INTERNATIONAL EQUITY

2017 Third Quarter Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED SEPTEMBER 30, 2017[1]

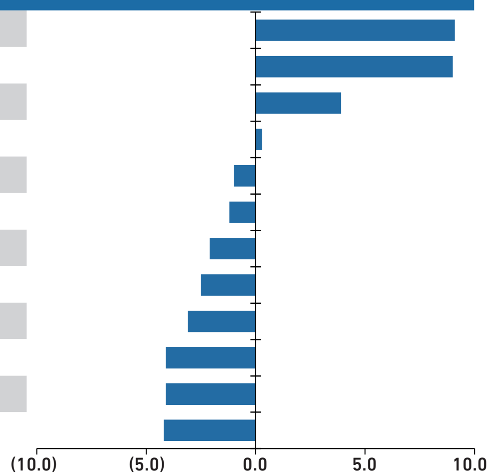
	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY (GROSS OF FEES)	6.31	24.60	19.74	9.27	10.11	5.91	8.67
HL INTL EQUITY (NET OF FEES)	6.14	23.99	18.96	8.58	9.46	5.24	7.86
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	6.25	21.61	20.15	5.18	7.45	1.74	5.32
MSCI EAFE INDEX[5,6]	5.47	20.47	19.65	5.52	8.86	1.82	4.96

[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.

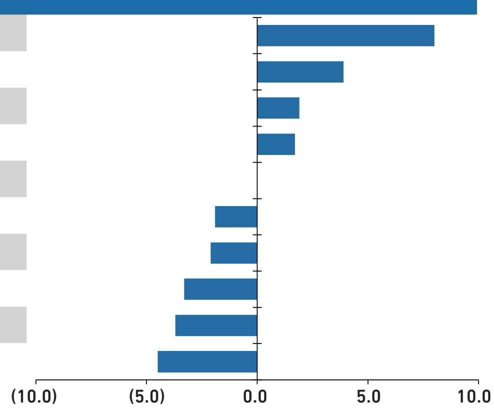
SECTOR EXPOSURE (%)

	HL INTL	ACWI EX-US
INFO TECHNOLOGY	20.3	11.2
HEALTH CARE	16.9	7.9
CASH	3.9	0.0
INDUSTRIALS	12.1	11.8
MATERIALS	6.8	7.8
ENERGY	5.4	6.6
CONS STAPLES	7.5	9.6
REAL ESTATE	0.7	3.2
UTILITIES	0.0	3.1
CONS DISCRETIONARY	7.2	11.3
FINANCIALS	19.2	23.3
TELECOM SERVICES	0.0	4.2



GEOGRAPHIC EXPOSURE (%)

	HL INTL	ACWI EX-US
EUROPE EMU	31.0	23.0
CASH	3.9	-
MIDDLE EAST	2.2	0.3
OTHER[7]	1.7	-
FRONTIER MARKETS[8]	0.0	-
PACIFIC EX-JAPAN	6.2	8.1
EUROPE EX-EMU	19.7	21.8
EMERGING MARKETS	20.8	24.1
JAPAN	12.3	16.0
CANADA	2.2	6.7



[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 Composite GIPS Presentation.

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

TABLE OF CONTENTS

MARKET REVIEW

Markets posted another quarter of solid gains. Investors have cheered positive economic data suggesting synchronized growth across all major regions, while inflation remains muted.

Better economic growth data across Europe and positive political developments in France boosted returns in the eurozone.

Value and growth stocks had similar returns in the quarter, although value outperformed growth in all regions except Emerging Markets.

PORTFOLIO HIGHLIGHTS

We pay little attention to price-to-earnings ratios. Instead, for each company we have determined meets our quality and growth criteria, we build long-term financial models incorporating our assumptions about future earnings and cash flows.

Incremental changes to the portfolio in the past year have cumulated to substantial shifts in sectoral weights.

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MARKET REVIEW

Markets posted another quarter of solid gains, extending the streak of consecutive positive monthly returns to ten, the longest such stretch for the MSCI All Country World (ACW) ex-US Index in the past ten years. Stock performance over the first nine months of 2017 has been the strongest since the 2009 market recovery. Although the current gains come seven years on from the last recession, investors have cheered positive economic data suggesting synchronized growth across all major regions, while inflation remains muted. Meanwhile, they have largely rationalized the threat to stability from the US Federal Reserve's staggered exit from extremely loose monetary policy as being about normalization rather than inflation taming. Markets also mostly ignored escalating tensions between North Korea and the US, illustrated by the half-percent rise in the Japanese stock market on the day the latest ICBM flew through its airspace.

Energy, Materials, and Information Technology (IT) stocks earned returns roughly double those of the other sectors. Energy stocks benefited from a rebound in oil prices due to improving demand from continued economic expansion and signs that excessive inventories are no longer building. Stocks of metals and mining companies led the good performance of Materials. IT companies once again reported strong sales and earnings growth, with the biggest positive surprises coming from a handful of big Chinese internet companies.

MARKET PERFORMANCE (USD %)

MARKET	3Q 2017	TRAILING 12 MONTHS
CANADA	8.1	15.8
EMERGING MARKETS	8.0	22.9
EUROPE EMU	8.2	29.5
EUROPE EX-EMU	4.8	16.9
JAPAN	4.1	14.5
MIDDLE EAST	-12.6	-12.6
PACIFIC EX-JAPAN	3.7	14.6
MSCI ACW EX-US INDEX	6.3	20.2

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

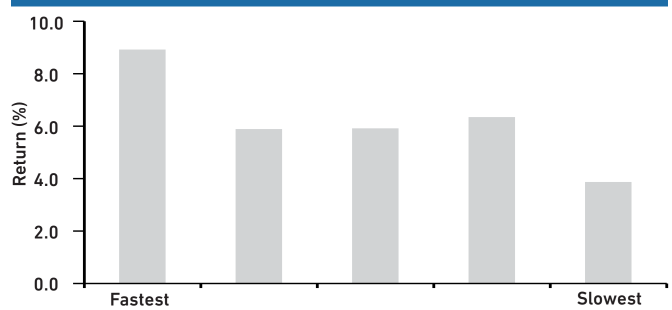
SECTOR	3Q 2017	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	7.0	20.1
CONSUMER STAPLES	1.1	6.1
ENERGY	12.9	18.0
FINANCIALS	6.2	29.5
HEALTH CARE	1.0	8.2
INDUSTRIALS	5.6	21.0
INFORMATION TECHNOLOGY	10.1	35.5
MATERIALS	10.7	25.4
REAL ESTATE	6.2	10.8
TELECOM SERVICES	2.6	5.9
UTILITIES	4.7	11.4

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

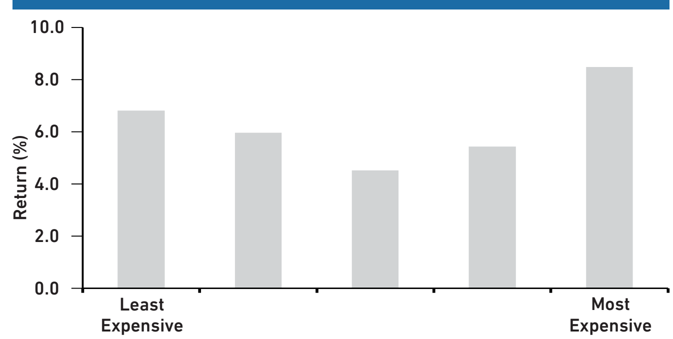
The eurozone, Canada, and Emerging Markets (EMs) led regional returns. Better economic growth data across Europe, along with relief over the defeat in the French general elections of the anti-EU far-right, allowed investors to view the future more optimistically. They favored stocks of more-cyclical businesses, especially energy, autos, and banks. The euro added to its earlier gains against the US dollar, bolstering EMU stock returns to US investors. Strong Energy and Materials companies boosted Canada and other resource-rich markets and helped EM returns, too, although the strong performance of IT stocks, especially Chinese internet stocks, were more important to EM gains.

For the ACW ex-US Index, the Value and Growth Indexes had very similar returns in the quarter, although the Value Index outperformed the Growth Index in all regions except EM. The performance of growth stocks within EM was strong enough to overcome the edge that the Value Index accrued from the other non-US markets. Growth leadership appears to be narrowing: drilling down using our own growth-ranking metrics, it is clear that investors favored the stocks of the fastest-growing businesses. Those stocks tend to be the priciest, so it's not surprising that, in terms of our composite-valuation metric, only the most-expensive quintile of stocks showed significant outperformance. Quality showed no pattern of effect on returns. Within developed markets, the growth preference waned late in the quarter as US bond yields rose from the lowest levels of the year after Congress revealed plans for a large tax cut, and the Fed reiterated its intention to continue tightening monetary policy.

MSCI ACW EX-US INDEX PERFORMANCE BY GROWTH 3Q17

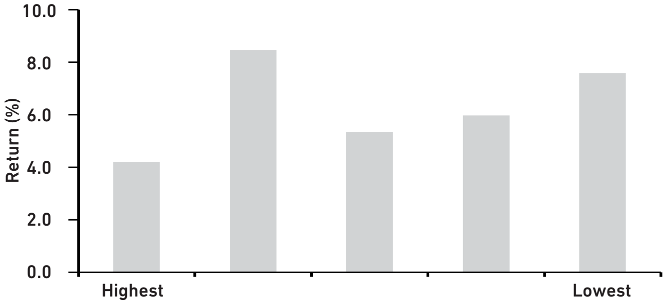


MSCI ACW EX-US INDEX PERFORMANCE BY VALUE 3Q17



Please see the footnote on the following page, which pertains to the charts displaying performance by Growth, Value, and Quality.

MSCI ACW EX-US INDEX PERFORMANCE BY QUALITY 3Q17



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

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

PERFORMANCE AND ATTRIBUTION

The International Equity composite returned 6.3% in the third quarter of 2017, in line with the return of the MSCI ACW ex-US Index. The charts to the right illustrate the sources of relative return by sector and region, respectively. For the year to date, the composite is up 24.6%, ahead of the 21.6% return of the Index.

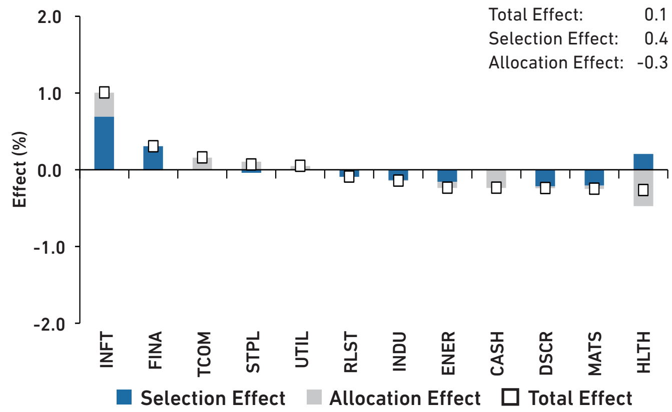
Our large holding of IT stocks added to performance, as it generally has in recent quarters. We also had good stock selection within IT, especially **Baidu**, whose internet-search business is recovering from a retrenchment of discredited Chinese medical advertisers, and **Keyence**, whose optical-sensor expertise is finding broadening applications in factory automation. We had good stocks in Financials as well, especially Brazilian bank **Itau Unibanco** and German insurer **Allianz**, but this was offset by weaker stocks in other sectors, including advertising giant **WPP**, drug-maker **Shire**, and packaged-foods producer **Nestlé**.

We have only modest geographic skews in the portfolio, and the dispersion of returns this quarter had minimal impact on relative performance. We will point out that the negative return of the Middle East regional index was primarily due to a collapse in the share price of Israel's Teva Pharmaceutical, which we do not own. Because our IT holdings are skewed toward EMs, their good performance showed up there.

Companies held in the portfolio during the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at September 30, 2017 is available on page 9 of this report.

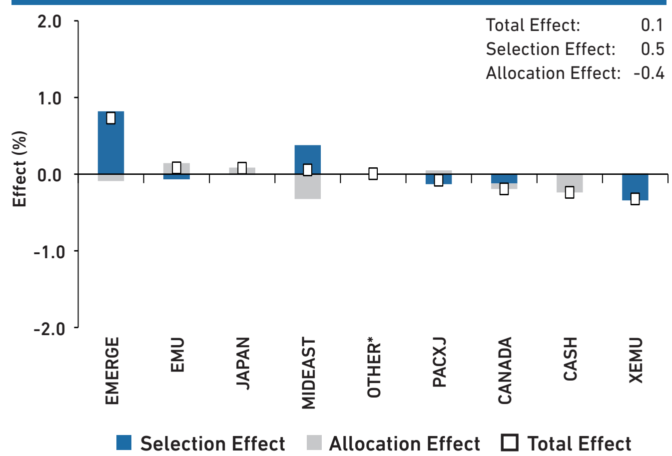
SECTOR PERFORMANCE ATTRIBUTION
THIRD QUARTER 2017

INTERNATIONAL EQUITY COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
THIRD QUARTER 2017

INTERNATIONAL EQUITY COMPOSITE VS. MSCI ACW EX-US INDEX

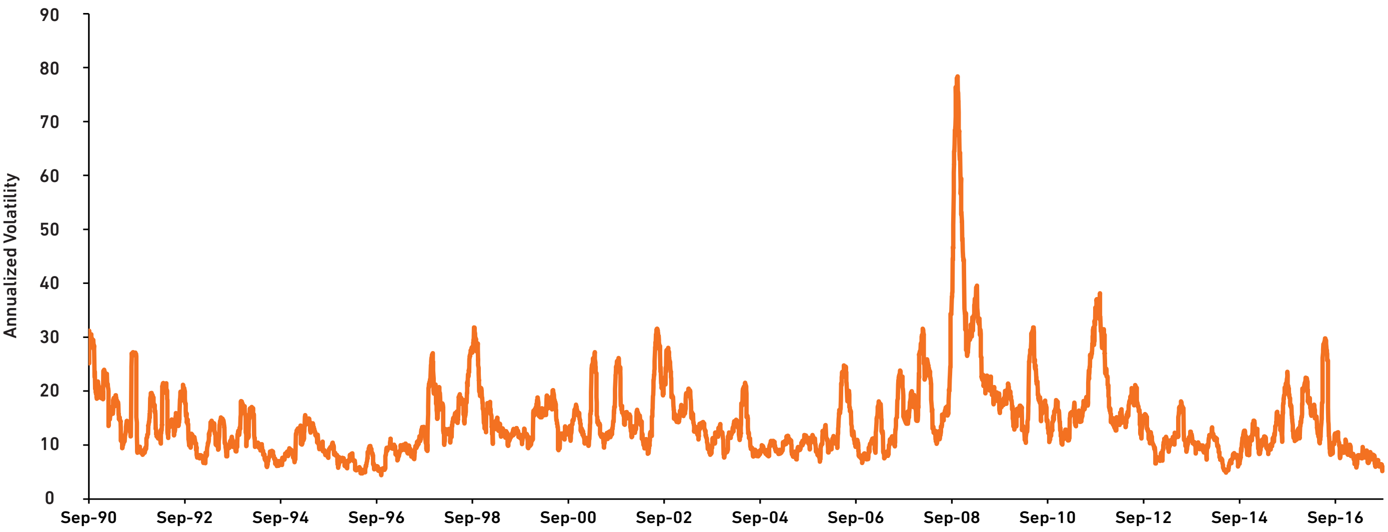


**Includes companies classified in countries outside the Index. Source: FactSet; Harding Loevner International Equity Composite; MSCI Inc. and S&P. The total effect shown here may differ from the variance of the Composite performance and benchmark performance shown on page 1 of this report due to the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

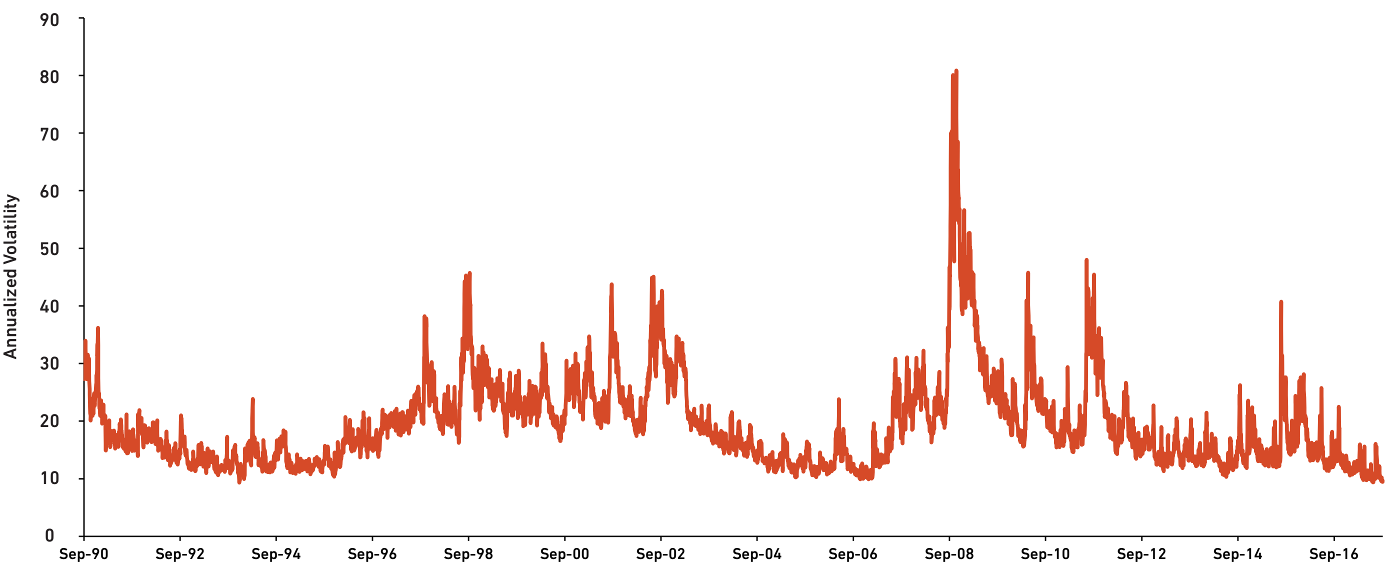
PERSPECTIVE AND OUTLOOK

Aeolus, in Greek mythology, restrained the ocean winds to allow the halcyon birds to lay their eggs upon the beach. Equity investors are enjoying what they may one day refer to as the "Halcyon Teens"—a near-decade of gently rising stock prices. Observed volatility near record lows, as seen in the charts on the following page, encourages investors to extrapolate today's benign financial conditions. Expected future volatility, as reflected in the VIX (American) or the DVX (German) option-price-implied volatility indexes , is thus likewise very low. These conditions lead investors generally to favor the kind of long-duration growth companies that we tend always to like. But, to us, present conditions invite comparison to previous periods in which the market was similarly calm—like early 2007, just before a bout of extraordinary volatility. Often, those earlier

MSCI ACW EX-US INDEX HISTORICAL VOLATILITY
(OBSERVED DAILY PRICE VOLATILITY)



VIX INDEX
(DAILY INDEX LEVELS)



Source: Bloomberg. Data as of September 30, 2017. Volatility is the standard deviation of logarithmic historical price changes. The observed 30-day moving average of daily volatility is the standard deviation of the price change of the Index for the prior 30 trading days' closing price, annualized and expressed as a percentage.

serene periods preceded painful episodes of monetary tightening by central banks. We've earned grey hair living through the sudden violent turning of serene markets, so count us among those who, in Matt Levine's (derisive) description, "are worried about people not being worried." Aeolus, after all, restrained his winds *only for seven days*.

Investors have persisted in their quietude despite a number of inauspicious signs, including high valuations and increasing concentration of market leadership. And while the fastest-growing companies with new business models are creating new growth as well as taking share from traditional companies in many industries, the "legacy" operations of those traditional businesses are still generating ample profits and even bigger free cash flows, funding share buybacks and underpinning the broader market's resilience. Incompetent or corrupt political leadership may threaten the long-term prosperity of the US, the UK, Brazil, and Japan, yet limited government interference is considered positive for business by investors in their stock markets. Even bellicose invective between the US and nuclear-armed North Korea has failed to drain investors' sanguinity.

The stock market is first and foremost a discounting mechanism, employing the wisdom of (financially incentivized) crowds to price the future cash flows of businesses. Perhaps the markets perceive that politics in the developed countries don't matter, that the Korean Peninsula is a carnival show, that tepid economic growth is nonetheless fast enough to generate wage growth to support consumer and corporate spending—thereby sustaining corporate profit growth—and that very low discount rates will persist, rendering the value of the fastest-growing companies particularly lofty. Certainly, there is little competition coming from bonds or cash, with German ten-year bunds yielding just 0.5% versus a 2.4% dividend yield from the diversified Euro Stoxx 300 Index, and Japanese ten-year JGBs a microscopic 0.05% against 1.7% on Japan's TOPIX Index.

We hold two stocks, **Weibo** and WPP, which are useful lenses through which to examine the intersecting issues of profit growth, discount rates, and valuation. Weibo, whose shares are listed in New York, owns a Chinese social media platform that combines elements of Facebook, Instagram, and Twitter. Its rapidly growing active user base reached 365 million at the end of June. Weibo's revenues come primarily from advertisers, who are anxious to access its growing audience of young consumers. Weibo's revenues have grown tenfold over the last four years, including a 72% year-on-year rise in the latest quarter, while its earnings per share have grown even faster (184% year-over-year in the latest release). The stock has risen in 2017 to date. Though its users include members of the Chinese diaspora globally, the platform, so far, has held little appeal to non-Chinese-speakers.

WPP is a UK-based advertising agency, with operations or local agencies in 112 countries, including storied agencies of nostalgic advertising fame, such as J. Walter Thompson and Ogilvy & Mather, acquired during a long wave of consolidation of the ad industry in the late twentieth century. In the last two decades, WPP has invested heavily in two key areas, acquiring technology and expertise in online-ad creation and measurement, and buying and building its franchises across EMs. Last year, more than 40% of its revenue came from digital businesses, while a third came from EMs (slicing geographically instead of functionally). The company's revenues have compounded at 7% over the past five years, and its earnings have grown 11% annualized. The stock has fallen year to date, and management has twice warned that revenue growth this year would be flat due to constrained spending on marketing and promotions by many of its consumer goods clients. Investors have punished the shares, worried that the company is losing its place as both creator of ad content and arbiter of ad spending for large enterprises. The company generated free cash flow in the latest twelve months approximating almost 10% of its market value. It pays out 50% of its profits in dividends, so the shares yield more than 4% currently.

We pay little attention to price-to-earnings ratios (P/E). Instead, for each company we have determined meets our quality and growth criteria, we build a long-term financial model incorporating our assumptions about future earnings and cash flows. The reason is straightforward: P/E ratios are snapshots of a single year. P/E ratios account for neither the rate of profit growth nor its duration, whereas a model can at least attempt to do so, with all the usual caveats about the limitations of forecasts. Obsessing about P/E ratios can have high opportunity costs. In Weibo's case, its stock's high P/E ratio relative to the market average P/E turns out to have been understating its true value. We have modeled an earnings growth rate that declines over the next ten years from 107% this year to a still-healthy 10%, and automatically fades down to market-average levels thereafter. Focusing on the potential for rapid and sustained growth persuaded us to buy this ostensibly expensive stock. But while our analyst is constrained by our house rules to use a discount rate that starts with a baseline required return of 6% real (or before inflation), the "crowd" in its "wisdom" is free to use any discount rate, including materially lower ones. That brings another potential pitfall for the disciplined investor: we, along with others, may be underestimating how long interest rates can remain low in a world still experiencing deleveraging from the Financial Crisis as well as the deflationary impact of new productivity-enhancing technologies and the effects of incorporating the workers in emerging economies into the global workforce through the mechanism of trade.

The implication of the market's lower discount rate for ultra-high-growth companies such as Weibo is that positive growth surprises (as happened this year) or small (additional) declines in the discount rate applied by the marketplace each result in sharply higher share prices.

The equity discount rate implied by current stock prices (that is, the discount rate that, using standardized growth and profitability assumptions, sets the median stock to be fairly valued at its current share price) is very low, certainly lower than our stipulated 6% starting point. The implication of the market's lower discount rate for ultra-high-growth companies such as Weibo is that positive growth surprises (as happened this year) or small (additional) declines in the discount rate applied by the marketplace each result in sharply higher share prices. This is the arithmetical result of the fact that, for Weibo and other long-duration growth stocks, the economic value is overwhelmingly (more than 90%) derived from the cash flows projected to be generated in the distant future rather than the near future. Lower discount rates penalize the future less than do higher discount rates, with very low discount rates making the cash profits expected ten or more years hence to be little different in present value from profits earned tomorrow.

WPP, in contrast, is generating lots of free cash right now, and paying it out in dividends. Hence, more of the value of its shares is derived from near-term cash flows, which are less affected by changes in the rate at which those cash flows are discounted. And, because fewer years need to be discounted, any change to the (lower) expected growth rate of those cash flows ought to have a more muted effect on its fair value. The difference in resulting effects is magnified further when a near-term "earnings surprise" is added to the equation: in Weibo's case a large and positive one that seemed to reinforce the most optimistic expectations of future growth. WPP, on the other hand, has suffered a downgrade of earnings growth expectations. The job of Harding Loevner's analysts and portfolio managers is to judge how much weight to place on their estimations of fair value, which can so quickly be rendered hopelessly obsolete (in either a positive or negative direction) by new information.

While WPP's own management has pointed out the near-term challenges to its profit growth in the coming quarters, internet companies have in general avoided discussing publicly the issues that could hamper their profit growth.

The judgments we make about growth and discount rates on price are really judgments about just how long these companies can sustain the faster, more-profitable growth that delineates what we like to call "high-quality, growth businesses." While WPP's own management has pointed out the near-term challenges to its profit growth in the coming quarters, internet companies have in general avoided discussing publicly the issues that could hamper their profit growth. One emerging threat is regulation. Just this quarter, Google was fined US$2.7 billion by the European Commission's antitrust authorities for anti-competitive practices and lost a Russian court case involving its competitive practices in that large market, while it has been excluded from China since 2010. Uber was banned in September from operating in London, another in a string of markets where opposition to its business model has gained government backing. Facebook has seen its WhatsApp operations banned in China, where its own original platform has long been banned. Facebook is also facing a storm of criticism for allowing its platform to be exploited by hate groups to organize and foment violence in Charlottesville and by Russian saboteurs to influence the US election last fall. US President Donald Trump has hinted (via Twitter) that Amazon's destruction of brick-and-mortar retailer businesses could face targeted government reprisal, while European Commission officials have urged a review of its tax practices within Europe.

It seems foolish to bet heavily that volatility will remain subdued over any reasonable investment horizon.

How much confidence should investors place in Weibo's ability to extend its current rapid revenue growth into distant years when the sole market for its platform—whose very purpose is to express opinions to peers—is dependent on the continued approval of the Chinese government or one of its bureaucratic regulatory agencies, whose track record of tolerance for free expression is, at best, highly variable? The current run-up to the 19th National Congress has included the (unannounced) closure of individual Weibo accounts, but no action against the company itself. WPP, in contrast, is not reliant on one single market or one single regulator—even if it has had to cope with markets where, for example, television ads are officially frowned on or other regulations have limited the scope of their activities. Its geographic and product diversification works as a bulwark against sudden regulatory strangulation. So, investors in WPP face plenty of risk from a shifting competitive landscape, abetted by technological changes, but little of the uncertainty brought on by sudden political or regulatory change. There is room for, and an embrace of, different types of risk in a Harding Loevner portfolio.

Returning to the equanimity of markets, the general precursors to resurgent volatility fall into four main categories: a withdrawal of liquidity through monetary policy tightening, the onset of a recession, a substantial change of tax or regulatory policy, or the onset of hostilities (i.e., war). Each of these would appear to us to have higher probability today than a year ago, although the Trump administration's inability to achieve anything on the legislative front might be taken as a signal that substantive US policy changes are not in the cards near-term. At any rate, it seems foolish to bet heavily that volatility will remain subdued over any reasonable investment horizon. The Fed has signaled that it wants to continue to withdraw monetary stimulus by gradually shrinking its balance sheet, and any Fed Chair appointed by a Republican president and confirmed by a Republican Senate would likely be even more hawkish than the current Chair Janet Yellen. And more than one growing economy has in the past slipped off into recession while walking the tightrope of withdrawing liquidity. Markets have been optimistic about US government tax policies and relieved that President Trump has not been pressing forward with his most unorthodox proposals on trade policy. But, given the track record of the Trump administration so far, nothing should be taken for granted on those fronts.

The differences in predicted volatility between our portfolio and the market are small, and both are low in absolute terms relative to history, so we are reluctant to become too exercised about it, and risk overreacting.

What puzzles us at Harding Loevner, however, is that the current volatility of our portfolio, albeit very low, is marginally higher than that of the Index, where historically we've exhibited lower relative volatility. We wonder whether that relationship would persist in an environment where everything was not so serene. The current phenomenon is in part related to the magnified effect of even small discount rate changes on the fair values of long-duration, rapid-growth companies and of changes to expectations for the rate of growth of the fastest-growing such as Weibo: that magnification results in their stocks exhibiting higher stock price volatility than the average. On the other hand, cyclical companies have been priced more cheaply than highly stable companies; in our view, their stock prices reflect their more-variable earnings trajectory. A similar case is true for companies domiciled in EMs, where we have added portfolio exposure; their businesses may be more profitable and less leveraged, but their neighborhood suffers a greater degree of political and economic (including currency) volatility. The differences in predicted volatility between our portfolio and the market are small, and both are low in absolute terms relative to history, so we are reluctant to become too exercised about it, and risk overreacting. In addition, we recognize that a portion of the predicted volatility of our portfolio is a statistical phantom. The models with which one estimates volatility rely on historical observations, with the recent past weighted more heavily. The past includes periods in which we did *not* own certain of the stocks that we own today, including stocks of companies that we had admired from a distance but avoided purchasing until their highly priced shares plummeted on an earnings disappointment. While still relatively pricey, they are certainly less risky now than when the market thought them impervious to disappointment. Buying their shares brought their "plummet-derived" historic volatility into the portfolio, even as it also brings another stable and growing business—one with less price risk—into it at the same time.

PORTFOLIO HIGHLIGHTS

In our investment process, we first populate our stable of investment candidates with businesses that we believe meet our quality and growth criteria and then follow with valuation work to determine what we think a business is worth. Focusing first on the business and only later on the attractiveness of its shares means that if its shares are not attractively priced, we can monitor the progress and valuation of the business while waiting for a dislocation in the share price to provide an opening for a purchase. The market's recent low volatility has been accompanied by high correlation among stock prices, so that there just have not been many relative price dislocations that afford us compelling opportunities to buy.

Activity in the portfolio has been muted. In the third quarter, we made just five model transactions—including additions and reductions to existing positions as well as new purchases or dispositions. By comparison, we made *fourteen* transactions in the fourth quarter of 2016, mainly reacting to large relative price changes that presented themselves in the more volatile and heterogeneous markets in the wake of the US election.

One needs to look back over the past year to have a true sense of how incremental changes to the portfolio have cumulated to substantial shifts in sectoral weights. We have reduced our holdings in Consumer Staples by about 400 basis points, largely on the sales of Bunge and Anheuser-Busch InBev (AB InBev). Owned in our portfolio since 2012, AB InBev had been a successful investment. 3G Capital, the private equity group managing the business since its hostile takeover in late 2008, followed its cost-cutting template, wrenching down costs and boosting margins, but since AB InBev's acquisition of another multinational beer giant, SABMiller, antitrust considerations likely rule out any further acquisitions of inefficient competitors to which to apply those methods next. Now, 3G faces the task of growing the business organically, despite slow growth in beer consumption globally and the constant challenge from the growing craft segment. Slower sales, coupled with fewer cost-cutting levers, meant to us that the company's prospects were fully priced in its shares. Bunge, by comparison, had been a less profitable investment over our twelve years as owners. The weather-related vicissitudes of being an agriculture company, coupled with a significant exposure to recession-weary Brazilian consumers through its forward integration into cooking oils in that market, as well as long-term threats to government subsidies for its ethanol business were such that, after a bumper crop of three consecutive positive quarterly earnings surprises, we decided to exit, unconvinced that the inherently cyclical nature of the business had changed. To this point, the sale appears to have been well timed.

While our Consumer Staples holdings shrank, our Financials holdings grew. We made three new investments in EM banks in the trailing year: India's **HDFC Bank** and **ICICI Bank** and Mexico's **GF Banorte**. All three investments were made after the Trump victory, when US dollar strength afforded the opportunity to buy EM securities more cheaply. This was especially the case with Banorte, whose share price was also depressed by Trump's border-wall rhetoric and his threats to repeal NAFTA. We had also bought a new holding in the UK-listed **HSBC**, believing that the regulatory environment for banks is poised to become easier, after seven years of capital, liquidity, and compliance directives following the global financial crisis. We added to our holding in **BBVA**, which has operations in both the US and in EMs. We believed that political consensus was building to stimulate US economic activity via government infrastructure spending, which would lead to higher interest rates and thus to higher net interest margins for the banks. Both those expectations have been dashed, with interest rates and spreads now back near pre-election levels. Nevertheless, given the outperformance of Financials against the overall market over the last year, the increased weight to Financials and our good stock selection have benefited the portfolio by neutralizing an underweight stance that would have been costly. Today, Financials represents just under 20% of the portfolio versus 23% for the Index.

INTERNATIONAL EQUITY HOLDINGS (AS OF SEPTEMBER 30, 2017)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
CONSUMER DISCRETIONARY		
BMW Automobile manufacturer	Germany	1.2
LVMH MOËT HENNESSY Luxury goods group	France	1.3
NASPERS Media, internet, pay TV company	South Africa	2.7
TELEVISA Media, broadcasting, and entertainment	Mexico	0.7
WPP Advertising and marketing services	UK	1.3
CONSUMER STAPLES		
L'ORÉAL Beauty and personal care products	France	2.4
NESTLÉ Food company	Switzerland	3.5
UNILEVER Consumer products manufacturer	UK	1.7
ENERGY		
ROYAL DUTCH SHELL Oil exploration	UK	3.0
SCHLUMBERGER Oilfield services company	US	1.7
TENARIS Steel pipe manufacturer	Italy	0.7
FINANCIALS		
AIA GROUP Life insurance	Hong Kong	3.4
ALLIANZ Multiline insurance	Germany	3.6
BBVA Commercial bank	Spain	2.9
DBS GROUP Commercial bank	Singapore	1.9
GARANTI BANK Commercial bank	Turkey	0.8
GF BANORTE Commercial bank	Mexico	1.4
HDFC BANK Commercial bank	India	1.0
HSBC Multinational commercial bank	UK	1.4
ICICI BANK Commercial bank	India	1.1
ITAU UNIBANCO Commercial bank	Brazil	1.7
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer & distributor	South Africa	0.8
BAYER Crop chemicals and pharmaceuticals	Germany	3.7
CSL LIMITED Blood plasma and recombinants	Australia	0.9
FRESENIUS MEDICAL CARE Dialysis svcs & eqpt	Germany	1.5
GRIFOLS Biopharmaceutical and diagnostics	Spain	1.0
M3 Medical information services	Japan	2.1
ROCHE HOLDING Pharma and diagnostic equipment	Switzerland	2.4
SHIRE Prescription medicine developer	UK	1.7
SONOVA HOLDING Hearing aid manufacturer	Switzerland	1.1
SYSMEX Clinical testing equipment	Japan	1.7

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT.(%)
INDUSTRIALS		
ALFA LAVAL Heat transfer and fluid separation equipment	Sweden	1.3
ATLAS COPCO Industrial compressors and mining eqpt	Sweden	1.8
BBA AVIATION Flight support and services	UK	0.5
CANADIAN NATIONAL RAILWAY Railway operator	Canada	2.2
FANUC Industrial robots, controls, machine tools	Japan	2.8
JGC CORP Industrial facilities engineer	Japan	0.8
KUBOTA Farming and construction machinery	Japan	1.1
MONOTARO Online maintenance supplies distributor	Japan	0.8
NOVUS HOLDINGS Printing solutions for publications	South Africa	0.0
PARK24 24-hr automated parking operator	Japan	0.8
INFORMATION TECHNOLOGY		
BAIDU Internet search provider	China	2.9
CHECK POINT Software company	Israel	2.2
DASSAULT SYSTÈMES CAD/CAM software designer	France	3.3
INFINEON TECHNOLOGIES Semiconductor mfg.	Germany	1.1
KEYENCE Sensor and measurement equipment	Japan	1.6
SAMSUNG ELECTRONICS Electronic devices & components	South Korea	3.5
SAP Enterprise software provider	Germany	2.3
TAIWAN SEMICONDUCTOR Semiconductor chip foundry	Taiwan	2.5
WEIBO Social media platform	China	0.9
MATERIALS		
AIR LIQUIDE Industrial gas company	France	2.3
FUCHS PETROLUB Lubricants manufacturer	Germany	1.1
LINDE Industrial gases and engineering	Germany	1.4
SASOL Refined product and chemicals group	South Africa	0.7
SYMRISE Global flavor and fragrance supplier	Germany	1.2
REAL ESTATE		
MITSUBISHI ESTATE Property mgt and real estate	Japan	0.7
TELECOM SERVICES		
No holdings		
UTILITIES		
No holdings		
CASH		3.9

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.

3Q17 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
BAIDU	INFT	2.9	0.95
ALLIANZ	FINA	3.5	0.48
ROYAL DUTCH SHELL	ENER	2.8	0.45
DASSAULT SYSTÈMES	INFT	3.3	0.41
ITAU UNIBANCO	FINA	1.6	0.38

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
SAMSUNG ELECTRONICS	INFT	3.6	1.84
ALLIANZ	FINA	3.2	1.64
BAYER	HLTH	3.3	1.31
BBVA	FINA	2.7	1.19
BAIDU	INFT	2.6	0.89

3Q17 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
WPP	DSCR	1.9	-0.25
SHIRE	HLTH	1.7	-0.15
NESTLÉ	STPL	3.6	-0.14
MONOTARO	INDU	0.8	-0.13
TENARIS	ENER	0.7	-0.07

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
M3	HLTH	2.2	-0.71
WPP	DSCR	2.7	-0.50
ANHEUSER-BUSCH INBEV	STPL	0.2	-0.45
SYSMEX	HLTH	1.8	-0.44
PARK24	INDU	1.1	-0.36

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL INTL	ACWI EX-US
PROFIT MARGIN[1] (%)	11.4	9.1
RETURN ON ASSETS[1] (%)	6.9	4.5
RETURN ON EQUITY[1] (%)	13.0	12.0
DEBT/EQUITY RATIO[1] (%)	46.8	65.1
STD DEV OF 5 YEAR ROE[1] (%)	2.4	3.6
SALES GROWTH[1,2] (%)	1.8	-0.9
EARNINGS GROWTH[1,2] (%)	8.1	5.1
CASH FLOW GROWTH[1,2] (%)	9.3	6.8
DIVIDEND GROWTH[1,2] (%)	5.3	2.6
SIZE & TURNOVER	**HL INTL**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	59.6	35.7
WTD AVG MKT CAP (US $B)	84.8	67.9
TURNOVER[3] (ANNUAL %)	14.4	–

RISK & VALUATION	HL INTL	ACWI EX-US
ALPHA[2] (%)	2.57	-
BETA[2]	1.00	-
R-SQUARED[2]	0.92	-
ACTIVE SHARE[3] (%)	88	-
STANDARD DEVIATION[2] (%)	11.91	11.46
SHARPE RATIO[2]	0.83	0.63
TRACKING ERROR[2]	3.4	-
INFORMATION RATIO[2]	0.80	-
UP/DOWN CAPTURE[2]	104/87	-
PRICE/EARNINGS[4]	22.1	16.3
PRICE/CASH FLOW[4]	15.3	9.7
PRICE/BOOK[4]	2.7	1.7
DIVIDEND YIELD[5] (%)	2.1	2.8

[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 Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: October 4, 2017); Harding Loevner International Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
WEIBO	CHINA	INFT

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

INTERNATIONAL EQUITY COMPOSITE PERFORMANCE (AS OF SEPTEMBER 30, 2017)

	HL INTL EQUITY GROSS (%)	HL INTL EQUITY NET (%)	MSCI ACWI EX-US[1] (%)	MSCI EAFE[2] (%)	HL 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)	FIRM ASSETS (%)
2017 YTD[5]	24.60	23.99	21.61	20.47	12.63	12.10	12.12	N.A.[6]	37	14,708	28.90
2016	6.18	5.49	5.01	1.51	13.28	12.53	12.48	0.1	40	10,316	26.45
2015	-0.46	-1.06	-5.25	-0.39	12.83	12.13	12.47	0.1	41	8,115	24.37
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

[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 2017 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 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 June 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 Composite has been examined for the periods January 1, 1990 through June 30, 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. 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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