INTERNATIONAL EQUITY

2018 First Quarter Report

COMPOSITE PERFORMANCE (%TOTAL RETURN) FOR PERIODS ENDED MARCH 31, 2018[1]

	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY (GROSS OF FEES)	0.61	19.93	9.79	9.39	6.87	8.72
HL INTL EQUITY (NET OF FEES)	0.45	19.15	9.08	8.72	6.20	7.91
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	-1.08	17.05	6.67	6.36	3.17	5.37
MSCI EAFE INDEX[5,6]	-1.41	15.32	6.04	6.98	3.22	4.97

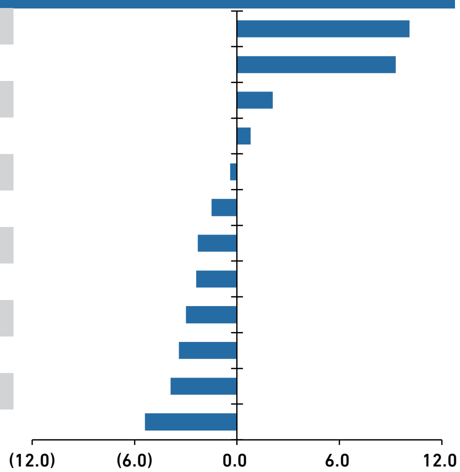
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: December 31, 1989; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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
HEALTH CARE	17.8	7.7
INFO TECHNOLOGY	21.1	11.8
CASH	2.1	–
INDUSTRIALS	12.6	11.8
MATERIALS	7.6	8.0
ENERGY	5.2	6.7
REAL ESTATE	0.9	3.2
CONS STAPLES	7.0	9.4
UTILITIES	0.0	3.0
FINANCIALS	19.7	23.1
TELECOM SERVICES	0.0	3.9
CONS DISCRETIONARY	6.0	11.4

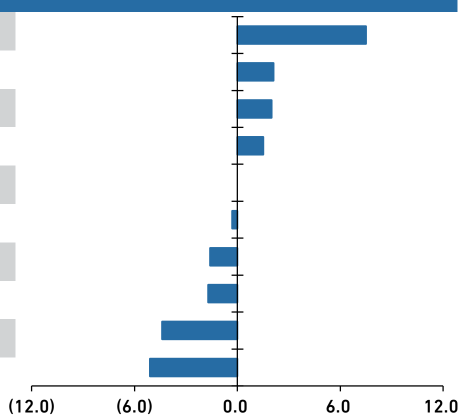
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL INTL	ACWI EX-US
EUROPE EMU	30.1	22.6
CASH	2.1	–
MIDDLE EAST	2.3	0.3
OTHER[7]	1.5	–
FRONTIER MARKETS[8]	0.0	–
PACIFIC EX-JAPAN	7.7	8.0
JAPAN	15.2	16.8
EUROPE EX-EMU	18.9	20.6
CANADA	1.8	6.2
EMERGING MARKETS	20.4	25.5

(UNDER) / OVER THE BENCHMARK



[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.

WHAT'S INSIDE

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MARKET REVIEW

Stock markets fell in the recent quarter, ending their streak of 14 monthly gains. Although the backdrop of improving and increasingly synchronized economic growth and good corporate earnings remained in place, investors had to come to terms with some ugly prospects: higher interest rates, a trade war between the US and China, and increased regulation of technology companies.

The markets' strong gains at the start of the year evaporated as sanguinity gave way to worry. Strong employment reports worldwide sowed fears of quickening monetary tightening by central banks seeking to avert a resurgence of general inflation. The bond markets declined in accord with the higher rate outlook and the latter's deleterious effect on credit spreads, prompting equity investors, long accustomed to a disinflationary environment, to recalibrate the discount rates they use for valuation. Stock price volatility spiked at the end of January, exacerbated by the collapse of derivatives-based "inverse volatility" ETFs, contributing to a near 9% decline in equities in just 10 days.

After a brief bounce in mid-February, stocks resumed their decline in March, reflecting a new set of worries about increasingly ubiquitous technology platforms. A mounting furor over Facebook data illicitly exploited by political consultant Cambridge Analytica in favor of US President Donald Trump and Brexit, and the mowing down of a pedestrian by an Uber self-driving car in Arizona drew calls for more regulation of technology companies. The European Union continued its efforts to rein in "big tech," announcing a tax on turnover of large digital companies and moving ahead with its General Data Protection Regulation mandate, which imposes strict requirements and stiff penalties regarding treatment of private data. The tech tumult turned farcical with Trump tweeting potshots at Amazon.com over its use of the Postal Service.

Most sectors registered declines, although Utilities managed a gain, as did Information Technology (IT), whose outsized January gains were nearly depleted by sharp declines late in the quarter. Energy and Materials stocks fell despite rising inflation expectations. Growing US shale production led to doubts that the recent increase in oil prices would be sustained. Materials suffered from concern that rising protectionism threatens trade in commodities.

Emerging Markets (EMs), more typically the loser from rising global risk and volatility, was the strongest-performing region. Confoundingly, their rise was supported by Brazil and Russia, two of the biggest exporters of steel and other commodities whose trade is endangered. A Brazilian court upheld the conviction of former president Luiz Inácio Lula da Silva on corruption charges, likely precluding him from running again and restoring his redistributionist policies. Japan was the only other region to eke out a positive return in US dollars, as a stronger yen more than offset its decline in local currency.

MARKET PERFORMANCE (USD %)

MARKET	1Q 2018	TRAILING 12 MONTHS
CANADA	-7.2	5.7
EMERGING MARKETS	1.5	25.4
EUROPE EMU	-0.4	18.2
EUROPE EX-EMU	-3.4	12.1
JAPAN	1.0	20.0
MIDDLE EAST	-5.2	-8.0
PACIFIC EX-JAPAN	-3.7	8.6
MSCI ACW EX-US INDEX	-1.1	17.0

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

SECTOR	1Q 2018	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	-1.0	19.0
CONSUMER STAPLES	-2.7	11.5
ENERGY	-1.7	16.2
FINANCIALS	-1.0	16.5
HEALTH CARE	0.0	9.9
INDUSTRIALS	-1.5	16.5
INFORMATION TECHNOLOGY	1.9	34.7
MATERIALS	-2.8	18.8
REAL ESTATE	-1.5	16.9
TELECOM SERVICES	-4.1	4.1
UTILITIES	1.3	11.4

Source: FactSet (as of March 31, 2018); MSCI Inc. and S&P.

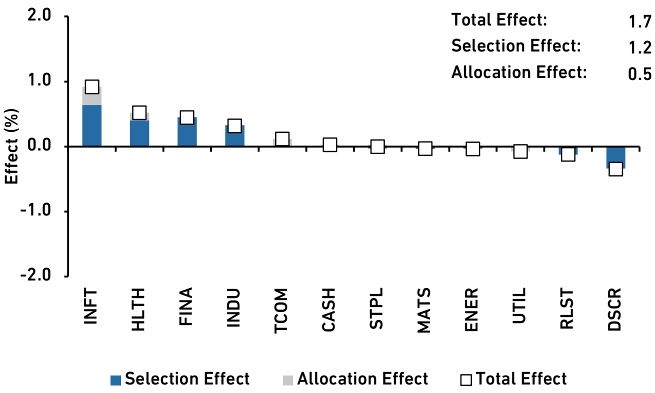
The most expensive quintile of stocks gained in a declining market, outperforming the rest by a wide margin. The fastest-growing quintile of stocks also rose, while the other 80% of stocks declined, on average. The MSCI All Country World (ACW) ex-US Growth Index outperformed the Value Index. Quality was not a significant return factor in the period, in contrast to prior periods of market decline, rising risk premiums, and higher volatility.

PERFORMANCE AND ATTRIBUTION

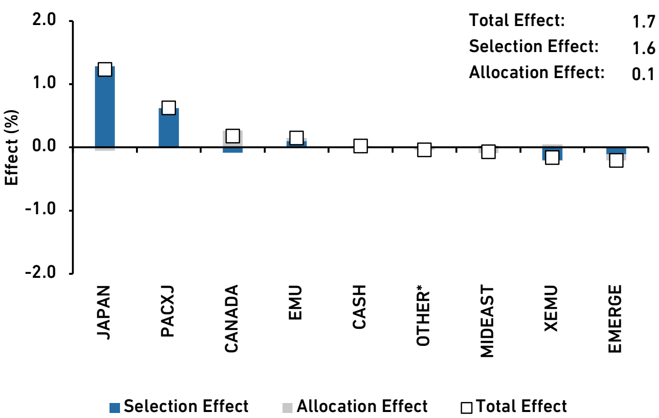
The International Equity composite rose 0.6% in the first quarter of 2018, in contrast to the 1.1% decline of the MSCI ACW ex-US Index. The charts on the following page attribute the quarter's performance by sector and region.

The positive relative performance derived primarily from good stock selection, although our overweight in IT, the strongest-performing sector, again worked in our favor. Within IT, 3D-design software developer **Dassault Systèmes** and Chinese social media platform **Weibo** led returns. Health Care was led by medical information provider **M3**, which rose on news that the company acquired an American clinical trials firm, signaling entry into the large and profitable US market. On the other side

SECTOR PERFORMANCE ATTRIBUTION
FIRST QUARTER 2018
INTERNATIONAL EQUITY COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
FIRST QUARTER 2018
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 the first page of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS Presentation.*

of the ledger, crop chemicals and pharmaceuticals giant **Bayer** suffered on news that regulators may require the company to divest some key businesses in order to win approval for its purchase of Monsanto, reducing its ability to exploit merger synergies. In Financials, Brazilian lender **Itaú Unibanco** rallied on the Lula court ruling, while **DBS Group** of Singapore signaled larger distributions of capital to shareholders with a surprising regular dividend increase plus a special dividend.

Our holdings in Japan added the most to relative performance from a regional perspective, aided by M3 and **Sysmex**, the clinical-testing equipment manufacturer. Sysmex's management stoked optimism over the potential impact of its R&D in liquid biopsy technology. Relative performance in EMs suffered as South African media conglomerate **Naspers** declined. Despite the large cash proceeds from the sale of a sliver of its successful investment in Chinese internet platform Tencent, many of Naspers' newer investments are still absorbing resources rather than generating cash flow. **Samsung Electronics** also underperformed due to concerns that it will earn lackluster returns from its large investment to supply the latest Apple iPhone, which has been met with slow demand.

PERSPECTIVE AND OUTLOOK

"If you buy something because it's undervalued, then you have to think about selling it when it approaches your calculation of its intrinsic value. That's hard. But, if you can buy a few great companies, then you can sit on your ass. That's a good thing."

— Charlie Munger,
Berkshire Hathaway annual meeting, 2000

Arguably the greatest contribution that Charlie Munger has made to Berkshire Hathaway's shareholders was in convincing Warren Buffett in the 1970s that a long-duration growth business trading at an apparently premium price could still represent a good value. His reasoning was that the return on the shares would ultimately converge with the return on capital for the business as the compounding of the latter would, over a long period of time (Munger cited 40 years), come to dwarf the initial premium paid for the shares. That inevitability meant that you could buy, then sit and wait—but, presumably (and critically), only if you were assured that the company would manage to maintain its growth rate and sustain its high profitability in the process. You could tolerate occasional periods of overvaluation of that business's shares because, given enough time, its profits would grow back into its share price.

As investors in businesses that can grow for many years with high and durable profitability, we at Harding Loevner adhere to an investment philosophy that resembles Munger's. Through our research process we look for companies that meet our criteria of what makes a great business. The process is focused entirely on business fundamentals: we evaluate the competitive structure of an industry, examine each participant's competitive position, and then question whether a favorable industry structure or the particular advantages enjoyed by some participants are sustainable into the future. Upon identifying such apparently great businesses, we include them in our qualified investable universe. We estimate what their shares are worth by making financial forecasts and discounting their projected long-term cash flows to the present. While we're not afraid to pay over the market average for shares of an excellent business, even a paragon will fail to make its way into our portfolios if its superior long-term prospects are more than fully discounted in its current share price.

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 March 31, 2018 is available on page 6 of this report.

Munger's challenge, and ours too, is in finding companies that will remain "great" for 10 years, let alone 40. Enduring jewels are more easily discovered in hindsight than in advance. The identification of such companies requires that all evidence in support of a purchase be weighed against an obvious fact—that the vast majority of businesses fail to maintain their profitability over the long term. Once an investment is made, we do much more than sit and watch the returns pour in. We set up structures to seek out evidence that the company will not stay great forever. To be able to "sit" comfortably on a holding presupposes, among other things, that the customers of that business continue to prefer its products or services. We guard against the risk of mishap through intensive monitoring of the business results of our portfolio companies, parsing financial disclosures, and checking third-party sources to gauge their progress against the mileposts that we set out in advance as supporting detail to our investment thesis. There is nothing sedentary about our ownership.

To "be right and sit tight," to borrow a phrase from legendary Wall Street trader Jesse Livermore, is easier said than done in other ways. In addition to guarding against the deterioration of companies' underlying businesses (the "be right" part), investors need also to guard against the human tendency to become risk averse when they are in a position of gain on their shares (the "sit tight" part); investors tend to harvest their gains too early. They process the constant bombardment of ever-shifting news as calls to action, feeding the instinct to lock in profits and avoid reversals. That flow of news can be company-specific but is often related to the general environment in which companies operate. We resist changing our views in reaction to current events. We didn't alter the portfolio materially in response to the Brexit referendum in 2016, nor to anticipate the "Trump bump," nor, more recently, to benefit from the US tax cuts; we also haven't moved to a stance that bets significantly on rising interest rates. Instead, we focus on the growth prospects for each company and the specific threats that could endanger its stock's market valuation relative to the rest of the market.

These habits of tolerating elevated valuations and resisting wholesale top-down portfolio shifts continue to benefit the portfolio. Despite the rising interest rate headwind and consequential impact on discount rates, growth stocks (particularly the most-expensive growth stocks) outperformed this quarter, extending the trend from last year. Although we recognize the share prices of most rapidly growing companies are high relative to earnings and their history, we continue to take action in favor of cheaper ones only incrementally, and only against the priciest stocks in our portfolio.

Our reluctance to position the portfolio in anticipation of political or economic developments does not mean we ignore the gathering clouds. Central banks are withdrawing monetary stimulus in reaction to signs that inflation expectations are increasing, and in the larger cause of normalizing interest rates ahead

PORTFOLIO RISK ANALYSIS AND THE CORRECTION
BY SCOTT CRAWSHAW

The revival in market volatility this quarter provided a stark contrast to the recent period characterized by dampened volatility and investors' willingness to ignore the risks inherent in equities. By the end of 2017, the volatility in global equity index returns had fallen to that of fixed income barometers! We have written about the risks that we perceive in equity markets during this prolonged, ascending market, including our concerns about rising valuations of long-duration growth stocks, which are precisely the kind our investment philosophy propels us to own.

We are cognizant that in recent quarters, our International Equity portfolio has exhibited higher volatility than that of the MSCI ACWI ex-US Index, though still low in an absolute sense, something contrary to its long-term historical tendency. The quantitative risk model we use to analyze portfolio risks has pointed to portfolio holdings in IT and in EMs as key contributors to its rising forecasts of above-index volatility and a "beta" greater than 1.0. More broadly, it has increasingly predicted that the fastest-growing companies, coincidentally where valuations have risen the most, would have the highest associated risk. Though we are aware of the model's elevated forecasts of portfolio risk, we have not chosen not to make material portfolio changes to manage this projected risk.

Moreover, we wondered if the risk model was seeing the whole picture. We suspected that our portfolio would prove, when volatility returned, to be more defensive than the model was predicting. The acute correction in early February and resurgent volatility provided, in effect, a test of the model's predictions. During the market correction from January 26 to February 9, our portfolio fell nearly one-for-one with the index, a more positive result than predicted by the model, thanks to idiosyncratic effects from some individual holdings that reacted to good, stock-specific news—something no model will ever forecast. Looking at the entire quarter, we note that, although the portfolio outperformed in January, some outperformance came in both of the down months, February and March, too.

Although we have no insight into the near-term direction of markets (nor indeed of our stocks), experience has taught us that sticking to our philosophy of owning only (apparent) quality and growth increases the probability of avoiding terrible outcomes in the poorest markets. Our equity strategies have compiled superior risk-adjusted returns over the long term in part through their tendency to achieve better-than-expected results in challenging environments, when market returns are negative or only slightly positive.

The calculations in this section are based on holdings-based returns.

of the next recession. Rising populism, particularly in Europe, has called into question the longstanding consensus on advantages of a common currency, tax-free trade, and free movement of labor. And now the US threatens to precipitate a trade war that would have a devastating impact on globalization and potentially erase the enormous benefits that free trade has brought to nearly all parts of the world that have participated in it.

The recent announcements by the Trump administration to enact tariffs on various imports—including washing machines, solar panels, aluminum, steel, and, more recently, US$50 billion of other Chinese goods—could have devastating consequences for the US and its trading partners. While the brandishing of tariffs as a bilateral negotiating tactic—or as a domestic political sop—are not unique to the Trump presidency (recall tariffs from Barack Obama on Chinese tires or George W. Bush on steel), Trump's enthusiastic use of them seems to us unusually provocative. The absolute amount of goods subject to tariffs is small relative to GDP, but the legal justification for many of them relies on an obscure clause of trade law allowing redress on the grounds of national security. This rationale sets a dangerous precedent, as it is intended to evade any adverse ruling by objective outside bodies, such as the World Trade Organization (WTO), and undermines the entire rules-based trading system that has served the global economy so well since the Second World War.

While Trump insists that "trade wars are good," all evidence is to the contrary. Trade wars generally create losers on all sides. As countries, one after another, retaliate with their own tariffs or restrictions, the positive effects of globalization are undone. By preventing countries from focusing their productive efforts where each has a comparative advantage, trade barriers protect inefficient industries, resulting in misallocations of capital, higher costs and inflation, and lower wealth overall. Reversing globalization also has the potential to increase interest rates, which had been until recently on a more or less steady decline since the early 1980s. When economies are interdependent, local shocks are dampened by the global economy's equilibrating mechanism, reducing economic volatility and the real component of long-term interest rates.[1]

We are uneasy, but admit a range of possible outcomes, from spiraling tit-for-tat tariff actions to possibly more-measured responses, and perhaps even some positive long-term consequences, such as potential reform of the WTO. But we know from experience that we have little ability to forecast the political outcome. We have resisted the temptation to alter course, unsure even what overall course we would take if our worst fears were realized with respect to the health of the world's trading regime. Instead we continue to focus on the business fundamentals and valuations of the most resilient companies.

PORTFOLIO HIGHLIGHTS

The two biggest contributors to positive relative returns in the portfolio this quarter—Dassault Systèmes and M3—are prime examples of companies that Charlie Munger might like. In both cases, we've been right about the durable profitability and rapid growth of the businesses. And Jesse Livermore would approve our having sat tight, as we have owned their shares continuously for a long time. We believed that both companies were capable of growing rapidly for many years. But to remain invested in them, we have had to live through periods of overvaluation.

Japan's M3 is a health care IT company, first qualified and rated by one of our analysts in January 2006. M3's flagship service is MR-kun, an online platform for physicians that provides information specific to their individual therapeutic specialties, including all relevant research studies and clinical trial data.

M3 now has recurring interaction with more than 80% of physicians in Japan, who represent a high-value audience for pharmaceutical companies seeking to develop or market new drugs. M3 will continue to grow as it adds more online and offline services in Japan. Meanwhile the company is replicating its information ecosystem outside of its home market, with four million doctors using its platform, and where it now garners 25% of its revenues. M3 is among Japan's fastest-growing companies, and, accordingly, its shares trade at apparent high prices. Today, M3's market capitalization is US$13 billion, compared with just over US$1 billion when we bought it in 2008.

Dassault Systèmes, discussed in last quarter's report, is a 3D-design software company that we have owned since 2003. After starting with an aerospace-design focus, Dassault's software is now used by over 200,000 enterprises across a dozen industries in 140 countries. Its segment of the software industry, often referred to as product lifecycle management, features above-average and durable growth, fueled by the increasing global emphasis on efficient production.

To Munger's point about the convergence of the return on capital of a business and the return to its shareholders, we have experienced something comparable. Over our 10-year holding period, M3 has had an average annual return on capital of 26%, within shouting distance of the 32% compound annual return of the shares in that time. Similarly, Dassault's return on capital has averaged 14% over our 15-year holding period, close to the 16% compound annual return of its shares.

The portfolio's structure has changed little in the quarter, with IT and Health Care remaining our largest overweights relative the index. We added one holding to the portfolio. **Novozymes** is the leading manufacturer of industrial enzymes, used in a variety of applications, including fuel, detergent, and food. Its global market share approaches 50%, and the market is expanding as manufacturers replace inorganic chemicals in household products with naturally occurring enzymes. Novozymes controls more than twice as many patents than its next-largest competitor and spends more on R&D than its three biggest rivals combined.

[1] Tao Wu, "Globalization's Effect on Interest Rates and the Yield Curve," *Economic Letter: Insights from the Federal Reserve Bank of Dallas* 1, no. 9 (September 2006).

INTERNATIONAL EQUITY HOLDINGS (AS OF MARCH 31, 2018)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
CONSUMER DISCRETIONARY		
BMW Automobile manufacturer	Germany	1.3
LVMH Luxury-goods manufacturer	France	1.4
NASPERS Internet and media services	South Africa	2.4
WPP Marketing and advertising services	UK	0.9
CONSUMER STAPLES		
L'ORÉAL Cosmetics manufacturer	France	2.4
NESTLÉ Foods manufacturer	Switzerland	3.1
UNILEVER Foods and consumer products producer	UK	1.6
ENERGY		
ROYAL DUTCH SHELL Oil and gas producer	UK	3.0
SCHLUMBERGER Oilfield services	US	1.5
TENARIS Steel-pipe manufacturer	Italy	0.8
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	4.2
ALLIANZ Financial services and insurance provider	Germany	3.4
BBVA Commercial bank	Spain	2.5
DBS GROUP Commercial bank	Singapore	2.4
GARANTI BANK Commercial bank	Turkey	0.8
GF BANORTE Commercial bank	Mexico	1.2
HDFC BANK Commercial bank	India	1.0
HSBC Commercial bank	UK	1.2
ICICI BANK Commercial bank	India	1.1
ITAÚ UNIBANCO Commercial bank	Brazil	1.9
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer	South Africa	1.0
BAYER Life science products manufacturer	Germany	3.3
CSL LIMITED Blood plasma fractionation operator	Australia	1.0
FRESENIUS MEDICAL CARE Dialysis treatment services	Germany	1.5
GRIFOLS Blood plasma fractionation operator	Spain	0.9
M3 Medical information services	Japan	3.1
ROCHE Pharma and diagnostic equipment manufacturer	Switzerland	2.0
SHIRE Biopharma manufacturer	UK	1.6
SONOVA HOLDING Hearing aids manufacturer	Switzerland	1.0
SYSMEX Clinical laboratory equipment manufacturer	Japan	2.2

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
INDUSTRIALS		
ALFA LAVAL Industrial equipment manufacturer	Sweden	1.2
ATLAS COPCO Industrial equipment manufacturer	Sweden	1.8
BBA AVIATION Flight support systems and services	UK	0.6
CANADIAN NATIONAL RAILWAY Railway operator	Canada	1.8
FANUC Industrial robot manufacturer	Japan	3.3
JGC CORP Industrial facilities engineer and operator	Japan	1.0
KUBOTA Industrial and consumer equipment manufacturer	Japan	1.0
MONOTARO Factory materials supplier	Japan	1.0
PARK24 Automated parking lot operator	Japan	0.9
INFORMATION TECHNOLOGY		
BAIDU Internet products and services	China	2.5
CHECK POINT Cybersecurity software developer	Israel	2.3
DASSAULT SYSTÈMES CAD/CAM software designer	France	4.2
INFINEON TECHNOLOGIES Semiconductor manufacturer	Germany	1.1
KEYENCE Sensor and measurement equipment manufacturer	Japan	1.7
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	3.4
SAP Enterprise software developer	Germany	1.6
TSMC Semiconductor manufacturer	Taiwan	2.8
WEIBO Social network	China	1.5
MATERIALS		
AIR LIQUIDE Industrial gases producer	France	2.2
FUCHS PETROLUB Lubricants manufacturer	Germany	1.0
LINDE Industrial gases supplier and engineer	Germany	1.4
NOVOZYMES Biotechnology producer	Denmark	0.9
SASOL Energy and chemical technology developer	South Africa	0.9
SYMRISE Fragrances and flavors manufacturer	Germany	1.2
REAL ESTATE		
DAITO TRUST Real estate developer and manager	Japan	0.9
TELECOM SERVICES		
No Holdings		
UTILITIES		
No Holdings		
CASH		2.1

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.

1Q18 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
DASSAULT SYSTÈMES	INFT	3.8	0.88
M3	HLTH	2.6	0.66
ITAÚ UNIBANCO	FINA	1.8	0.37
SYSMEX	HLTH	2.0	0.30
DBS GROUP	FINA	2.4	0.28

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
DASSAULT SYSTÈMES	INFT	3.5	1.69
M3	HLTH	2.3	1.48
AIA GROUP	FINA	3.8	1.27
NASPERS	DSCR	2.8	1.12
SAMSUNG ELECTRONICS	INFT	3.5	1.06

1Q18 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
NASPERS	DSCR	3.0	-0.35
BAYER	HLTH	3.5	-0.35
NESTLÉ	STPL	3.1	-0.26
CANADIAN NAT'L RAILWAY	INDU	1.9	-0.22
BBVA	FINA	2.6	-0.20

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
WPP	DSCR	1.6	-0.46
SCHLUMBERGER	ENER	1.6	-0.34
SHIRE	HLTH	1.5	-0.28
ROCHE HOLDING	HLTH	0.1	-0.17
TELEVISA	DSCR	0.4	-0.16

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL INTL	ACWI EX-US
PROFIT MARGIN[1] (%)	16.1	10.9
RETURN ON ASSETS[1] (%)	8.1	5.3
RETURN ON EQUITY[1] (%)	15.5	13.2
DEBT/EQUITY RATIO[1] (%)	40.1	57.3
STD DEV OF 5 YEAR ROE[1] (%)	2.6	3.3
SALES GROWTH[1,2] (%)	3.2	-0.3
EARNINGS GROWTH[1,2] (%)	8.4	8.4
CASH FLOW GROWTH[1,2] (%)	9.6	7.1
DIVIDEND GROWTH[1,2] (%)	5.4	3.1
SIZE & TURNOVER	**HL INTL**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	53.8	36.1
WTD AVG MKT CAP (US $B)	84.5	70.7
TURNOVER[3] (ANNUAL %)	12.7	—

RISK AND VALUATION	HL INTL	ACWI EX-US
ALPHA[2]	2.92	—
BETA[2]	1.00	—
R-SQUARED[2]	0.93	—
ACTIVE SHARE[3] (%)	87	—
STANDARD DEVIATION[2] (%)	12.20	11.79
SHARPE RATIO[2]	0.74	0.51
TRACKING ERROR[2] (%)	3.2	—
INFORMATION RATIO[2]	0.93	—
UP/DOWN CAPTURE[2]	105/87	—
PRICE/EARNINGS[4]	19.2	14.2
PRICE/CASH FLOW[4]	14.5	9.1
PRICE/BOOK[4]	2.6	1.7
DIVIDEND YIELD[5] (%)	2.0	2.9

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Weighted harmonic mean; [5]Weighted mean. Source (Risk characteristics): eVestment Alliance (eA); Harding Loevner International Equity Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: April 3, 2018); Harding Loevner International Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
NOVOZYMES	DENMARK	MATS

POSITIONS SOLD	COUNTRY	SECTOR
THERE WERE NO COMPLETE SALES IN THE 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 MARCH 31, 2018)

	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 (%)
2018 YTD[5]	0.61	0.45	-1.08	-1.41	12.80	12.31	12.10	N.A.[6]	36	17,238	30.66
2017	30.86	30.00	27.77	25.62	12.45	11.88	11.85	0.2	36	15,777	29.21
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

[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 2018 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 accounts investing in non-US equity and equity-equivalent securities and cash reserves and is measured against the MSCI All Country World ex-US Total Return Index (Gross) for comparison purposes. 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 December 31, 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 December 31, 2017. The verification and performance examination reports are available upon request.

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

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. 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.