HARDING LOEVNER

INTERNATIONAL EQUITY

2019 Year End Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED DECEMBER 31, 2019[1]

	3 MONTHS	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY (GROSS OF FEES)	10.35	26.29	12.75	8.66	8.62	8.50
HL INTL EQUITY (NET OF FEES)	10.17	25.49	12.03	7.97	7.94	7.70
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	8.99	22.13	10.40	6.01	5.44	5.27
MSCI EAFE INDEX[5,6]	8.21	22.66	10.11	6.18	5.99	4.94

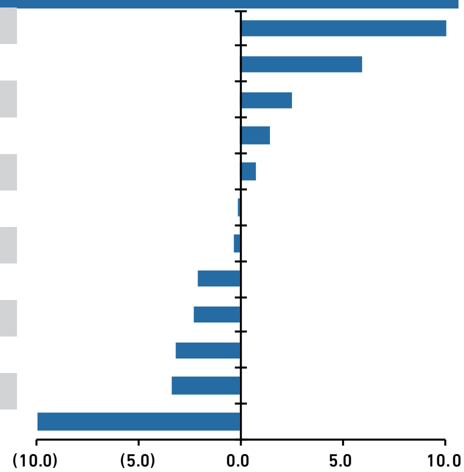
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: December 31, 1989; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

Please read the above performance in conjunction with the footnotes on the last page of this report. Past performance does not guarantee future results. All performance and data shown are in US dollar terms, unless otherwise noted.

SECTOR EXPOSURE (%)

	HL INTL	ACWI EX-US
INFO TECHNOLOGY	20.1	9.3
CONS STAPLES	15.3	9.4
CASH	2.5	—
HEALTH CARE	10.3	8.9
INDUSTRIALS	12.7	12.0
MATERIALS	7.3	7.4
COMM SERVICES	6.4	6.7
ENERGY	4.4	6.5
FINANCIALS	19.1	21.4
REAL ESTATE	0.0	3.2
UTILITIES	0.0	3.4
CONS DISCRETIONARY	1.9	11.8

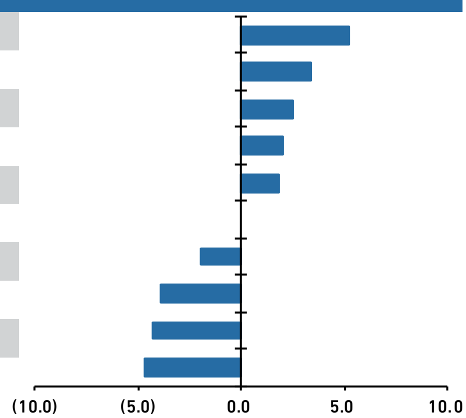
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL INTL	ACWI EX-US
EUROPE EX-EMU	25.6	20.4
OTHER[7]	3.4	—
CASH	2.5	—
MIDDLE EAST	2.4	0.4
EUROPE EMU	22.9	21.1
FRONTIER MARKETS[8]	0.0	—
PACIFIC EX-JAPAN	5.8	7.8
CANADA	2.8	6.7
EMERGING MARKETS	23.2	27.5
JAPAN	11.4	16.1

(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 fourth quarter as fears of a downturn faded amid renewed central bank largesse and a de-escalation of US-China trade frictions. All sectors and regions finished in positive territory for both the quarter and the year.

Investors began 2019 in a pessimistic mood. Markets had just suffered their sharpest one-quarter decline in three years, reacting to harbingers of recession: a flattening yield curve, declining inflation expectations, and weak commodity prices. As the year drew on, the US-China trade war took an increasing toll on trade volumes and on the confidence of US consumers facing higher prices.

Central banks and governments responded with fiscal and monetary support, retracing some normalizing steps of 2018. The People's Bank of China cut its bank reserve ratios three times over the course of the year, and lowered its short-term funding rate for the first time since 2015. Chinese state-owned banks were guided to increase their lending. The European Central Bank lowered the interest rate on the deposit facility in September and restarted asset purchases in November. In the fourth quarter, calling it insurance against recession, the US Federal Reserve again cut interest rates, almost completely reversing the rate increases of 2018. In December, Japan's government launched a large round of fiscal stimulus, the first since 2016, to combat the combined effects of a recent consumption tax hike, typhoon damage, and a slowing global economy. Not to be left out, the Bank of Japan revised its forward guidance, signaling it may take interest rates deeper into negative territory.

The trade war between the US and China witnessed something of a détente late in the year, with the two parties agreeing to a limited pull-back from their entrenched positions. In mid-December, days before new tariffs were to take effect, officials announced a "Phase One" trade agreement. The deal, hinted at in November, rolls back some US tariffs on Chinese goods while boosting Chinese purchases of US energy, manufactured goods, and agricultural products. The countries also agreed on enhanced protections for intellectual property. The developments bolstered investor sentiment toward China and Emerging Markets (EMs) generally. China's GDP growth, which appeared to falter at the end of 2018, stabilized by the end of 2019.

Large public equity offerings were floated on the tide of central bank liquidity. Saudi Aramco raised US$25 billion for 1.5% of its shares to become the largest publicly traded company in the world, and Chinese e-commerce giant **Alibaba** raised US$13 billion in a well-received secondary offering.

US markets were unfazed by impeachment, while in the UK politics were front and center. Its markets and currency rose after voters resoundingly rejected Labour Party leader Jeremy Corbyn and the socialist policies he embraced, handing the Tories the largest majority in the House of Commons since Margaret Thatcher's in 1987. Prime Minister Boris Johnson solidified his control of the fractious Tory party and put an end to the political stalemate over the UK's divorce from the EU, committing to "get Brexit done" on January 31. Its details and economic effects, short and long term, remain as murky as ever.

Despite the rebound in equity markets, there were signs of fragility in financial markets. In the US, spiking overnight interest rates in the collateralized lending market necessitated emergency intervention from the Fed in September. Meanwhile, President Donald Trump opened new fronts in the trade war by ordering tariffs on steel and aluminum from Brazil and Argentina to counter "massive devaluation of their currencies." His administration also threatened tariffs on French agricultural and consumer products in retaliation for France's digital services tax aimed at Google, Apple, Amazon.com, and Facebook. In China, a shrinking current account surplus tightened monetary conditions domestically, threatening to undo policy easing. Chinese regulators, meanwhile, must still grapple with the hangover from reckless local government borrowing unleashed during the massive stimulus a decade ago. In May, the government seized control of Baoshang Bank, the first such takeover in more

MARKET PERFORMANCE (USD %)

MARKET	4Q 2019	TRAILING 12 MONTHS
CANADA	5.1	28.5
EMERGING MARKETS	11.9	19.0
EUROPE EMU	8.2	24.2
EUROPE EX-EMU	9.6	25.0
JAPAN	7.7	20.1
MIDDLE EAST	7.4	9.9
PACIFIC EX-JAPAN	5.8	-2.4
MSCI ACW EX-US INDEX	9.0	26.5

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

SECTOR	4Q 2019	TRAILING 12 MONTHS
COMMUNICATION SERVICES	7.0	12.2
CONSUMER DISCRETIONARY	11.4	28.2
CONSUMER STAPLES	1.9	18.0
ENERGY	6.7	15.7
FINANCIALS	8.2	17.9
HEALTH CARE	12.5	28.4
INDUSTRIALS	9.6	24.6
INFORMATION TECHNOLOGY	15.6	41.3
MATERIALS	10.8	19.2
REAL ESTATE	7.4	17.6
UTILITIES	4.8	18.1

Source: FactSet (as of December 31, 2019); MSCI Inc. and S&P.

than 20 years, and later engineered bailouts for two other small provincial commercial banks. Central bankers in Japan and the eurozone, fearing an eventual downturn in their domestic economies, fretted about the limits of monetary policy and called for greater fiscal stimulus—rare behavior for the guardians of financial probity.

Cyclical sectors rebounded during the fourth quarter, with outperformance in Information Technology (IT), Consumer Discretionary, Materials, and Industrials. IT performed the best, with strong returns in economically sensitive semiconductor stocks. Health Care also fared well, boosted by pharmaceutical and biotechnology stocks, as worries over a Medicare for All program in the US receded after detailed promotion by several Democratic presidential candidates failed to help them gain traction in polls. Most other noncyclical sectors lagged, with Consumer Staples the worst-performing, although still posting positive returns. By region, EMs rose the most, led by Asian IT stocks and Chinese e-commerce giant Alibaba.

By style, growth was consistently strong and rebounded quickly from its brief underperformance in the third quarter. Other style effects were mixed: stocks of low-quality companies fared just as well as those of higher-quality companies. And, unusually for a period when stocks of faster-growth companies performed best, investors showed a slight preference for less-expensive stocks. The year as a whole was marked by better returns for faster-growing and higher-quality companies, despite a brief rally in low-growth value stocks in September.

PERFORMANCE AND ATTRIBUTION

The International Equity composite rose 10.4% in the quarter, ahead of the benchmark's 9.0% gain. For 2019 as a whole, the composite rose 26.3%, outperforming the index's 22.1% return. The charts on the right attribute the year's performance by sector and region.

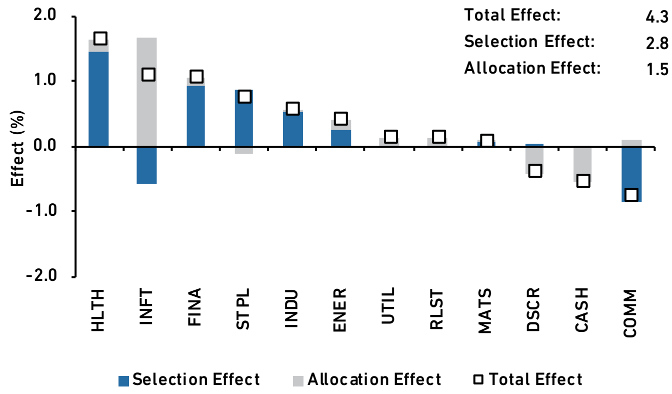
The quarter's outperformance came primarily from good stocks in most sectors. We also had a full allocation to most of the cyclical sectors, with the portfolio's emphasis on IT more than offsetting the drag from our large allocation to Consumer Staples.

Our semiconductor holdings outperformed in the quarter. Taiwan-based **TSMC**, the world's leading contract manufacturer of other firms' chip designs, reported rising demand for chips used in smartphones and high-performance computers. The company also signaled its optimism about the rollout of 5G wireless

Companies held in the portfolio during the year 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 December 31, 2019 is available on page 9 of this report.

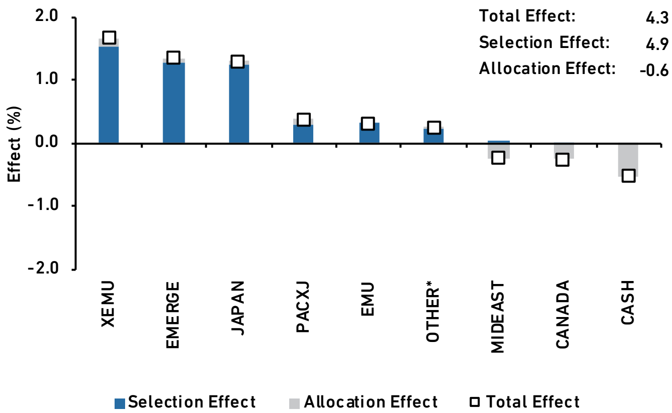
SECTOR PERFORMANCE ATTRIBUTION TRAILING 12 MONTHS

INTERNATIONAL EQUITY COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION TRAILING 12 MONTHS

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.*

technology and announced plans to increase capital expenditures to support rising demand for related chips. Shares of German chipmaker **Infineon Technologies** reacted positively to reports of a rebound in global semiconductor equipment billings in the third quarter. The company also expects a seasonal recovery in demand from its automotive customers.

Swedish compressor maker **Atlas Copco** led within Industrials. Strong order growth for industrial compressors and vacuum technology products demonstrated the resilience of the company's business model in the face of economic pressure. Results were also strong for another Swedish industrial, **Alfa Laval**, a maker of specialty heat-transfer, centrifugal-separation, and fluid-handling products. Sales growth exceeded expectations, and management reported solid customer demand in the fourth quarter. In Energy, Russian oil and gas producer **Lukoil** outperformed after significantly raising its dividend.

Consumer stocks hurt relative performance in the quarter. **Nestlé** shares cooled off after performing well in the first half of the year. Within Consumer Discretionary, German footwear and apparel maker **Adidas** lagged its sector's strong returns with signs of decelerating growth, primarily in Asian markets.

By region, outperformance was mostly due to our stocks in the eurozone and EMs. Eurozone outperformance was led by Infineon and German enterprise software developer **SAP**, which preannounced higher-than-expected bookings and revenues for its cloud software offerings. TSMC and Lukoil led our performance in EMs.

In the UK, our stocks underperformed the country's surging index, not a surprise given the skew we've maintained toward multinational companies over domestically oriented ones during the extended and tortured debate over Brexit. In the Middle East, Israeli cybersecurity software developer **Check Point** weakened on concerns over its rising appetite for M&A after the company announced the acquisition of a cloud-security company.

For the full year, our portfolio's good relative performance came primarily from strong stocks in most sectors. Our Health Care stocks delivered the most outperformance, led by Japanese online medical information services platform **M3**. The company's efforts to entice more drug companies to use its service for recruiting clinical trial participants paid off, and its shares were also buoyed by the announcement that they would be added to the Nikkei 225 Index. IT holdings added to relative returns, thanks to our large weight in the top-performing sector, but our stocks didn't keep up with the rest of the sector. TSMC and bank software developer **Temenos Group** were strong, but Check Point, **Amadeus**, and Infineon lagged.

In Financials, Indian bank **ICICI Bank** rose due to improvements in asset quality and optimism about the impact that digitalization will have on profitability. Pan-Asian life insurer **AIA Group** outperformed, the prospect of a faster opening of the vast Chinese market to foreign insurers outweighing slowing sales in protest-wracked Hong Kong, its home market. Chinese insurer **Ping An Insurance** rose as sales of higher-margin, protection-oriented policies exceeded expectations. In Consumer Staples, Nestlé helped relative performance after it generated strong organic revenue growth in the first half of the year. Atlas Copco was a standout performer among Industrials.

The Communication Services sector lagged the market, and our stocks performed even worse. Chinese internet search provider **Baidu** weighed on our performance for most of the year amid concerns about weakening growth in its core search business and the cash drain of its new ventures including entertainment and autonomous driving. Telecom services operator **China Mobile** weakened when its voice and messaging revenue failed to meet expectations. **Dentsu**, a Japan-based marketing and advertising services company, suffered ongoing margin pressure from its overseas subsidiaries, where customers have shifted more quickly from traditional to digital advertising channels, requiring heavier investments in new media expertise.

From a geographic perspective, we outperformed in every region except Canada and the Middle East. Europe Ex-EMU edged out EM and Japan in delivering the most outperformance, thanks to Atlas Copco and Temenos. TSMC and memory chip maker **Samsung Electronics** contributed most in EMs. In Japan, we benefited from M3 and drug manufacturer **Chugai Pharmaceutical**, whose new hemophilia treatment was well-received in Japan and elsewhere. Our biggest allocation drag was our cash reserves, which averaged just under 3% for the year.

PERSPECTIVE AND OUTLOOK

A decade of monetary stimulus has turned many of the rules of investing on their head. Short-term interest rates, controlled by central banks, are now set firmly below zero in Japan and every European money market except Britain. The global stock of fixed-income securities with negative yields remained above US$11 trillion in December, in spite of declining pessimism about the global economy and the rebound of cyclical securities. The Dutch might have it the worst: 10-year government bonds currently yield -0.14% but the Dutch consumer price index is currently at 2.7%, making the total real erosion, er… yield, a whopping -2.8% per year. In the US, bonds sport a comparatively generous (but still stingy by old standards) 1.8% nominal yield, but inflation is currently high enough to offset

"Yet let's be content, and the times lament, you see the world turn'd upside down."
— English ballad

all of that. The world is upside down when savers must pay borrowers for the privilege of lending to them, as happened this summer with mortgage loans in Denmark.

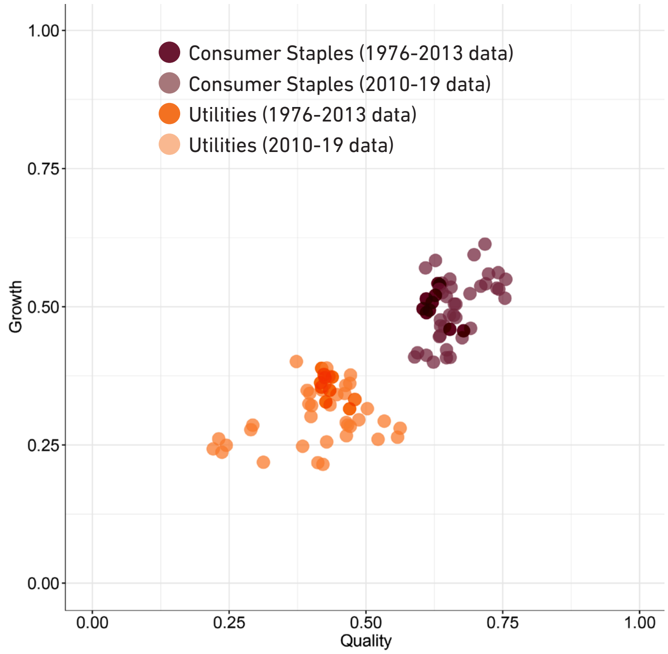
Denied the prospect of positive yields (and perhaps only dimly recognizing the dreadful negative real yields, after inflation), investors are reaching for current investment income in every manner possible. This has been a bonanza for thinly capitalized issuers of speculative debt, who are on target to issue US$270 billion of high-yield/junk paper in 2019 alone. Investors have also embraced equities as a source of income. Stocks yielding more than government bonds make them a tempting alternative. It's not crazy to eschew bonds yielding zero and own stocks with a dividend yield of 3% (the yield of the MSCI All Country World ex-US Index), especially when those dividends are growing 5% or more. The world is upside down when investors are pursuing stocks for income but bonds for capital gains.

This thirst for yield has encouraged the pursuit of "low volatility" equity strategies (and stock funds), which seek to mimic the stability of bonds while delivering both dividend income and a total return approximating the broader market. They do not promise a higher return but rather a smoother ride to the same destination. We take a keen interest in this phenomenon because it competes with us for high-quality companies—whose emphasis in our portfolios is the deliberate bias that has tended to produce less volatile returns than the typical growth-stock oriented portfolio.

There are several possible behavioral explanations for better returns from high-quality companies that have more stable stock prices than average: human investors crave excitement more than dullness, tend to extrapolate current trends, and are overconfident in their ability to spot changes of trends. That leaves boring, well-diversified, consistently growing companies relatively neglected, to the benefit of those investors willing to invest patiently. Both the underlying consistency and the neglect could lead their share prices to be less volatile than average. Put another way, because investors have less fear of a complete loss of capital from higher-quality companies, the stocks of such companies may fall less than average in a downturn and be among the first to rebound. But note the essential difference in approach: we're identifying solid business fundamentals first, with lower stock-price volatility as a potential fringe benefit. The difference in approach from that of low-volatility strategies, whose starting point is the price action itself, becomes apparent when you compare the quality and growth financial metrics of two sectors that feature prominently in low-volatility portfolios, Utilities and Consumer Staples.

Comparing the two sectors on our quality and growth rankings over the past 40-odd years, Consumer Staples has been more profitable than Utilities and more stable, while also consistently growing faster. It is thus no accident that our portfolios have invariably featured far more Staples than Utilities. Nevertheless, the broad and, in some sense, indiscriminate pursuit of stable yield is also part of the explanation for the rising prices of the fundamentally high-quality companies we favor, due to the overlap of high quality with low price volatility. Their rising prices make our job of building well-priced portfolios more challenging.

GLOBAL CONSUMER STAPLES VS UTILITIES SECTORS: QUALITY VS GROWTH RANK (1976-2019)



Source: Harding Loevner, HOLT database.

Negative bond yields present us with additional challenges because they directly feed investors' equity discount rates, and thus the price they are willing to pay for future earnings and dividends. (Our own valuation models do not start with market yields of risk-free bonds, but rather with a stable estimate of what we imagine is the long-term cost of capital.) Ultra-low risk-free rates feeding through to equity discount rates mean higher prices for earnings in the distant future, where most of the value of a growth business lies. With many of the fastest-growing companies emerging from the ranks of new technology-enabled business models, the willingness to tolerate higher prices is a more significant factor in the last couple of years than at any time since the TMT bubble of 1999–2000. The key difference this time is that, unlike in that egregious episode, many, if not most, of the companies with the highest prices are actually delivering prodigious revenue accompanied by robust profits (though we note with trepidation that the number of IPOs of loss-making companies in the US in 2019 matched the previous record of 1999).

Very low discount rates for equities bring with them a feature from the bond market: duration arithmetic. The more distant the cash flows, the greater the impact on today's fair price from a given change in the discount rate. Moreover, the lower the starting discount rate, the greater the change in fair price for any given variation in the discount rate. The implication for long-duration growth stocks from this vantage point of low discount rates? Fluctuations in the discount rate will cause larger price changes than we're accustomed to: even a small further decline in the discount rate will be magnified in the appreciation of growth stocks, while a rise will be reflected in substantial stock price declines. Said another way, growth stocks are subject not only to greater surges but also more frequent bouts of skittishness than in accustomed environments; that phenomenon has been manifest in the performance of our portfolios, which no longer react less erratically than the index in the way we could rely on in earlier years. The increased relative volatility has been an additional challenge for us in building portfolios.

We have stayed squarely focused on identifying companies with reliable profitability, sound finances, and strong management, along with bright growth prospects; but we continue to wrestle with what we must pay for such companies. We pursue strong quality characteristics in the businesses we follow, not low volatility for its own sake, because the former is more persistent than the latter. We pursue faster growth, so all else being equal, our portfolio will benefit from better-than-average earnings growth over time. High-quality companies have gained popularity, and their stocks subject to price-insensitive (passive) buying, becoming more highly priced as a result. Stocks of faster-growing businesses have become more highly priced still, and simultaneously more volatile as sentiment drives changes in the market's discount rate. Our response to higher prices, as is usual for most things at Harding Loevner, has been incremental. Despite tolerance for seemingly stretched valuation in a period of ultra-low interest rates, and ample appreciation of the approximate nature of valuation, we continue, at the margin, to reduce holdings of the most expensive stocks in our portfolio.

We were struck by two developments in capital markets this quarter. The first is related to the fuzzy border between public stock markets and private equity/venture capital markets. The past decade has seen an explosion in both the number and the size of companies that have chosen to remain private rather than list on public stock exchanges. In part, that has been due to the lesser capital needs of their business models, many of which rely on software and intellectual property rather than on fixed assets. With a limited need for outside capital, they have chosen to forego the hassle of public reporting requirements and the attendant indignities of securities regulations. What capital they needed has been increasingly supplied by institutions, whom we suspect were more than happy to avoid the unforgiving mark-to-market transparency inherent in publicly traded securities.

In this upside-down world where private companies have broadly achieved higher valuations than public companies, the latter's historical liquidity premium is now a discount. Managements seize the opportunity to bypass the scrutiny of motivated analysts poring over required public market disclosures, but that avoidance is unlikely to benefit them in the long run. Hence, we were delighted when WeWork's bid to raise public capital was greeted by ferocious and unrelenting scrutiny enabled by such disclosures. The sunlight revealed grotesque disparities between the company's hype and reality, along with enormous feather-bedding by its founder and management. We view WeWork's denouement as not only a consequential victory for public markets, but also a reminder of the value of an active approach to investing, value reaped (or, rather, preserved) by the discerning investors themselves as well as by passive investors who were spared the unwitting commitment of their savings to the next chapter of this monstrous scam.

By achieving a listing in Hong Kong, China's largest company opened a clear path for Chinese investors to own its shares, and easily raised US$13 billion of additional capital.

The second noteworthy development was the listing and secondary offering of shares in Alibaba on the Hong Kong Stock Exchange (HKEx). Alibaba chose New York over Hong Kong for its initial public offering in 2014 for two reasons: the greater liquidity of US capital markets and the stricter listing requirements of HKEx that it refused to water down for Alibaba. Alibaba also had a peculiar corporate structure, with the Cayman Islands-registered company listed in New York tied to the underlying business in China by the thread of a legal agreement with a single person, the company's founder and then-CEO Jack Ma. As a result of its shares not trading on any Chinese stock exchange, outside of its senior managers, Alibaba has had essentially no Chinese shareholders. Today, just five years later, Alibaba has modified the structure to replace the sole person with a legal entity (a partnership). By achieving a listing in Hong Kong, China's largest company opened a clear path (via Shanghai-HK Connect) for Chinese investors to own its shares, and easily raised US$13 billion of additional capital. All of these developments are unalloyed positives for Alibaba shareholders. If there is a negative to be found, it is for the US, whose current inhospitality to Chinese companies is painfully short-sighted. Alibaba's possible emigration shows US capital markets to be an inessential and potentially unattractive home for ambitious and successful global (not just Chinese) companies. It's a dubious distinction for a country so dependent on foreign capital to fund its yawning deficits.

PORTFOLIO HIGHLIGHTS

The portfolio reflects our continuing struggle to balance our process-driven insistence on high-quality growth companies with our increasing concerns about the price risk arising from elevated valuations for these businesses. One of our overweight positions is Health Care, a sector characterized by rapid technological advances and rising regulatory risk, but enjoying strong and recurrent consumer demand underpinned by favorable demographic trends globally. As noted, the sector was the single largest source of outperformance during the year. In it we have found a diversity of high-quality growth businesses at reasonable valuations. That said, valuations for the most innovative and rapidly growing health care companies can easily become excessive in the current low-rate environment, as investors extrapolate today's success into limitless future growth. In a rising market that has been paying more heed to growth and momentum than to fundamental valuation, we sold two Health Care companies, M3 and **Grifols**, for which we could no longer justify the stock price.

We purchased the online medical information platform M3 in May 2008, just as the global financial crisis was intensifying. Despite that inauspicious timing, the stock has been one of our most successful investments ever. We have been visited often over the years by the temptation to declare victory and sell it; indeed, we trimmed the holding several times, including in October 2018, prior to its share price plunging in that quarter's growth-stock carnage. This year, the stock recovered fully and reached new highs, driven by strong business results. In late summer, the stock surged even higher, fueled by the non-fundamental factor of its inclusion into Japan's Nikkei 225 Index. Having risen more than 80% in the year by then, the stock was trading at more than double our best estimate of fair value—which assumes the company continues to grow earnings at a mid-teens rate—and roughly 70 times our estimate of next year's earnings. We still admire the business, but, at *that* price, no longer covet the stock.

We redeployed some of those proceeds into additional shares of **Unicharm**, a Japanese maker of diapers and feminine hygiene products, whose stock had underperformed earlier in the year. The company has high market share in Japan and steady growth supported by rising penetration in emerging Asia of its high-quality products. Its stock trades at understandable valuations.

We sold Spanish blood plasma derivatives producer Grifols after its stock rose to new highs that didn't seem justified by its growth prospects. The market expectations for Grifols reflect its hinted progress in developing new treatments from plasma derivatives, but not the rising risks to some of its most profitable existing products, which will soon face competition from new drugs undergoing clinical trials.

We bought a new holding in **Schneider Electric**, a French company we've previously owned. Founded over 180 years ago, Schneider is now a global leader in low- and mid-voltage electrical energy-management equipment and industrial automation. We see rising electrification of transport and heating, along with energy efficiency trends supporting its long-term growth. Schneider has strong cash flow, an investment-grade balance sheet, and admirable governance. The market appears to value the stock moderately because the company is exposed to economic cycles. We believe Schneider may be more resilient in a downturn than generally expected due to rising secular demand for its products and its increasing focus on services within its business mix.

Taking advantage of its shares falling amid the Hong Kong protests and US interest rate cuts, we bought shares of **Standard Chartered**, a UK-headquartered bank with a significant history and presence in Hong Kong. Four years into its revamping under CEO Bill Winters, Standard Chartered has achieved improved and more consistent financial results, thanks to better risk-management and cost-containment actions. We believe Standard Chartered's broad multi-country network across Asia, the Middle East, and Africa will remain a consistent source of growth opportunities while the sentiment from the Hong Kong protests will ultimately pass. Its shares could then begin to reflect the progress it has made toward management's double-digit return-on-equity goal, which would mean a re-rating from their current discount to book value. While UK listed, the shares do not trade like a UK stock as its business lies overwhelmingly elsewhere.

We sold South African media company **Naspers** and its recent Dutch-listed spin-off **Prosus**. We were encouraged to see management taking several steps to reduce Naspers's holding-company discount to the market value of its largest asset, its stake in Chinese technology company **Tencent**. This quarter, however, management disappointed us by splashing out significant cash on hostile bids for fashionable investments of questionable quality in the online food ordering and delivery business, where it already has several investments. We still own shares directly in Tencent, which we consider to be Naspers's and Prosus's most desirable asset anyway.

Portfolio Management Team Update

Patrick Todd, CFA, a member of the International Equity strategy portfolio management team since 2016, has assumed responsibility for managing the EAFE Equity strategy, which is based on our International Equity strategy but benchmarked to the developed market MSCI EAFE Index. Scott Crawshaw, whose previous responsibility on the International team had been to manage the EAFE strategy, has left the team. Scott remains a co-lead portfolio manager of the Emerging Markets Equity strategy and a member of the Global Equity strategy portfolio management team.

INTERNATIONAL EQUITY HOLDINGS (AS OF DECEMBER 31, 2019)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
COMMUNICATION SERVICES		
BAIDU Internet products and services	China	1.8
CHINA MOBILE Mobile telecom services	China	1.3
DENTSU Marketing and advertising services	Japan	0.9
TENCENT Internet and IT services	China	1.1
YANDEX Internet products and services	Russia	1.2
CONSUMER DISCRETIONARY		
ADIDAS Athletic footwear and apparel retailer	Germany	1.8
NITORI Home-furnishings retailer	Japan	0.1
CONSUMER STAPLES		
ALIMENTATION COUCHE-TARD Convenience stores operator	Canada	1.1
AMBEV Alcoholic beverages manufacturer	Brazil	1.5
DIAGEO Alcoholic beverages manufacturer	UK	1.8
FEMSA Beverages manufacturer and retail operator	Mexico	0.9
L'ORÉAL Cosmetics manufacturer	France	2.9
NESTLÉ Foods manufacturer	Switzerland	3.6
UNICHARM Consumer products manufacturer	Japan	2.0
UNILEVER Foods and consumer products producer	UK	1.5
ENERGY		
LUKOIL Oil and gas producer	Russia	1.7
ROYAL DUTCH SHELL Oil and gas producer	UK	1.4
SCHLUMBERGER Oilfield services	US	1.4
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	3.3
ALLIANZ Financial services and insurance provider	Germany	3.0
BBVA Commercial bank	Spain	2.1
DBS GROUP Commercial bank	Singapore	2.5
HDFC BANK Commercial bank	India	1.4
HSBC Commercial bank	UK	0.9
ICICI BANK Commercial bank	India	1.7
ITAÚ UNIBANCO Commercial bank	Brazil	1.1
PING AN INSURANCE Insurance provider	China	1.8
STANDARD CHARTERED Commercial bank	UK	1.2
HEALTH CARE		
CHUGAI PHARMACEUTICAL Pharma manufacturer	Japan	1.9
LONZA Life science products developer	Switzerland	1.8
ROCHE Pharma and diagnostic equipment manufacturer	Switzerland	3.9
SHIONOGI Pharma manufacturer	Japan	0.3
SONOVA HOLDING Hearing aids manufacturer	Switzerland	1.3
SYSMEX Clinical laboratory equipment manufacturer	Japan	1.2

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
INDUSTRIALS		
ALFA LAVAL Industrial equipment manufacturer	Sweden	1.4
ATLAS COPCO Industrial equipment manufacturer	Sweden	2.9
CANADIAN NATIONAL RAILWAY Railway operator	Canada	1.7
EPIROC Industrial equipment manufacturer	Sweden	1.0
FANUC Industrial robot manufacturer	Japan	0.9
KOMATSU Industrial equipment manufacturer	Japan	0.9
KUBOTA Industrial and consumer equipment manufacturer	Japan	1.5
SCHNEIDER ELECTRIC Energy management services	France	1.3
SGS Quality assurance services	Switzerland	1.0
INFORMATION TECHNOLOGY		
AMADEUS Global distribution systems operator	Spain	1.4
CHECK POINT Cybersecurity software developer	Israel	2.4
DASSAULT SYSTÈMES Design and engineering software developer	France	1.5
INFINEON TECHNOLOGIES Semiconductor manufacturer	Germany	2.9
KEYENCE Sensor and measurement equipment manufacturer	Japan	1.8
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	3.1
SAP Enterprise software developer	Germany	3.0
TSMC Semiconductor manufacturer	Taiwan	4.1
MATERIALS		
AIR LIQUIDE Industrial gases producer	France	1.0
FUCHS PETROLUB Lubricants manufacturer	Germany	0.6
LINDE Industrial gases supplier and engineer	US	2.0
NOVOZYMES Biotechnology producer	Denmark	0.8
RIO TINTO Mineral miner and processor	UK	1.0
SASOL Energy and chemical technology developer	South Africa	0.5
SYMRISE Fragrances and flavors manufacturer	Germany	1.4
REAL ESTATE		
No Holdings		
UTILITIES		
No Holdings		
CASH		2.5

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.

4Q19 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TSMC	INFT	3.4	0.82
ATLAS COPCO	INDU	2.8	0.79
INFINEON TECHNOLOGIES	INFT	2.7	0.68
SAMSUNG ELECTRONICS	INFT	3.0	0.51
SAP	INFT	3.1	0.44

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TSMC	INFT	2.8	1.58
ATLAS COPCO	INDU	2.5	1.52
NESTLÉ	STPL	3.7	1.29
M3	HLTH	1.4	1.19
ROCHE	HLTH	3.3	1.18

4Q19 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
UNILEVER	STPL	1.6	-0.06
SONOVA HOLDING	HLTH	1.4	-0.03
NASPERS	DSCR	0.2	-0.03
NESTLÉ	STPL	3.7	-0.02
PROSUS	DSCR	0.1	-0.01

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
BAIDU	COMM	1.5	-0.42
CHINA MOBILE	COMM	1.5	-0.26
SASOL	MATS	0.7	-0.23
DENTSU	COMM	0.9	-0.18
BAYER	HLTH	0.6	-0.13

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL INTL	ACWI EX-US
PROFIT MARGIN[1] (%)	15.9	11.1
RETURN ON ASSETS[1] (%)	9.3	5.4
RETURN ON EQUITY[1] (%)	16.3	13.3
DEBT/EQUITY RATIO[1] (%)	46.4	61.8
STD DEV OF 5 YEAR ROE[1] (%)	2.6	2.9
SALES GROWTH[1,2] (%)	3.9	1.9
EARNINGS GROWTH[1,2] (%)	9.3	7.8
CASH FLOW GROWTH[1,2] (%)	7.4	6.4
DIVIDEND GROWTH[1,2] (%)	5.8	5.6
SIZE & TURNOVER	**HL INTL**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	64.8	38.2
WTD AVG MKT CAP (US $B)	105.9	79.0
TURNOVER[3] (ANNUAL %)	16.6	—

RISK AND VALUATION	HL INTL	ACWI EX-US
ALPHA[2] (%)	2.51	—
BETA[2]	1.01	—
R-SQUARED[2]	0.94	—
ACTIVE SHARE[3] (%)	86	—
STANDARD DEVIATION[2] (%)	13.01	12.43
SHARPE RATIO[2]	0.59	0.40
TRACKING ERROR[2] (%)	3.3	—
INFORMATION RATIO[2]	0.81	—
UP/DOWN CAPTURE[2]	104/90	—
PRICE/EARNINGS[4]	20.0	15.6
PRICE/CASH FLOW[4]	13.8	9.2
PRICE/BOOK[4]	2.8	1.7
DIVIDEND YIELD[5] (%)	2.3	3.1

[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: January 7, 2020); Harding Loevner International Equity Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
SCHNEIDER ELECTRIC	FRANCE	INDU
STANDARD CHARTERED	UK	FINA

POSITIONS SOLD	COUNTRY	SECTOR
GRIFOLS	SPAIN	HLTH
M3	JAPAN	HLTH
NASPERS	SOUTH AFRICA	DSCR
PROSUS	NETHERLANDS	DSCR

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.

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INTERNATIONAL EQUITY COMPOSITE PERFORMANCE (AS OF DECEMBER 31, 2019)

	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 (%)
2019[5]	26.29	25.49	22.13	22.66	12.00	11.33	10.80	0.2	37	22,085	34.34
2018	-13.26	-13.82	-13.78	-13.36	11.79	11.40	11.27	0.2	39	16,908	33.64
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

[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 2019 performance returns and assets 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. 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 48 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 September 30, 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 September 30, 2019. 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.