

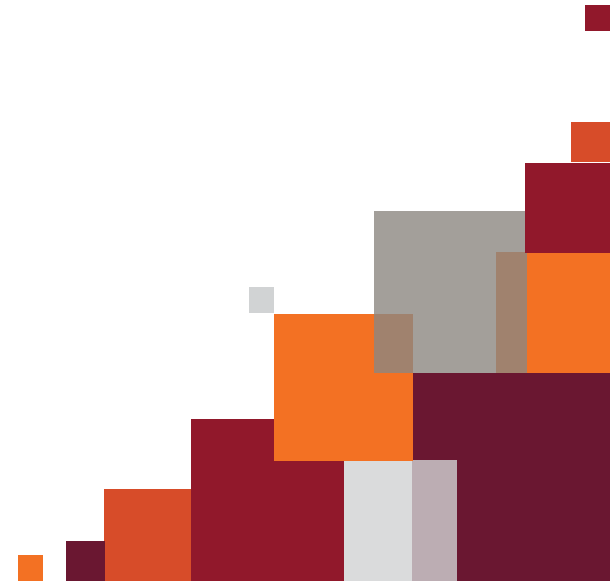


HARDING  
LOEVNER

Fundamental. Thinking. Worldwide.

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International Equity Review | Second Quarter 2019



# Composite Performance

As of June 30, 2019

## Performance (% Total Return)

	3 Months	YTD	1 Year	3 Years <sup>1</sup>	5 Years <sup>1</sup>	10 Years <sup>1</sup>	Since Inception <sup>1,2</sup>
HL International Equity (gross of fees)	4.87	17.09	1.54	10.90	6.08	10.44	8.37
HL International Equity (net of fees)	4.71	16.73	0.90	10.18	5.41	9.75	7.57
MSCI All Country World ex-US Index <sup>3,4</sup>	3.22	14.00	1.80	9.91	2.64	7.02	5.11

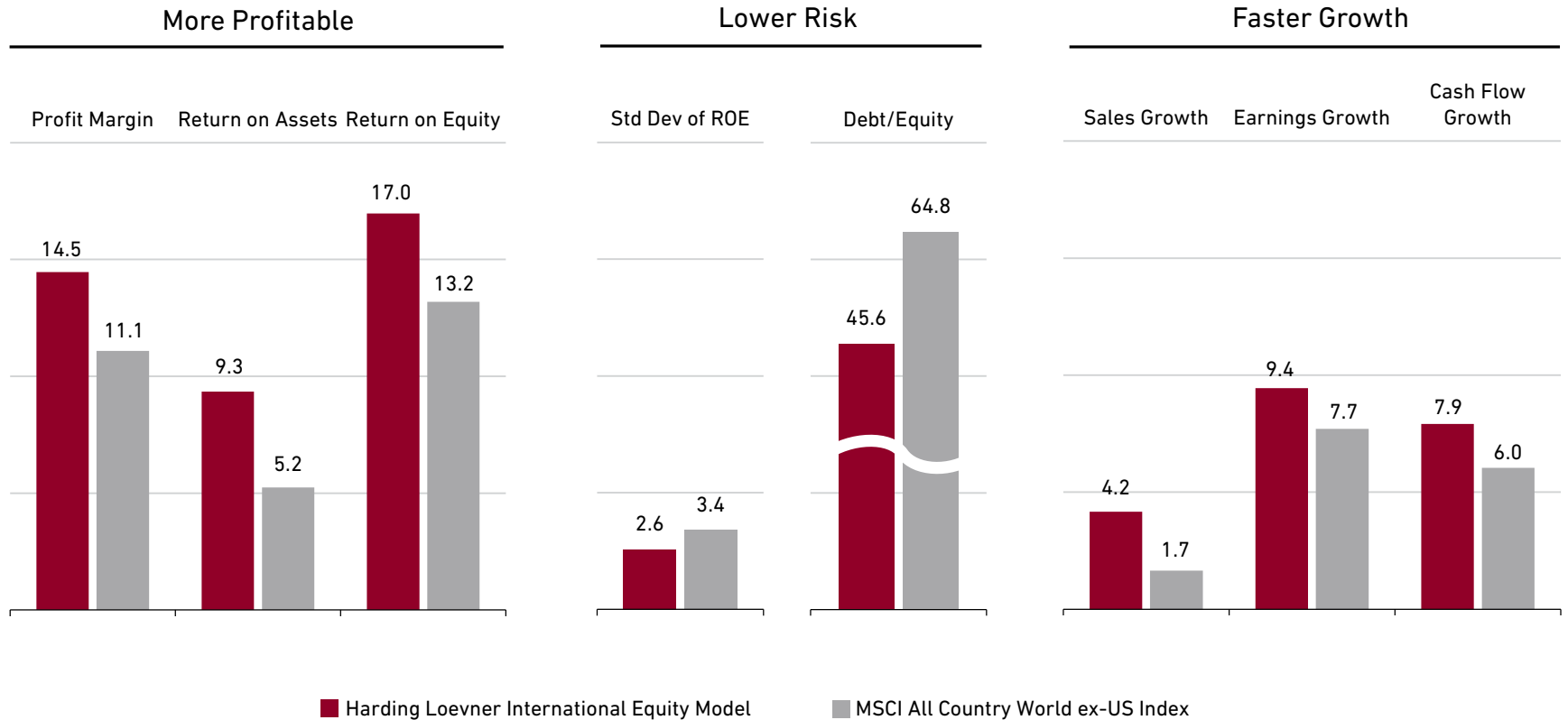
■ Up/Down Capture (trailing five years, annualized): 105/87

<sup>1</sup>Annualized Returns; <sup>2</sup>Inception date: December 31, 1989; <sup>3</sup>The Benchmark Index; <sup>4</sup>Gross of withholding taxes.

The performance returns shown are preliminary. 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. 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. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through March 31, 2019. Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. The International Equity Composite has been examined for the periods January 1, 1990 through March 31, 2019. The verification and performance examination reports are available upon request. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the International Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://www.hardingloevner.com). The firm maintains a complete list and description of composites, which is available upon request. Please read the disclosures on the last page, which are an integral part of this presentation.

# Quality & Growth Investment Philosophy

As of June 30, 2019

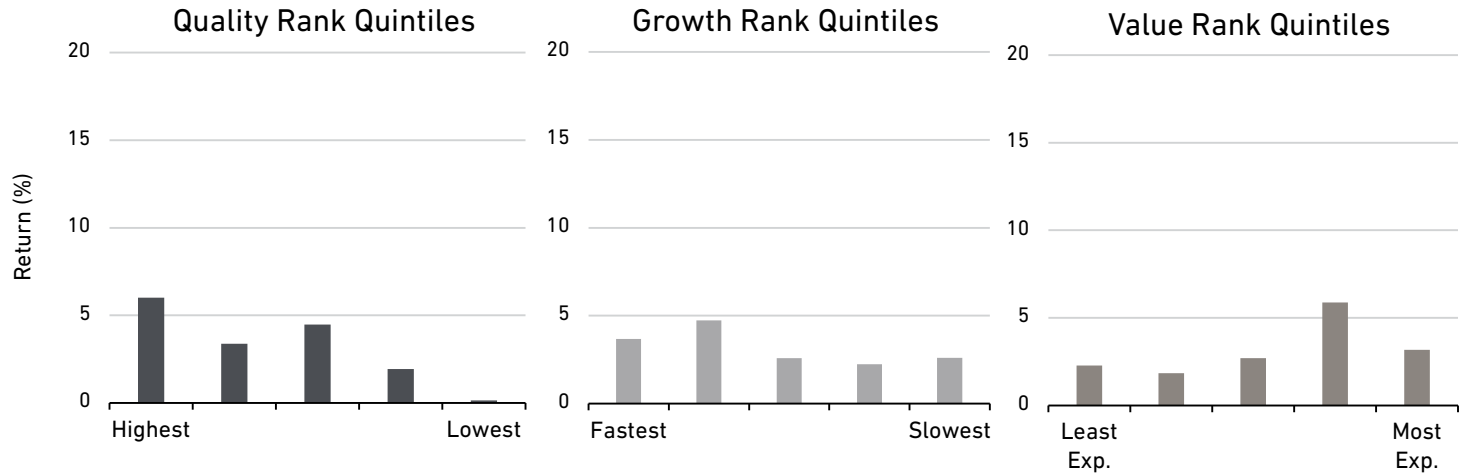


Source: FactSet. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are presented as weighted medians. Please read the disclosures on the last page, which are an integral part of this presentation.

# MSCI ACW ex-US Index Total Returns by Quality, Growth, and Value Rank

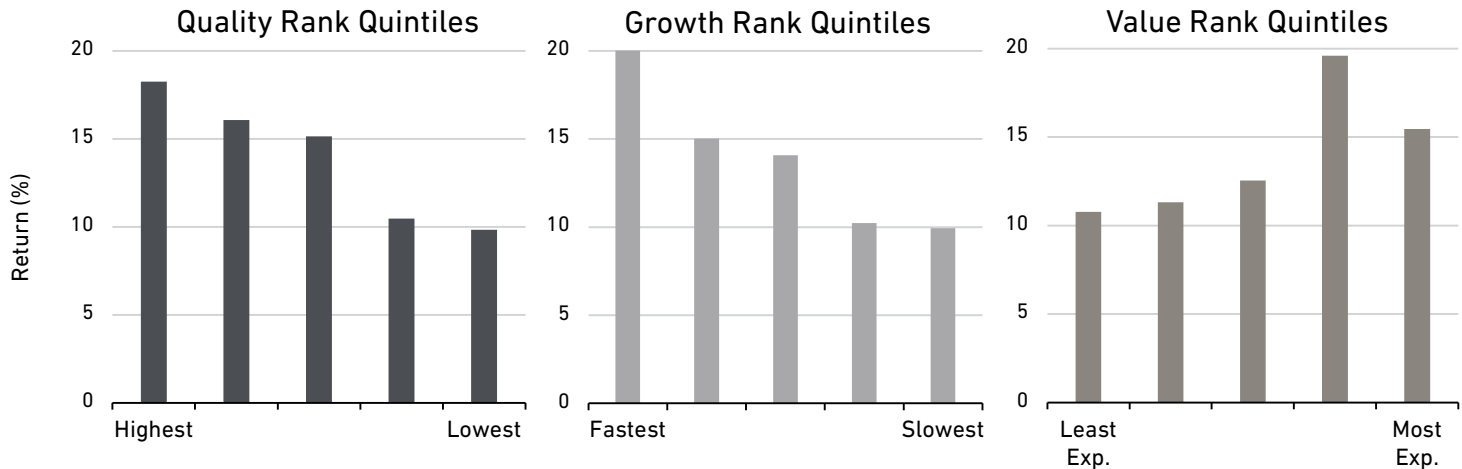
## 2Q19

Quality had the biggest impact. High quality outperformed.



## 2019 YTD

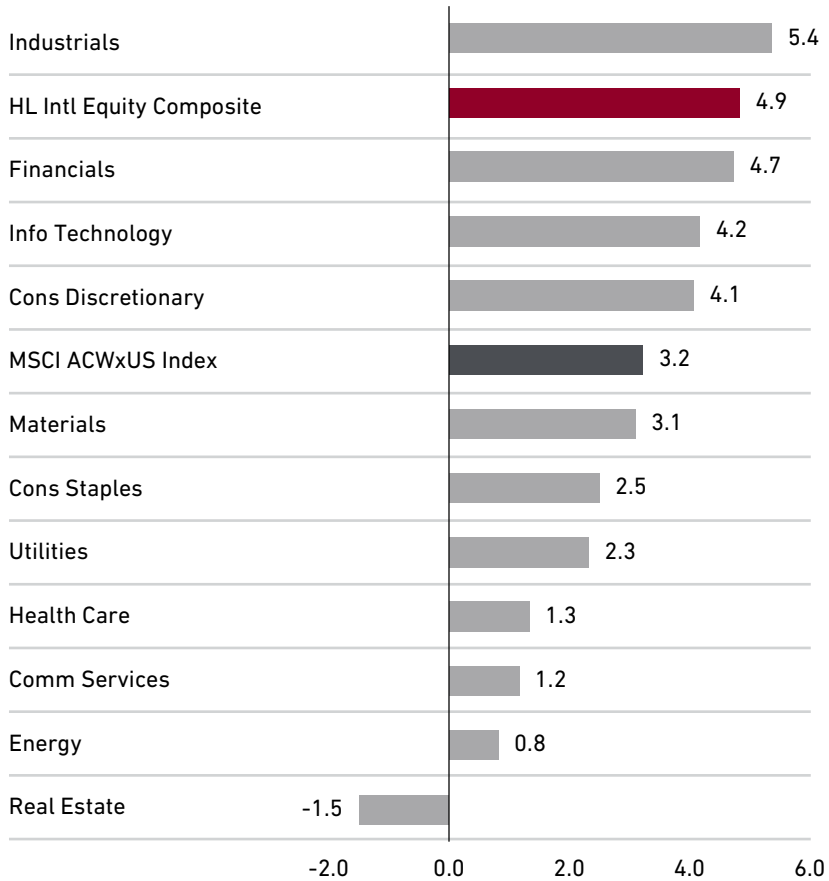
High quality and fast growing companies outperformed while the least expensive stocks lagged.



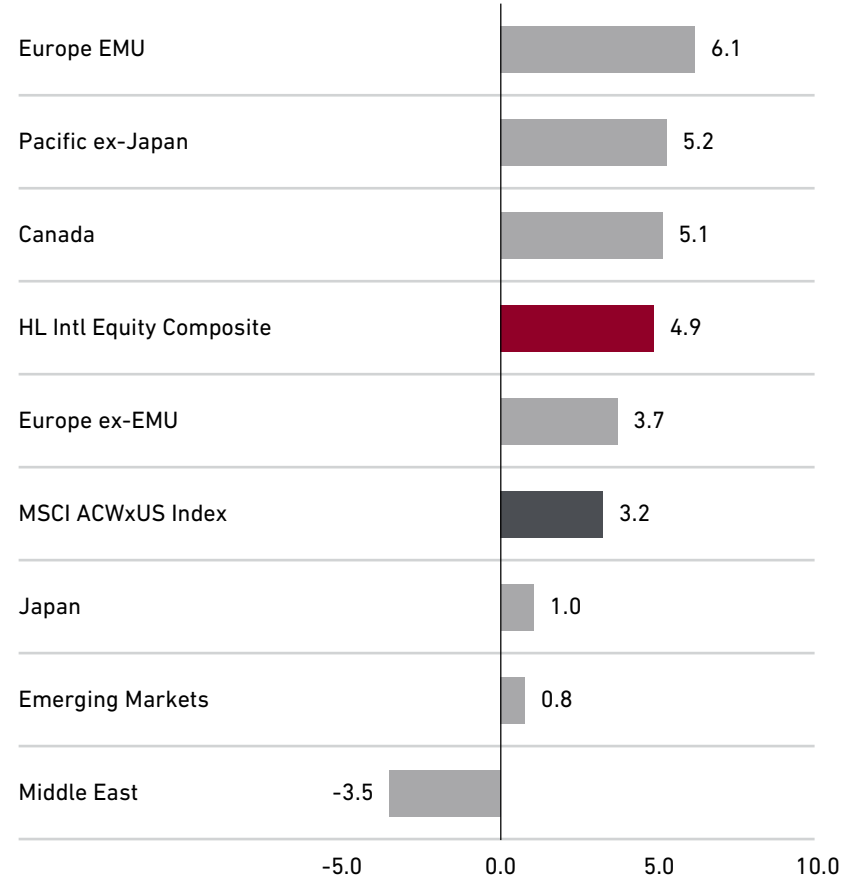
# Benchmark Sector/Region Returns

## Second Quarter

Sector Total Return (%)



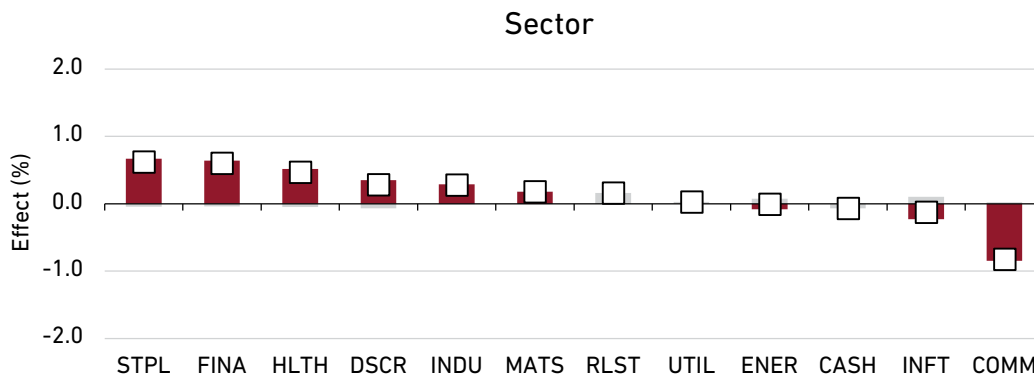
Region Total Return (%)



# Performance Attribution: Composite vs Benchmark

## Second Quarter

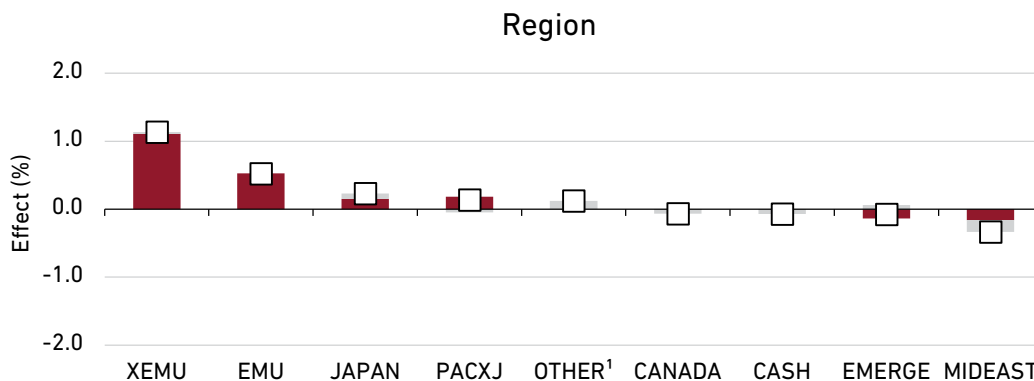
Total Effect:	1.6
Selection Effect:	1.5
Allocation Effect:	0.1



### Top Five Contributors to Absolute Returns

- SAP
- Atlas Copco
- Adidas
- Allianz
- Nestlé

Total Effect:	1.6
Selection Effect:	1.7
Allocation Effect:	-0.1



### Top Five Detractors from Absolute Returns

- Baidu
- Check Point
- Infinion Technologies
- China Mobile
- Sasol

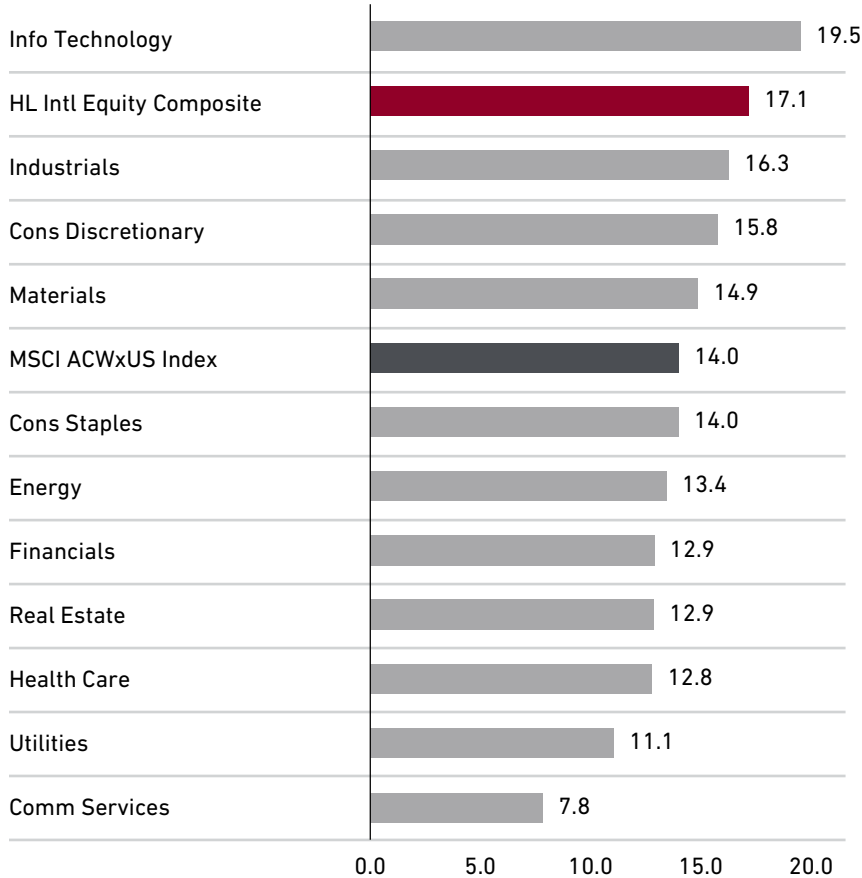
■ Selection Effect    ■ Allocation Effect    □ Total Effect

<sup>1</sup>Includes companies classified in countries outside the Index. "Composite": International Equity Composite. "Benchmark": MSCI All Country World ex-US Index. Past performance does not guarantee future results. Sector and Region Attribution and Contributors and Detractors are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and contribution of all holdings during the quarter. 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. Please read the disclosures on the last page, which are an integral part of this presentation.

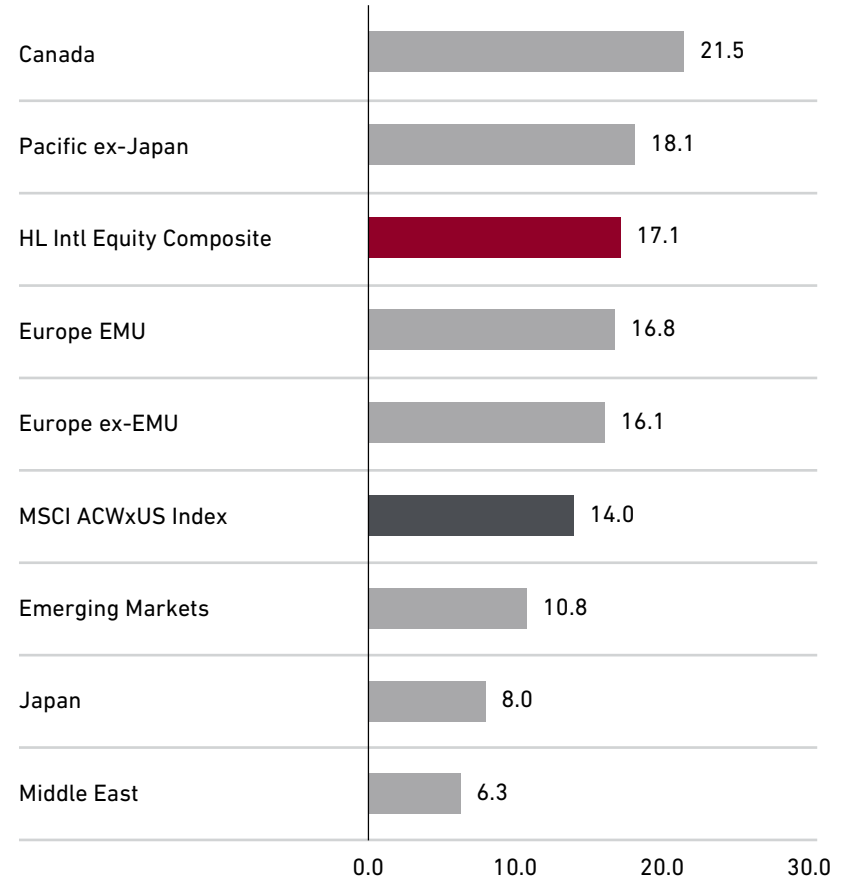
# Benchmark Sector/Region Returns

Year to Date

Sector Total Return (%)



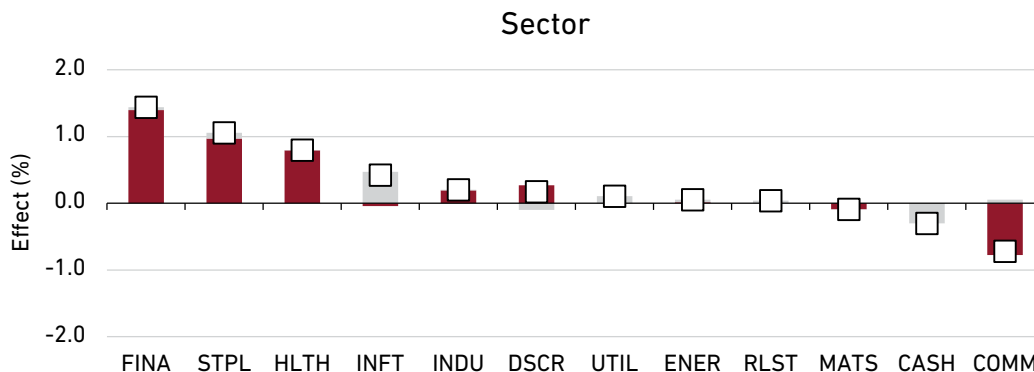
Region Total Return (%)



# Performance Attribution: Composite vs Benchmark

Year to Date

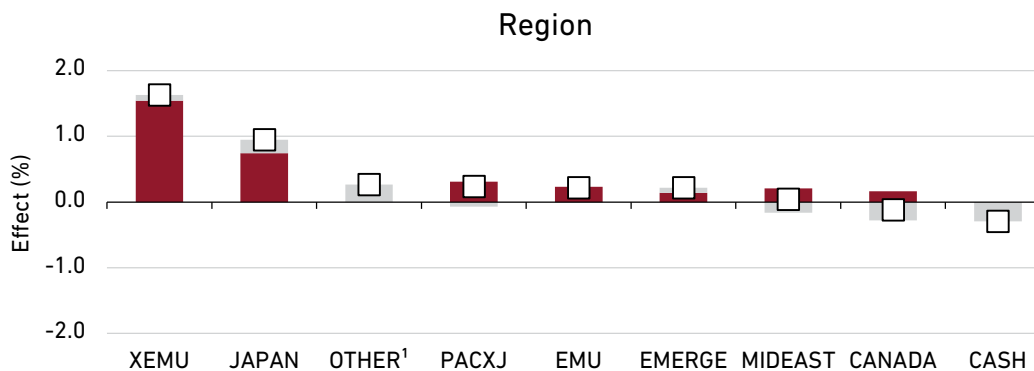
Total Effect:	3.2
Selection Effect:	2.7
Allocation Effect:	0.5



## Top Five Contributors to Absolute Returns

- AIA Group
- Nestlé
- SAP
- Allianz
- Atlas Copco

Total Effect:	3.2
Selection Effect:	3.3
Allocation Effect:	-0.1



## Top Five Detractors from Absolute Returns

- Baidu
- Dentsu
- China Mobile
- Infineon Technologies
- Bayer

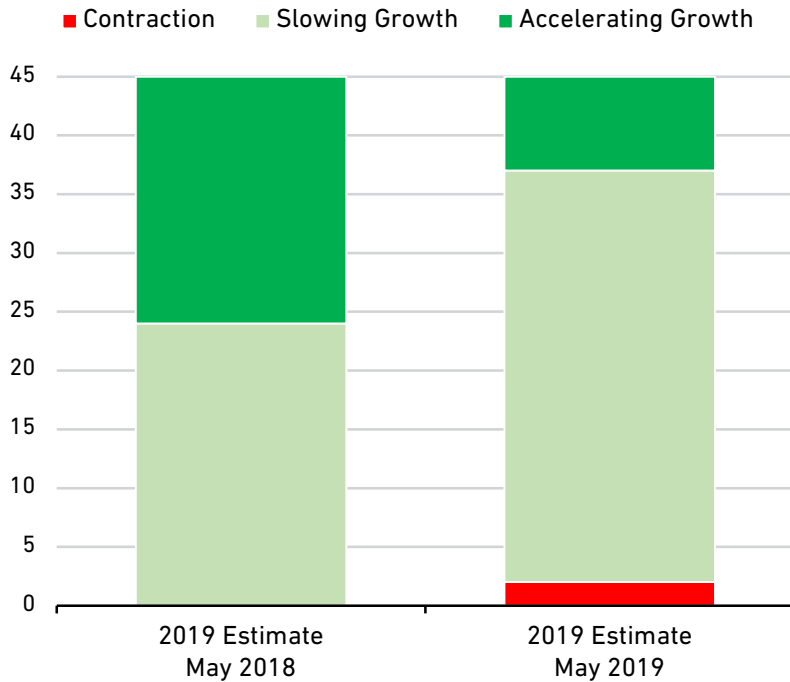
■ Selection Effect    ■ Allocation Effect    □ Total Effect

<sup>1</sup>Includes companies classified in countries outside the Index. "Composite": International Equity Composite. "Benchmark": MSCI All Country World ex-US Index. Past performance does not guarantee future results. Sector and Region Attribution and Contributors and Detractors are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and contribution of all holdings during the period. 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. Data is not annualized. Please read the disclosures on the last page, which are an integral part of this presentation.

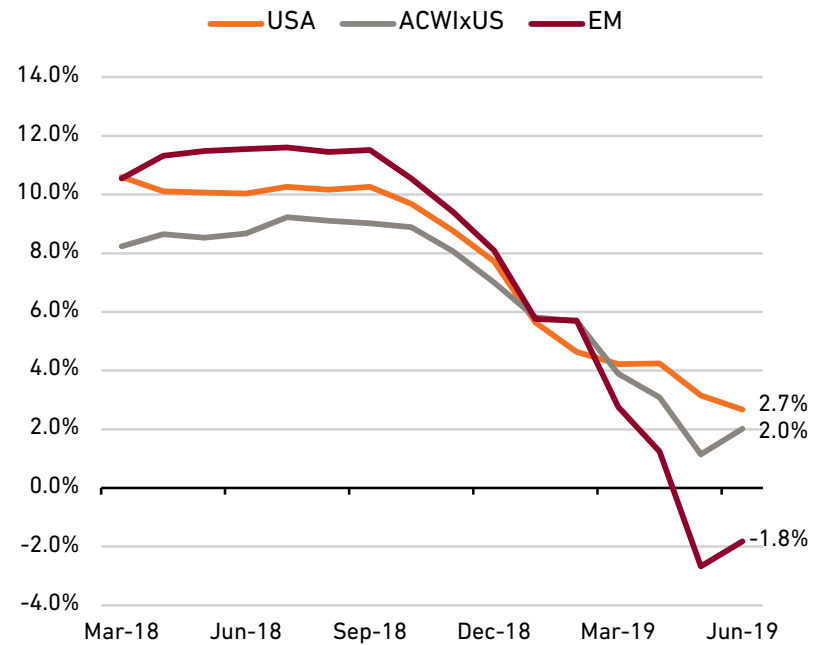


# Slowing Growth Expectations

Forecasted Real GDP Growth  
45 Countries tracked by OECD



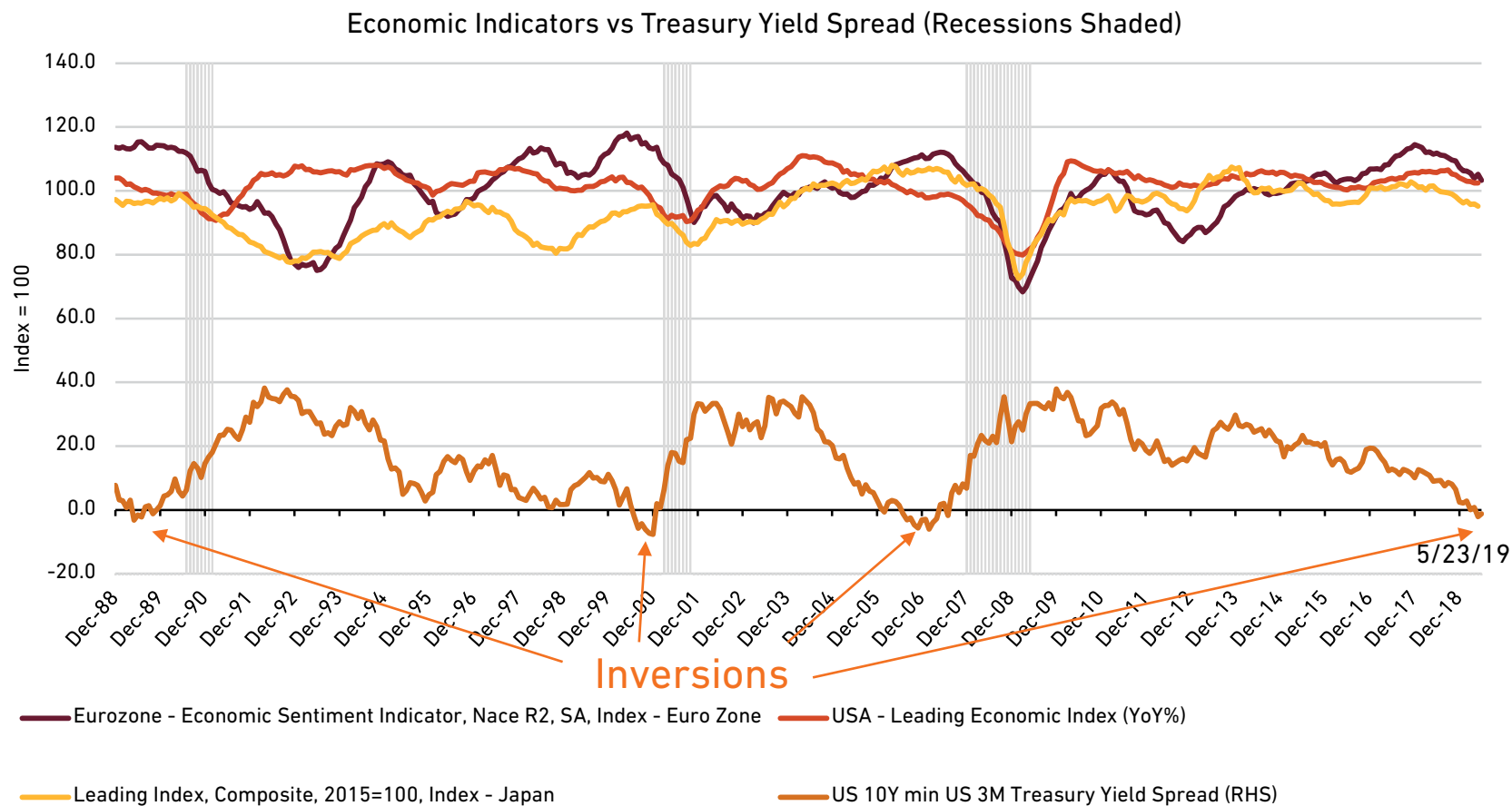
2019 EPS Growth  
Consensus Estimate



Source: OECD Economic Outlook database. No. 105 – May 2019. Data extracted June 13, 2019 from OECD.Stat.  
Source: MSCI Inc., FactSet; Data as of June 30, 2019. Please read the disclosures on the last page, which are an integral part of this presentation.

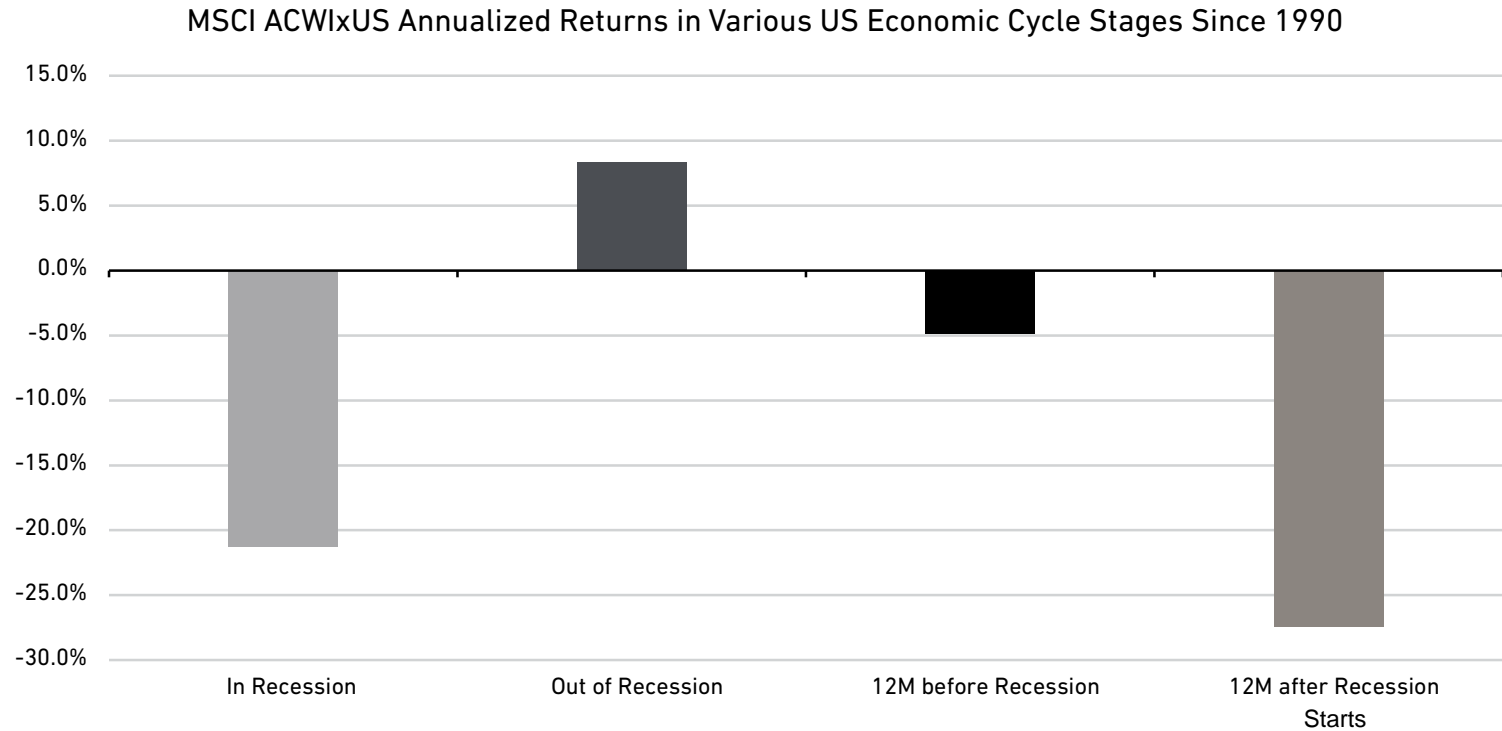
# Recession Leading Indicator Dynamics

Multiple months of an inverted 10y-3m yield curve has led recessions by 6 to 16 months; other major economies' indicators have historically followed the US down.



# The US Economy Matters to International Equity Returns

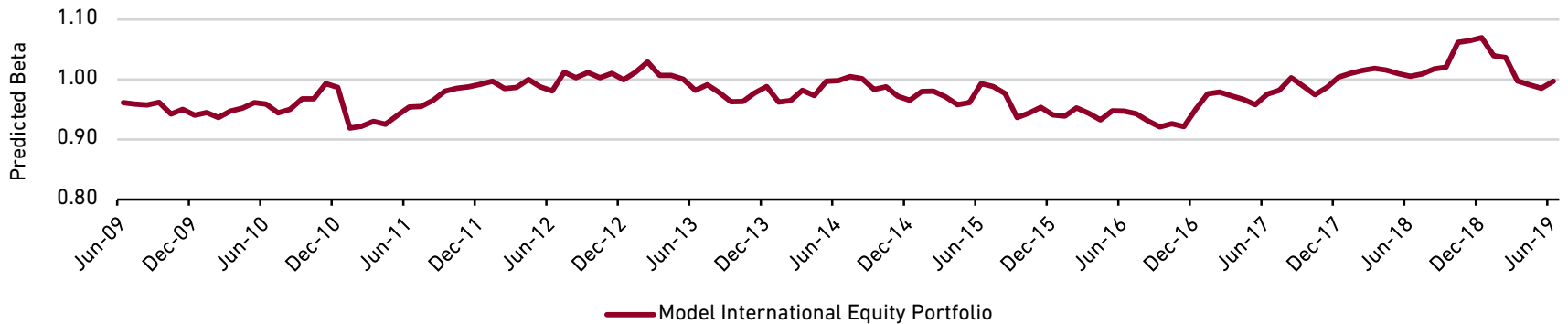
ACWIxUS average annualized returns during and immediately before US recessions have been negative.



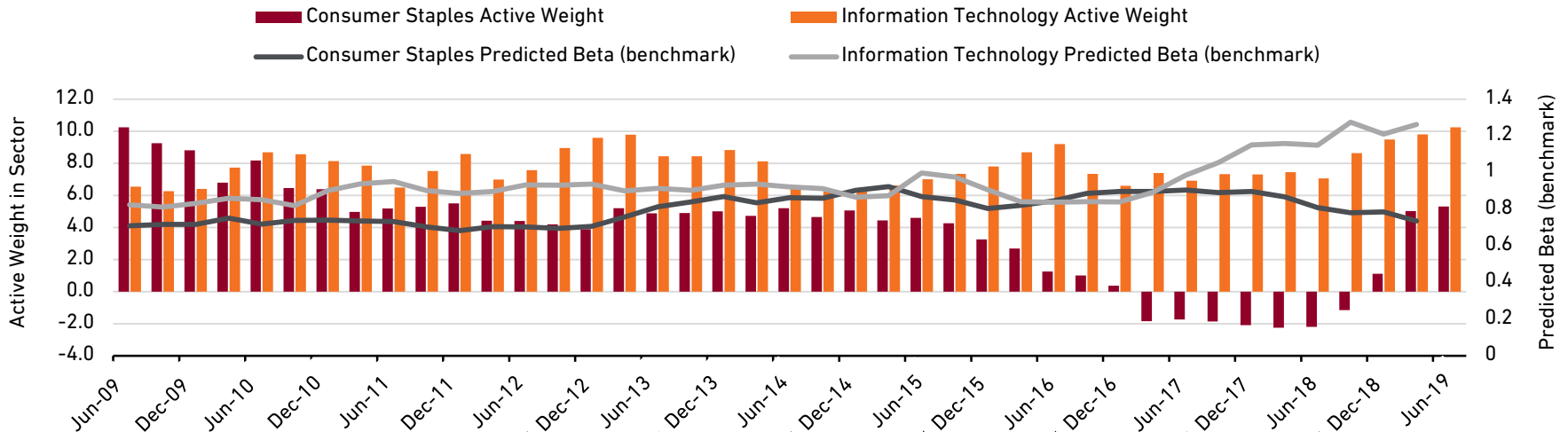
# Portfolio's Increase in Consumer Staples Lowered Predicted Beta

Staples beta is lower than that of IT, which has helped drive down portfolio beta.

International Equity Portfolio Predicted Beta over Trailing 10 Years



International Equity Portfolio Increases Consumer Staples Weight To Counteract Rise In IT Risk



# Completed Portfolio Transactions

## Second Quarter

### Positions Established

Company	Country	Sector
Rio Tinto	UK	Materials
Unicharm	Japan	Cons Staples

### Positions Sold

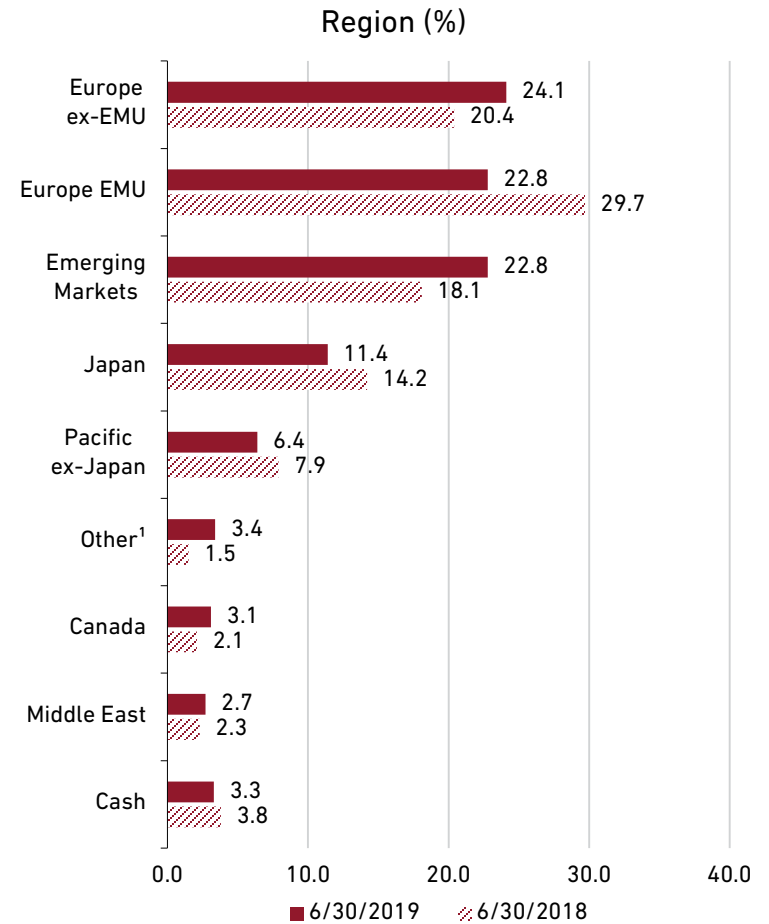
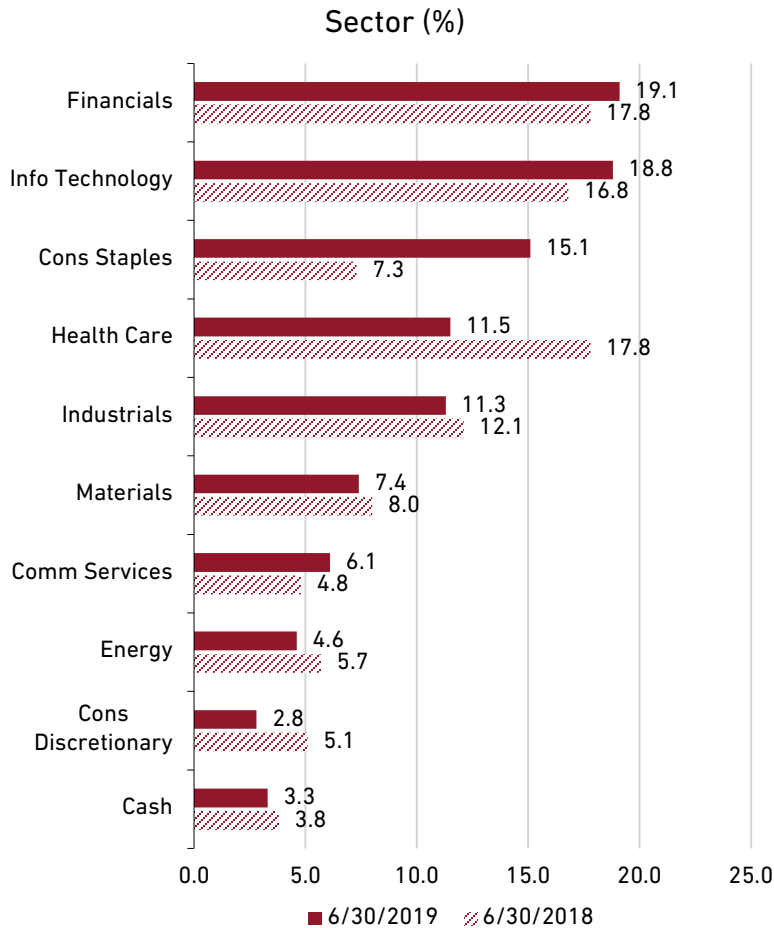
Company	Country	Sector
Bayer	Germany	Health Care
JGC Corp	Japan	Industrials
Park24	Japan	Industrials

- Portfolio Turnover (5 year annualized average): 15.7%

The portfolio is actively managed therefore holdings shown may not be current. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year, contact Harding Loevner. Holdings are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Portfolio Allocation Comparison

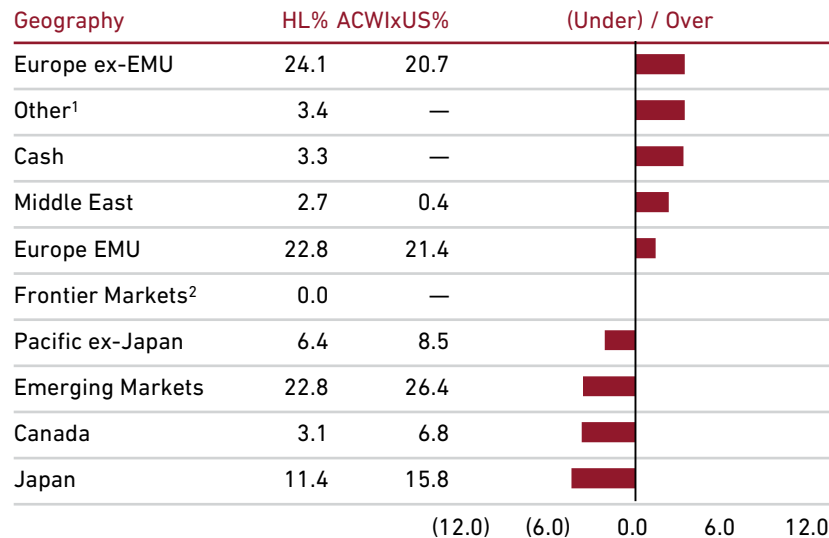
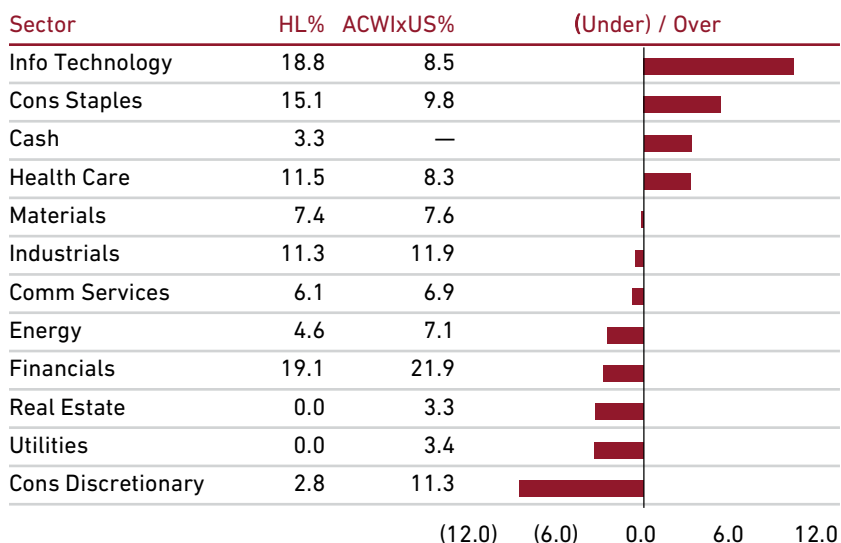
June 30, 2019 vs June 30, 2018



<sup>1</sup>Includes companies classified in countries outside the Index. Sector and Region end weights are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Portfolio Exposures

As of June 30, 2019



Ten Largest Holdings – Total Weight: 30.9%

Company	Country	Sector	Wt (%)
Nestlé	Switzerland	Cons Staples	3.7
AIA Group	Hong Kong	Financials	3.6
SAP	Germany	Info Technology	3.3
Allianz	Germany	Financials	3.1
Roche	Switzerland	Health Care	3.1

Company	Country	Sector	Wt (%)
L'Oréal	France	Cons Staples	3.0
TSMC	Taiwan	Info Technology	2.9
Samsung Electronics	South Korea	Info Technology	2.8
DBS Group	Singapore	Financials	2.7
Check Point	Israel	Info Technology	2.7

84% Active Share

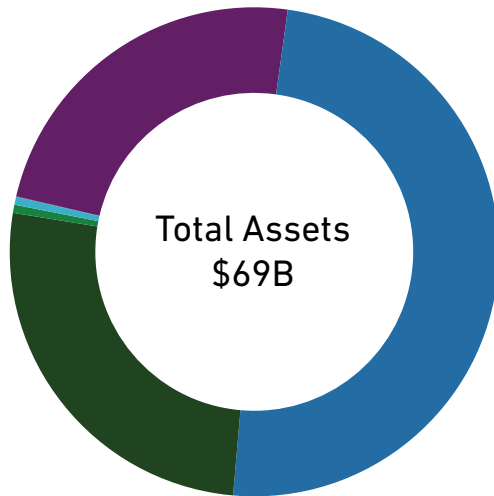
<sup>1</sup>Includes companies classified in countries outside the Index; <sup>2</sup>Includes countries with less-developed markets outside the Index.

Source: Harding Loevner International Equity Model; MSCI Inc. and S&P. Sector and region end weights are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Harding Loevner Profile

As of June 30, 2019

- 43 investment professionals
- International Equity portfolio management team averages 14 years at Harding Loevner



	Strategy Assets	Firm Assets
Global	\$16.2B	24%
International (Non-US)	\$33.8B	49%
Emerging Markets	\$18.0B	26%
Frontier Emerging Markets	\$0.4B	1%
Global Small Companies	<\$0.1B	<1%
International Small Companies	\$0.4B	1%
Research Portfolios	<\$0.1B	<1%



# Disclosures

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The information provided in this Presentation should not be considered a recommendation to purchase or sell a particular security. Unless otherwise stated, non-performance based criteria have been used to select the securities listed. The portfolio is actively managed therefore securities shown may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner. A complete list of holdings for the International Equity Model at June 30, 2019 is available on request.

Investing in stocks entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards.

Quality & Growth Characteristics, Investment Statistics, Benchmark Returns, Performance Attribution, Portfolio Exposures and Portfolio Transactions are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation, which is available on request.

*Alpha*: a measure of risk-adjusted return. *Beta*: a measure of the portfolio's sensitivity to the market. *R-Squared*: a measure of how well a portfolio tracks the market. *Standard Deviation*: the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Information Ratio*: a measure of risk-adjusted return calculated by dividing the portfolio active return (i.e., portfolio returns minus benchmark return) by the standard deviation of the active return. *Sharpe Ratio*: the return over the risk free rate per unit of risk. *Up/Down Capture*: a measure of the manager's performance in up/down markets relative to the market itself. *Profit Margin*: relationship of gross profits to net sales. *Return on Assets*: net income for past 12 months divided by total assets. *Return on Equity*: the net income divided by total common equity outstanding, expressed as a percent. *Debt/Equity Ratio*: total long-term debt divided by total shareholder's equity. *Sales Per Share*: the total revenue earned per share over a 12-month period, net of returns, allowances, and discounts. *Earnings Per Share*: portion of a company's profit allocated to each outstanding share of common stock. *Cash Flow*: a measure of the cash generating capability of a company calculated by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. *Turnover*: calculated by dividing the lesser of Purchases or Sales by Average Capital. *Active Share*: the proportion of holdings by weight that differ from holdings of the benchmark index. *Price/Book*: the ratio of a firm's closing stock price & its fiscal year end book value/share. *Price/Cash Flow*: the ratio of a firm's closing stock price & its fiscal year end cash flow/share. *Price/Earnings*: the ratio of a firm's closing stock price & its trailing 12 months' earnings/share.

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 USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 637 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Index consisted of 26 emerging market countries. The MSCI Europe Index is a free float-adjusted market capitalization index designed to measure equity market performance of the developed markets in Europe. The Index consists of 16 developed market countries. The MSCI Japan Index is designed to measure the performance of the large and mid-cap segments of the Japan market. The Index consists of 321 constituents, covering approximately 85% of the free float-adjusted market capitalization in Japan. You cannot invest directly in these Indexes.

All performance and data shown are in US dollar terms, unless otherwise noted.

Harding Loevner's Quality, Growth, and Value rankings 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.

The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is preliminary and obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

Source (Benchmark Performance, Performance Attribution, Contributors and Detractors): FactSet, Harding Loevner International Equity Composite; MSCI Inc.

Source (Portfolio Exposures, Portfolio Transactions, Portfolio Allocation Comparison, Quality & Growth Characteristics [Run date: July 4, 2019]): FactSet; Harding Loevner International Equity Model; MSCI Inc.

Source (Investment Statistics): eVestment Alliance; Harding Loevner International Equity Composite, based on composite returns.

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