INTERNATIONAL EQUITY

2018 Third Quarter Report

COMPOSITE PERFORMANCE (%TOTAL RETURN) FOR PERIODS ENDED SEPTEMBER 30, 2018[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)	1.88	1.90	7.02	15.09	8.08	9.14	8.61
HL INTL EQUITY (NET OF FEES)	1.72	1.41	6.32	14.34	7.40	8.46	7.80
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	0.80	-2.67	2.25	10.48	4.60	5.66	5.21
MSCI EAFE INDEX[5,6]	1.42	-0.98	3.25	9.76	4.90	5.87	4.90

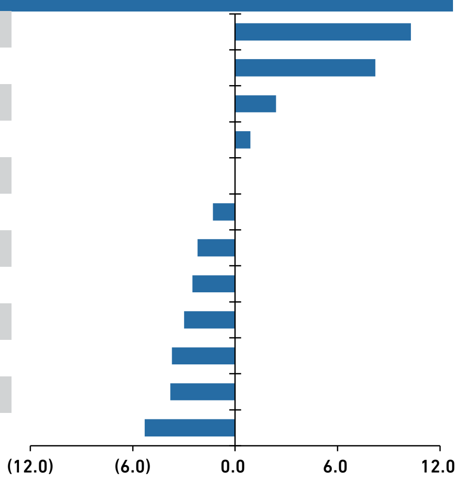
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: December 31, 1989; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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	21.9	11.6
HEALTH CARE	16.7	8.5
CASH	2.4	—
INDUSTRIALS	12.8	11.9
MATERIALS	8.1	8.1
CONS STAPLES	8.2	9.5
ENERGY	5.4	7.6
REAL ESTATE	0.6	3.1
UTILITIES	0.0	3.0
FINANCIALS	18.3	22.0
TELECOM SERVICES	0.0	3.8
CONS DISCRETIONARY	5.6	10.9

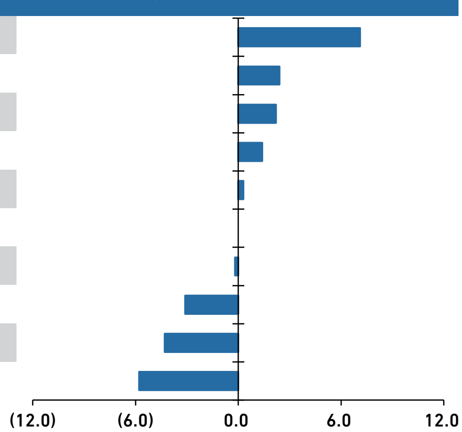
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL INTL	ACWI EX-US
EUROPE EMU	29.2	22.1
CASH	2.4	—
MIDDLE EAST	2.6	0.4
OTHER[7]	1.4	—
PACIFIC EX-JAPAN	8.4	8.1
FRONTIER MARKETS[8]	0.0	—
EUROPE EX-EMU	21.1	21.3
JAPAN	13.8	16.9
CANADA	2.3	6.6
EMERGING MARKETS	18.8	24.6

(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.

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MARKET REVIEW

International stock markets rose in the quarter. Developed markets (apart from the US, which rose strongly) gained modestly, but the strengthening US dollar against other major currencies dampened dollar-based returns outside of North America. Also affected by the rising dollar, Emerging Markets (EMs) fell, weighed down by weakness in China and worries that rising US interest rates and trade frictions will combine to derail growth and investment in developing economies.

Ten years after the fall of Lehman Brothers, the second-longest bull market in postwar US history continued through the quarter with few signs, on the surface at least, of slowing. Due to the substantial tax cuts enacted last autumn, estimates of this year's earnings for US companies are indicating nearly twice as much profit growth as in the rest of the world. These estimates helped propel a broad-based US market rally.

The Federal Reserve hiked overnight interest rates in late September, the eighth increase since late 2015. Short-term interest rates remain below the current inflation rate, doing little to dampen growth in the US economy or in US corporate earnings. These "normalizing" rate hikes have yet to deter investors in US equities more than temporarily so far; the same cannot be said of investors in US bonds or EM equities.

Higher US short-term interest rates have been accompanied—led, even—by higher long-term rates (and lower bond prices). As these higher reference yields rippled through global markets, investors have punished markets in some of the developing economies most dependent on foreign capital, as borrowing costs and refinancing risks became more daunting. The severe economic crises in Turkey and Argentina each have their own unique provenance, but they have one common feature: neither country's production or savings is sufficient to fund domestic spending. The sharp declines of their capital markets and currencies have raised the specter of EM contagion, the risk that investors retreat en masse from EMs. So far, that has not happened, and the resilience of some EMs has been remarkable. The Mexican peso was surprisingly the world's strongest currency in the quarter, one of the few to appreciate against the US dollar this year. That was despite the victory of left-leaning Andrés Manuel López Obrador in July's presidential election and the Trump administration's (recently abandoned) threats to rip up NAFTA. Currency depreciation elsewhere was fairly contained.

Developing markets can be shaken by relatively mild actions by the Fed, but the troubles that beset EM index heavyweight China this quarter were primarily domestic in origin. After the losses of this quarter, the MSCI China Index has suffered a cumulative decline of 20% since its January highs; the fall has been even starker for the CSI 300 (A-share) Index. Government efforts to reduce leverage throughout the economy and bring transparency to the country's unregulated lending ("shadow banking") have, inevitably if unintentionally, slowed GDP growth. Chinese health care companies were hurt by a vaccine scandal and greater regulatory focus on decreasing the price of drugs. The escalating trade war with the US is beginning to have significant effects, as Chinese firms postpone capital investments to improve productivity or expand capacity in the face of uncertainty. Wary investors have been focusing on Argentina and Turkey as possible canaries in the EM coal mine and wondering whether other countries might fall into crisis as US interest rates rise, but the noxious vapors of decelerating growth emanating from China may pose a greater risk than the Fed to its fellow emerging economies. China plays a key role as trading partner to many other developing countries; it is the single largest export market for nine of the other twenty-three countries in the MSCI EM Index and is among the top five export markets for two-thirds of them.

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MARKET PERFORMANCE (USD %)

MARKET	3Q 2018	TRAILING 12 MONTHS
CANADA	1.0	2.7
EMERGING MARKETS	-0.9	-0.4
EUROPE EMU	0.0	-1.5
EUROPE EX-EMU	1.8	2.4
JAPAN	3.8	10.6
MIDDLE EAST	5.2	15.3
PACIFIC EX-JAPAN	-0.5	4.4
MSCI ACW EX-US INDEX	0.8	2.3

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

SECTOR	3Q 2018	TRAILING 12 MONTHS
CONSUMER DISCRETIONARY	-2.6	-1.0
CONSUMER STAPLES	-0.5	1.7
ENERGY	4.5	18.8
FINANCIALS	1.7	-2.0
HEALTH CARE	4.5	7.5
INDUSTRIALS	2.8	3.5
INFORMATION TECHNOLOGY	-2.3	2.7
MATERIALS	0.5	5.8
REAL ESTATE	-3.5	-2.5
TELECOM SERVICES	3.6	-4.8
UTILITIES	-0.9	-1.3

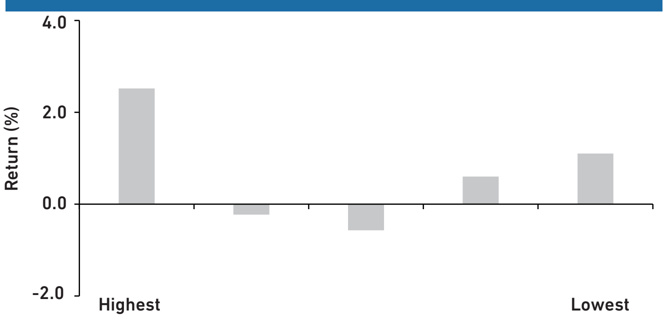
Source: FactSet (as of September 30, 2018); MSCI Inc. and S&P.

Some of the biggest share price declines, not only in EMs, but also globally, were of Chinese internet search, e-commerce, and social media companies, predominantly domestic consumer businesses that rank among the most valuable companies in the world. Both Alibaba and Tencent were among the 10 largest negative contributors to returns in the MSCI All Country World (ACW) ex-US Index. We discuss China's internet giants later in this report.

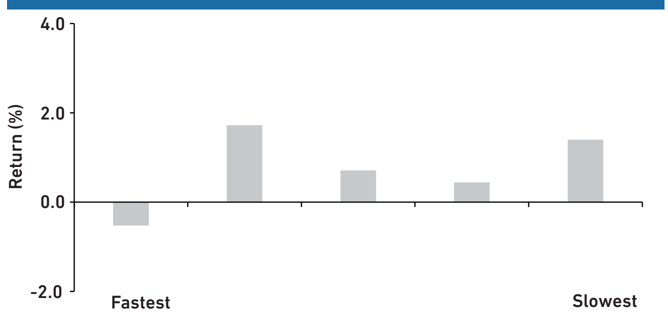
Elsewhere in the world, developed markets were mixed as investors continued to struggle with familiar problems. In Europe, investors are contemplating a worst-case "no-deal" Brexit, with negotiations between the UK and Europe still inconclusive as the deadline approaches. However, the UK market experienced only a modest decline this quarter, supported by the performance of its important multinational pharmaceutical companies, which rallied alongside their American counterparts. US-instigated trade friction dampened Chinese demand for Japanese machine tools and led to lower manufacturing output in Japan. However, strong corporate profits, along with the export-enhancing effects of a weaker yen and the continued strength of the Japanese labor market, and thus domestic spending, kept Japanese stocks firm.

Style effects showed little pattern in the quarter, as seen in the following charts. The highest-quality cohort performed strongly, but there was not a clear preference for higher quality across the market. The fastest growers were among the worst performers, and, in a departure from recent quarters, the most-expensive stocks underperformed.

MSCI ACW EX-US INDEX PERFORMANCE BY QUALITY 3Q18

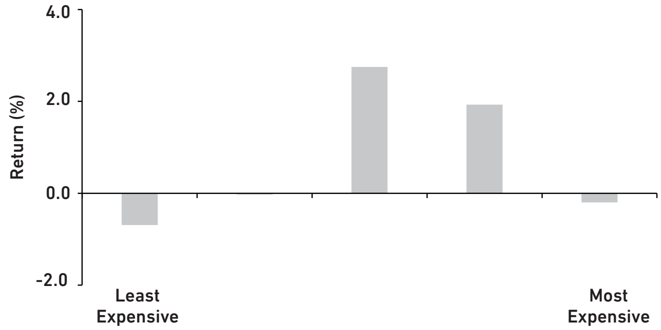


MSCI ACW EX-US INDEX PERFORMANCE BY GROWTH 3Q18



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

MSCI ACW EX-US INDEX PERFORMANCE BY VALUE 3Q18



Source: FactSet. Data as of September 30, 2018. 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 rose 1.9% in the quarter, ahead of the 0.8% increase of its benchmark, the MSCI ACW ex-US Index. For the year to date, the composite also rose 1.9%, compared with the index's 2.7% decline. The charts on the following page attribute the quarter's relative performance by sector and region, respectively.

Our good stock selection contributed nearly all of the outperformance in the third quarter, both from a sector and regional perspective.

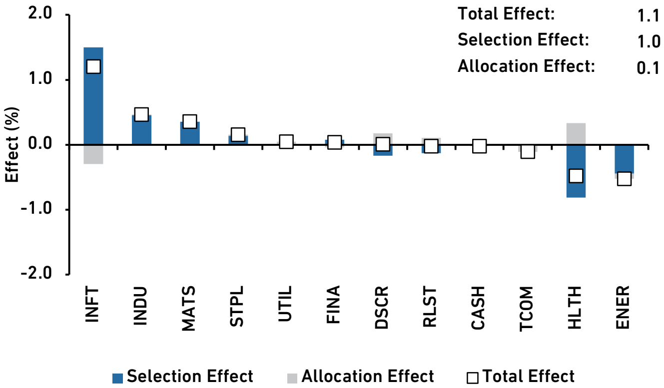
In Information Technology (IT), software and services companies—including French design-software company **Dassault Systèmes** and Israeli security-software company **Check Point**—contributed the most to our outperformance. Taiwanese semiconductor manufacturer **TSMC** also helped our returns after raising its demand forecast for smartphone chips. In Industrials, good performance from Japanese industrial supplies retailer **MonotaRO** offset losses from Japanese robot manufacturer **Fanuc**.

Poor stocks in Health Care and Energy detracted. In August, shares of German life-sciences firm **Bayer** declined after a California jury awarded US$290 million to a man who claimed his cancer was caused by glyphosate, an herbicide found in Monsanto's Roundup weed killer. Bayer, which acquired Monsanto

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, 2018 is available on page 9 of this report.

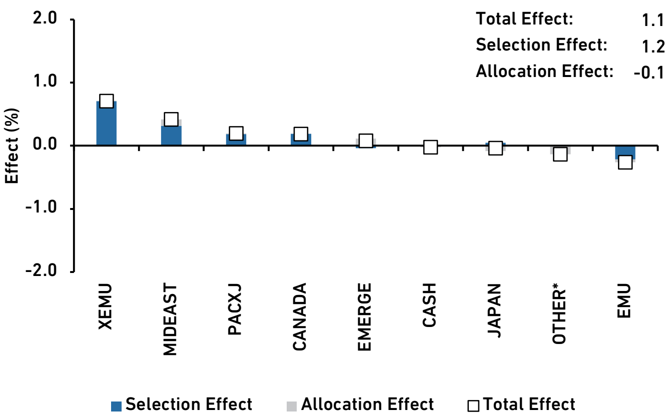
SECTOR PERFORMANCE ATTRIBUTION
THIRD QUARTER 2018

INTERNATIONAL EQUITY COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
THIRD 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.*

in June, is appealing the verdict. Shares of South Africa's **Aspen Pharmacare** declined after the company provided weak revenue guidance for 2019. Our overweight relative the index in Health Care, the top-performing sector, however, was helpful. Our poor returns in Energy were due to declines in oilfield services companies **Schlumberger**, **Royal Dutch Shell**, and **Tenaris**. Investors are concerned that infrastructure and other bottlenecks at the US's most prolific oil & gas field, the Permian Basin in Texas and New Mexico, has dampened activity—and demand for the companies' services.

Viewed geographically, our stock selection was positive in every region except the eurozone and EMs. Outside of the eurozone, Swiss pharmaceutical outsourcing company **Lonza Group** reported strong revenue growth due to increasing demand for outsourced biologic drug manufacturing. In the Middle East, IT security company Check Point added to relative performance, after reporting an improvement in revenue growth. Relative returns in the eurozone were hurt by Bayer and Spanish bank **BBVA**, which reported higher costs associated with its Turkish and Argentine subsidiaries. In addition to Aspen Pharmacare, EM returns were hampered by South African media conglomerate **Naspers**, whose shares fell in tandem with its largest investment, China gaming and social media giant Tencent, as Chinese regulators halted approval of new video games in the country. Tencent's profit margins also deteriorated in its latest quarter due to rising expenses associated with its many new digital ventures. **Weibo**, another Chinese social media platform, also declined.

For the year to date, we enjoyed good stock selection in a majority of sectors, but especially in IT (Dassault Systèmes, TSMC, and Check Point). The portfolio also benefited from its overweight in Health Care, though our stocks underperformed the index. Geographically, the portfolio had positive stock selection in every region, except EMs, with the strongest relative returns contributed by Pacific ex-Japan and Europe, both within and outside the eurozone. In EMs, Aspen Pharmacare and Weibo detracted the most.

PERSPECTIVE AND OUTLOOK

The sharp fall in China's stock market this year has a number of distinct causes. Shares of domestically listed companies have been hurt by tightening liquidity, the result in part of government restrictions on non-bank lending. Manufacturers, especially export-oriented ones, have postponed new capital investments, justifiably worried about the effects on demand for their wares of successive rounds of tariffs imposed by the Trump administration over the past six months. Among the biggest contributors to China's decline has been the fall in the shares of its internet giants—online retailer Alibaba, search engine **Baidu**, and social media and gaming company Tencent. The reasons are not so obvious. They serve domestic rather than foreign customers, so they have little direct exposure to the ongoing trade war. They have no need to borrow, generating very strong free cash flow, as do the largest US internet companies. Yet this year, the share prices of the counterparts have diverged, the Chinese IT sector falling sharply and US IT continuing upward. The share price divergence appears to be greater than warranted by the relative deterioration evident in the Chinese companies' competitive situation.

Indeed, the business models of the largest internet companies in China and the US are remarkably similar, as are the competitive structures of their industries in their respective home markets. They have also achieved similar growth over the last decade. Their profitability arises from having achieved dominance with their core platforms, building on the network effects that accelerate once they reach a critical mass of users. Search results on either Google or Baidu are superior to less-used rivals because more user searches can be analyzed to improve the efficacy of the search engine. Socializing on Facebook or Tencent's WeChat platforms becomes more appealing as more friends use the platform. Likewise, Instagram or Weibo becomes more attractive to users as more opinion leaders choose it to establish their presence, and more valuable to advertisers as more followers join the audience. Once that self-reinforcing process is in place, the businesses can increase customer stickiness and bolster profits by pursuing additional value enhancements, such as reinvesting profits in service improvements created using machine learning to analyze users' experience across billions of interactions. Other competitive strategies can include seeking to achieve economies of scale rapidly (i.e., spreading fixed costs over a larger revenue base) and employing product bundling strategies that increase customer loyalty, reflected in the manifold benefits of membership in Amazon's Prime or Alibaba's 88 VIP programs.

Another common feature of US and Chinese internet leaders is the degree to which they continue to be managed by their visionary founders, who own large stakes in the companies and tend to operate with a very long investment horizon in building value in the businesses they control. At the same time, both the US and Chinese companies are characterized by the risks attendant in weak governance structures, wherein the founders' unbridled authority over strategic decisions cannot be effectively challenged by their boards of directors or by outside shareholders. This tight grip on control means that over-confident founder/managers can attempt to achieve similar dominance and self-reinforcing network effects a second time, by potentially over-investing to expand into adjacent (non-core) businesses, sacrificing short-term profits with no need to contemplate dissenting views or minority shareholder priorities.

Both US and Chinese internet companies are characterized by the risks attendant in weak governance structures, wherein the founders' unbridled authority over strategic decisions cannot be effectively challenged by their boards of directors or by outside shareholders.

The US and Chinese internet companies also face similar challenges from regulators. We wrote about rising regulatory risks for US companies three quarters ago, and we remain alert for manifestations of those risks. The challenge, however, has been greater in China, where the government and Communist Party impose requirements to support their policies and restrict any material that may undercut their legitimacy. In August, for example, the General Administration of Press and Publication suspended approvals of new video games amid public officials' concern about game addiction and eyesight impairment in young people. With games accounting for 35–40% of its revenues and an even larger percentage of profits, Tencent would be hurt if the license approval process becomes permanently contentious, curtailing its ability to keep its core constituency engaged with new products. For Weibo, the tighter regulatory environment is leading to higher operational costs. The regulator now requires that content feeds pass through government servers before being broadcast, and that in-house teams that monitor and censor material be expanded. Weibo's key opinion leaders have been intimidated by aggressive government policing of behavior such as voicing unsanctioned political views. The effect of such state intrusion may be to suppress content production and dull user engagement, degrading the platform's vitality and its attractiveness to advertisers. This kind of regulatory intervention in China, which occurs without warning and for which there is no legal recourse, is more arbitrary and potentially more damaging than the fines levied on Google by the European Union, or the expensive content monitoring efforts that Facebook has been forced to adopt after public shaming.

Along with more-damaging regulatory actions, we have witnessed an intensification of rivalry among internet companies in China that has not been, so far, nearly as virulent in the US. We suspect (without hard evidence) that there is greater propensity among Chinese internet users to switch platforms to the "new, new thing" than in the US. (After all, half of the 800 million mobile internet users in China are under the age of 30.) This willingness to switch enables new entrants, making profitability hard to sustain. Weibo and Tencent both have lost some user attention to an emergent short-video platform, Douyin, whose active users has swelled fourfold just since last December, to 225 million.

Another factor intensifying the rivalry among China's online leaders is that after many years of rapid internet adoption, growth in new users is harder to come by, prompting greater competition for the attention of the existing users. As a result, China's internet companies have increased spending on new services that they bundle with their existing products at no extra cost to users. They have also stepped up investments in additional areas of commerce, hoping not only to defend their existing market dominance but also to achieve new network effects. Alibaba, for example, has steadily invested in logistics and delivery, bringing its e-commerce closer to the offline last mile, trying to keep its customers happily tied to its platform by increasing convenience. Tencent, having declared 2018 a "year of investment," has invested in major new games for its core platform, short-video and newsfeed platforms, expanding cloud services, its WeChat Pay mobile payment platform, and in various e-commerce businesses that compete directly with Alibaba. These company strategies appear to be designed specifically to attract and lock in consumers through the convenience and economy of bundled services. Alibaba, for one, can point to increasing customer loyalty as measured by rising numbers of purchases across ever more varied product categories. We have seen this strategy before...at Amazon.

Offsetting this more-intense competition between the leading online players in China is an important difference that they enjoy relative to their US peers. The existing brick-and-mortar incumbents in China's retailing, entertainment/media, and information/publishing industries are far less powerful than the incumbents in the US. Amazon must do battle with Walmart, whose revenues are three times as large and whose balance sheet resources match Amazon's; Alibaba's revenues are more than double those of its nearest offline competitor, while its operating cash flow is at least 10 times larger, generated from 17 times the gross merchandise value. Facebook and Netflix face off against Disney, Comcast, and Viacom, which have powerful content franchises. In China, these legacy industries were far more fragmented, if they even existed at all in private-sector form, as the mobile internet took hold over the past decade. Thus, the leading Chinese companies face a much smaller or weaker set of potential substitutes, leaving them greater firepower to direct at their online rivals or the ability to conform to government directives without irretrievably dashing profitability.

The existing brick-and-mortar incumbents in China's retailing, entertainment/media, and information/publishing industries are far less powerful than the incumbents in the US.

We have reduced our earnings and growth estimates for Alibaba, Tencent, and Baidu, and thus our forecasts of their fair value have fallen, but only by 5–10% between early January and now. Their share prices, however, have fallen by 25% or more since January, from just above our fair-value estimate at the start of the year to significantly below our current estimates. As a result, we are sticking for now with the investments we have in Baidu, Tencent (through Naspers), and Weibo (whose fair value by our estimate has fallen 20%, but whose share price has fallen 50%), as we watch business developments closely.

PORTFOLIO HIGHLIGHTS

The lower prices of many EM stocks are causing us to scrabble through the companies we follow, with an eye for bargains. Our only purchase this quarter reflects a result of that search, which has taken us far from internet companies or China. Our new holding is Brazil's **Ambev**, one of the country's largest brewers and the largest PepsiCo bottler outside the US. Brazil's economy, hurt by falling commodities prices, has stagnated and its unemployment rate has hovered at 12–14% since 2017. Still, Ambev's revenues and earnings have continued to grow. After a recent sharp decline in its dollar-denominated stock, we took advantage of the opportunity to tap the company's steady stream of profits at a reasonable price.

We also added to our position in Weibo, whose shares have fallen more than 50% since January. We are resisting the urge to conflate a weak share price with a weak business franchise. We expect Weibo's revenues will continue to grow for the next several years even if online advertising spending growth slows, as the company now expects. Although we have lowered our growth expectations, we believe that Weibo's system for cultivating key opinion leaders, who provide the content that Weibo's users consume, remains a durable advantage.

We have watched incredulously as the Trump administration has retreated from its threat to rip up NAFTA. A "new" trade deal, reached in the quarter, changed little except the name of the pact. The agreement has benefited our investment in **GF Banorte**, the bank we bought in the Mexican market's swoon that ensued between the US elections and President Trump's inauguration. Smoother trade relations should also benefit BBVA, the Spanish banking group that owns BBVA Bancomer, Mexico's largest and most profitable bank. Its shares have not performed well this year, as BBVA's Turkish and Argentine subsidiaries have lost value, and political worries in the eurozone have hurt sentiment for Spanish banks generally.

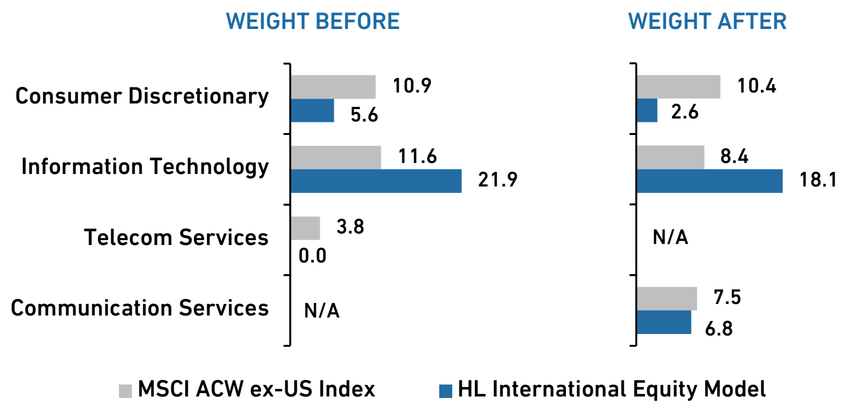
US-instigated trade frictions with China continued to escalate in the quarter, affecting many of our holdings elsewhere. Two of our Japanese companies, Fanuc and **Keyence**, have suffered falling orders from manufacturers in China, including multinationals with plants there. Managements are worried about the extent to which US tariffs will hurt demand for China's manufactured goods. Although it is possible that the US-China trade tensions will abate (as the tensions over NAFTA have), we are not counting on it. Fanuc and Keyence have strong balance sheets and diversified customer bases, and we have seen them weather cyclical storms before. We believe Fanuc and Keyence will adjust their businesses to wherever demand for their productivity-enhancing goods will rise to replace demand that may or may not revive in China.

We have become more alarmed by the lack of progress in the UK's negotiated exit from the European Union. The likelihood of a "no deal" Brexit, which we think would cause great harm to the UK economy, at least in the medium term, has increased from remote to possible. Our UK exposure has long been underweight to the index, and our UK holdings are dominated by companies that earn the majority of their revenues abroad—and most of that from production abroad rather than from export sales. Royal Dutch Shell, for example, earns more than 85% of its revenue from outside the UK and has less than 8% of its fossil fuel reserves located there. **Unilever** has more than 90% of its business outside the UK; **HSBC** earns more than 75% of its revenues from non-UK sources; **BBA Aviation** more than 90%. We are reviewing all our investments for UK-related supply chain dependencies that might hold hidden vulnerabilities.

UPCOMING INDEX CHANGES AND OUR PORTFOLIO POSITIONING

At the end of the third quarter, MSCI and S&P made significant changes to how companies are classified by sector and industry within the Global Industry Classification Standard (GICS). They changed the name of the Telecommunications Services sector to Communication Services, reflecting the convergence of telecom, media, and technology. Companies that provide content and information through cable, internet, and wireless platforms, including traditional media companies such as Pearson and entertainment companies such as Disney and Netflix, moved from Consumer Discretionary to Communication Services. The changes also affected many companies previously classified as Information Technology. For example, e-commerce businesses such as Alibaba and eBay joined the Consumer Discretionary sector, while internet-search businesses such as Alphabet (Google) and digital platforms such as Facebook and Tencent shifted to the Communication Services sector.

While the changes to GICS became effective at the end of September, MSCI will not reflect the new classifications in its indexes until December 3. The effect of the changes on the sectoral weights of the MSCI All Country World ex-US Index and on our portfolio, as though the changes had been reflected in the index at September 30, are shown in the chart below.



Source: Harding Loevner International Equity Model; MSCI Inc., and S&P; Data as of September 30, 2018.

Classification changes have no impact on our investable opportunity set nor on our fundamental analysis of companies. We bring them to your attention due to their future impact on the presentation of sectoral exposures, absolute and relative, and on performance attribution.

INTERNATIONAL EQUITY HOLDINGS (AS OF SEPTEMBER 30, 2018)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
CONSUMER DISCRETIONARY		
BMW Automobile manufacturer	Germany	1.0
LVMH Luxury-goods manufacturer	France	1.6
NASPERS Internet and media services	South Africa	2.1
WPP Marketing and advertising services	UK	0.9
CONSUMER STAPLES		
AMBEV Alcoholic beverages manufacturer	Brazil	0.9
L'ORÉAL Cosmetics manufacturer	France	2.5
NESTLÉ Foods manufacturer	Switzerland	3.2
UNILEVER Foods and consumer products producer	UK	1.5
ENERGY		
ROYAL DUTCH SHELL Oil and gas producer	UK	3.2
SCHLUMBERGER Oilfield services	US	1.4
TENARIS Steel-pipe manufacturer	Italy	0.8
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	4.5
ALLIANZ Financial services and insurance provider	Germany	3.4
BBVA Commercial bank	Spain	2.0
DBS GROUP Commercial bank	Singapore	2.7
GF BANORTE Commercial bank	Mexico	1.4
HDFC BANK Commercial bank	India	0.9
HSBC Commercial bank	UK	1.1
ICICI BANK Commercial bank	India	1.0
ITAÚ UNIBANCO Commercial bank	Brazil	1.3
HEALTH CARE		
ASPEN PHARMACARE Pharma manufacturer	South Africa	0.5
BAYER Life science products manufacturer	Germany	2.8
CSL LIMITED Blood plasma fractionation operator	Australia	1.2
FRESENIUS MEDICAL CARE Dialysis treatment services	Germany	1.5
GRIFOLS Blood plasma fractionation operator	Spain	0.9
LONZA GROUP Life science products developer	Switzerland	1.8
M3 Medical information services	Japan	2.9
ROCHE Pharma and diagnostic equipment manufacturer	Switzerland	2.2
SONOVA HOLDING Hearing aids manufacturer	Switzerland	1.3
SYSMEX Clinical laboratory equipment manufacturer	Japan	1.6

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
INDUSTRIALS		
ALFA LAVAL Industrial equipment manufacturer	Sweden	1.3
ATLAS COPCO Industrial equipment manufacturer	Sweden	1.2
BBA AVIATION Flight support systems and services	UK	0.5
CANADIAN NATIONAL RAILWAY Railway operator	Canada	2.3
EPIROC Industrial equipment manufacturer	Sweden	0.5
FANUC Industrial robot manufacturer	Japan	2.4
JGC CORP Industrial facilities engineer and operator	Japan	1.1
KUBOTA Industrial and consumer equipment manufacturer	Japan	1.0
MONOTARO Factory materials supplier	Japan	1.6
PARK24 Automated parking lot operator	Japan	1.0
INFORMATION TECHNOLOGY		
BAIDU Internet products and services	China	2.6
CHECK POINT Cybersecurity software developer	Israel	2.7
DASSAULT SYSTÈMES CAD/CAM software designer	France	3.5
INFINEON TECHNOLOGIES Semiconductor manufacturer	Germany	0.9
KEYENCE Sensor and measurement equipment manufacturer	Japan	1.6
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	3.0
SAP Enterprise software developer	Germany	2.2
TEMENOS GROUP Banking software developer	Switzerland	1.4
TSMC Semiconductor manufacturer	Taiwan	2.8
WEIBO Social network	China	1.2
MATERIALS		
AIR LIQUIDE Industrial gases producer	France	2.4
FUCHS PETROLUB Lubricants manufacturer	Germany	0.9
LINDE Industrial gases supplier and engineer	Germany	1.5
NOVOZYMES Biotechnology producer	Denmark	1.0
SASOL Energy and chemical technology developer	South Africa	1.0
SYMRISE Fragrances and flavors manufacturer	Germany	1.3
REAL ESTATE		
DAITO TRUST Real estate developer and manager	Japan	0.6
TELECOM SERVICES		
No Holdings		
UTILITIES		
No Holdings		
CASH		2.4

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.

3Q18 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TSMC	INFT	2.6	0.47
CHECK POINT	INFT	2.6	0.46
LONZA GROUP	HLTH	1.6	0.41
M3	HLTH	2.8	0.38
MONOTARO	INDU	1.1	0.26

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
DASSAULT SYSTÈMES	INFT	3.5	1.38
M3	HLTH	2.6	1.19
AIA GROUP	FINA	4.1	0.81
MONOTARO	INDU	0.9	0.68
DBS GROUP	FINA	2.3	0.61

3Q18 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
BAYER	HLTH	3.1	-0.69
NASPERS	DSCR	2.3	-0.36
ASPEN PHARMACARE	HLTH	0.8	-0.31
BBVA	FINA	2.1	-0.21
SYSMEX	HLTH	2.0	-0.18

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
BAYER	HLTH	3.4	-1.29
BBVA	FINA	2.4	-0.73
ASPEN PHARMACARE	HLTH	0.8	-0.46
DAITO TRUST	RLST	0.6	-0.33
WEIBO	INFT	1.3	-0.27

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL INTL	ACWI EX-US
PROFIT MARGIN[1] (%)	15.0	11.1
RETURN ON ASSETS[1] (%)	8.6	5.5
RETURN ON EQUITY[1] (%)	16.0	13.7
DEBT/EQUITY RATIO[1] (%)	40.8	59.0
STD DEV OF 5 YEAR ROE[1] (%)	2.7	3.4
SALES GROWTH[1,2] (%)	3.5	0.1
EARNINGS GROWTH[1,2] (%)	9.4	8.8
CASH FLOW GROWTH[1,2] (%)	9.1	6.8
DIVIDEND GROWTH[1,2] (%)	6.5	3.8
SIZE & TURNOVER	**HL INTL**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	56.4	35.1
WTD AVG MKT CAP (US $B)	83.9	67.7
TURNOVER[3] (ANNUAL %)	11.7	—

RISK AND VALUATION	HL INTL	ACWI EX-US
ALPHA[2] (%)	3.41	—
BETA[2]	0.99	—
R-SQUARED[2]	0.92	—
ACTIVE SHARE[3] (%)	86	—
STANDARD DEVIATION[2] (%)	11.53	11.11
SHARPE RATIO[2]	0.66	0.37
TRACKING ERROR[2] (%)	3.3	—
INFORMATION RATIO[2]	1.06	—
UP/DOWN CAPTURE[2]	105/83	—
PRICE/EARNINGS[4]	18.7	13.8
PRICE/CASH FLOW[4]	14.5	9.1
PRICE/BOOK[4]	2.8	1.7
DIVIDEND YIELD[5] (%)	2.1	3.0

[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 3, 2018); Harding Loevner International Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
AMBEV	BRAZIL	STPL

POSITIONS SOLD	COUNTRY	SECTOR
THERE WERE NO COMPLETED 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, 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]	1.90	1.41	-2.67	-0.98	10.90	10.73	10.63	N.A.[6]	38	19,064	32.96
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 and 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, 2018.

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, 2018. 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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