2013	15.99	15.35	15.78	23.29	14.91	16.20	16.22	0.4	44	9,504	28.68
2012	19.97	19.36	17.39	17.90	17.61	19.22	19.32	0.6	40	6,644	29.32
2011	-8.30	-8.91	-13.33	-11.73	21.13	22.74	22.45	0.5	36	2,468	18.15
2010	18.38	17.56	11.60	8.21	25.88	27.33	26.28	0.5	26	1,646	14.95
2009	44.12	43.09	42.14	32.46	23.95	25.30	23.65	0.6	24	779	12.17
2008	-38.90	-39.34	-45.24	-43.06	20.05	20.90	19.26	0.3	21	490	15.00
2007	13.80	13.01	17.12	11.63	10.64	10.62	9.41	0.4	30	1,076	16.93
2006	24.67	23.86	27.16	26.86	10.65	10.18	9.29	0.6	35	1,168	24.75
2005	21.41	20.59	17.11	14.02	11.51	11.63	11.39	0.8	34	952	37.16

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the composite and the Index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]The 2015 YTD performance returns and assets shown are preliminary; [6]N.A.–Internal dispersion less than a 12-month period.

The International Equity Composite contains fully discretionary, fee paying international equity accounts investing in non-US equity and equity-equivalent securities with the objective of long-term capital appreciation. For comparison purposes, the Composite is measured against the MSCI All Country World ex-US Index (gross of withholding taxes). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI All Country World 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 45 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 by Ashland Partners & Company, LLP for the period November 1, 1989 through March 31, 2015.

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 Composite has been examined for the periods January 1, 1990 through March 31, 2015. 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 International 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 International Equity Composite was created on December 31, 1989.

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