HARDING LOEVNER

INTERNATIONAL EQUITY RESEARCH

2018 First Quarter Report

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

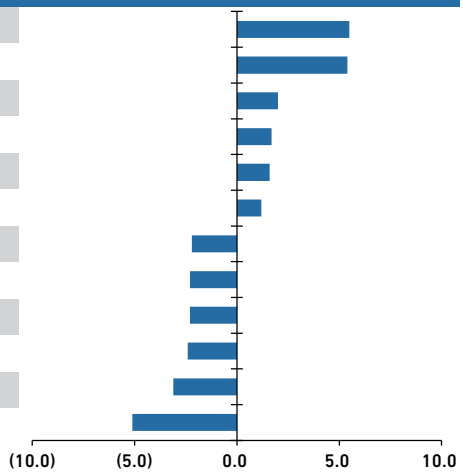
	3 MONTHS	1 YEAR	SINCE INCEPTION[2,3]
HL INTL EQUITY RESEARCH (GROSS OF FEES)	1.01	20.78	17.56
HL INTL EQUITY RESEARCH (NET OF FEES)	0.83	19.89	16.70
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	-1.08	17.05	13.41
MSCI EAFE INDEX[5,6]	-1.41	15.32	10.71

[1]The Composite performance returns shown are preliminary; [2]Inception Date: December 31, 2015; [3]The Benchmark Index; [4]Gross of withholding taxes; [5]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.

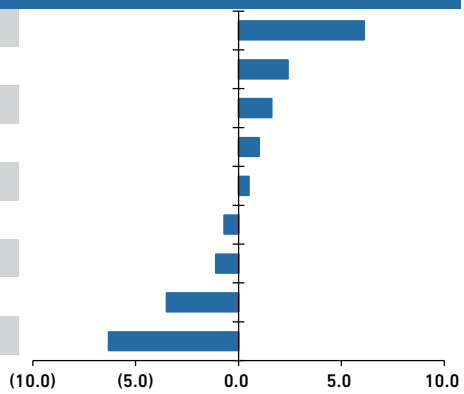
SECTOR EXPOSURE (%)

	HL IER	ACWI EX-US
CONS STAPLES	14.9	9.4
INDUSTRIALS	17.2	11.8
INFO TECHNOLOGY	13.8	11.8
HEALTH CARE	9.4	7.7
CASH	1.6	–
CONS DISCRETIONARY	12.6	11.4
MATERIALS	5.8	8.0
REAL ESTATE	0.9	3.2
UTILITIES	0.7	3.0
TELECOM SERVICES	1.5	3.9
ENERGY	3.6	6.7
FINANCIALS	18.0	23.1



GEOGRAPHIC EXPOSURE (%)

	HL IER	ACWI EX-US
EMERGING MARKETS	31.6	25.5
FRONTIER MARKETS[7]	2.4	–
CASH	1.6	–
JAPAN	17.8	16.8
MIDDLE EAST	0.8	0.3
EUROPE EX-EMU	19.9	20.6
PACIFIC EX-JAPAN	6.9	8.0
CANADA	2.7	6.2
EUROPE EMU	16.3	22.6



[7]Includes countries with less-developed markets outside the Index.

Sector and geographic allocations are supplemental information only and complement the fully compliant International Equity Research Composite GIPS Presentation.

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

WHAT'S INSIDE

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MARKET REVIEW

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

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

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

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

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

MARKET PERFORMANCE (USD %)

MARKET	1Q 2018	TRAILING 12 MONTHS
CANADA	-7.2	5.7
EMERGING MARKETS	1.5	25.4
EUROPE EMU	-0.4	18.2
EUROPE EX-EMU	-3.4	12.1
JAPAN	1.0	20.0
MIDDLE EAST	-5.2	-8.0
PACIFIC EX-JAPAN	-3.7	8.6
MSCI ACW EX-US INDEX	-1.1	17.1

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

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

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

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

PERFORMANCE AND ATTRIBUTION

The International Equity Research composite rose 1.0% in the first quarter of 2018, in contrast to the 1.1% decline of the MSCI ACW ex-US Index. The charts on the following page attribute the quarter's performance by sector and region.

Stock selection, dictated as always by our analysts' recommendations, was the main source of outperformance in the quarter. We had particularly strong relative returns in the Consumer Discretionary, Financials, Consumer Staples, and Health Care sectors. Our overweight in IT—the strongest-performing sector in the index—was also helpful. Our performance lagged the index in Real Estate, however.

In Consumer Discretionary, a large contributor was Japanese shoe retailer **ABC-MART**, which reported its fifth straight quarter of positive same-store sales. In Financials, Singapore bank **DBS Group** announced larger distributions of capital to shareholders with a surprising regular dividend increase plus a special dividend. Chinese drug manufacturer **Wuxi Biologics** and Australian blood plasma specialist **CSL Limited** boosted returns in Health Care. We also had a large positive contribution from IT holding **Dassault Systèmes**, a 3D-design software developer that reported strong fourth-quarter earnings thanks to robust demand for its software platform and improvement in its operating margin.

Poor returns in Real Estate stemmed largely from property company **Daito Trust**, Japan's largest builder of rental homes. The company reported that its margin had weakened due to higher construction costs, and that orders in January were down 13% year over year. We sold the stock this quarter following our analyst's downgrade due to valuation concerns given the company's weakening growth outlook, which is exacerbated by its difficulties in hiring salespeople.

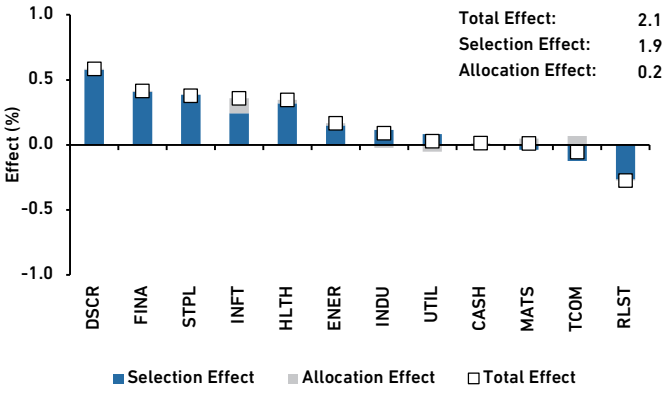
By region, the portfolio benefited from our strong stock selection in all regions except Canada. Our overweight in EMs (the best-performing region) and underweight in Canada (the worst-performing region) also contributed to relative returns. Our Pacific ex-Japan stocks had the strongest outperformance, especially DBS Group, CSL Limited, and **Hong Kong Exchanges**. Hong Kong Exchanges reported that, after a weak start to 2017, trade volumes surged in the second half of the year, especially for its "Stock Connect" facility that provides foreign investors access to A-shares listed on the Shanghai and Shenzhen stock markets. Our analyst expects Stock Connect to be a long-term source of revenue growth. Strong stock selection in EMs was primarily due to Chinese holdings including Wuxi Biologics, **Jiangsu Hengrui Medicine**, and **51Job Inc.** The latter, China's leading online job search portal, in recent years has instituted new employee incentive programs that have helped increase per-client revenues and profit margins.

In Japan, cosmetics maker **Shiseido** and power-tool manufacturer **Makita** were positive contributors; both reported strong sales growth domestically and abroad. However, we had a few major detractors in Japan as well, including Daito Trust, **Kubota** (a manufacturer of engines as well as farming and construction machinery) and **Suruga Bank**. Kubota reported solid results for fiscal year 2017, but its guidance for 2018 was disappointing in part due to expectation of higher costs for personnel, raw materials, and marketing incentives. Shares of Suruga Bank were down sharply as one of its large borrowers, a real-estate company, faced credit problems.

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 since inception, please contact Harding Loevner. A list of the 25 largest holdings at March 31, 2018 is available on page 6 of this report.

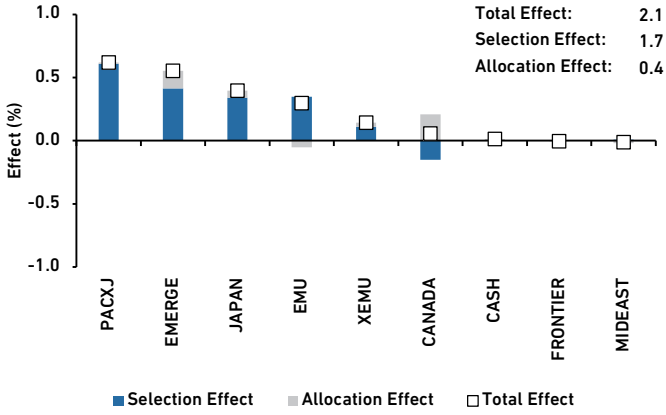
SECTOR PERFORMANCE ATTRIBUTION FIRST QUARTER 2018

INTERNATIONAL EQUITY RESEARCH COMPOSITE VS. MSCI ACW EX-US INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION FIRST QUARTER 2018

INTERNATIONAL EQUITY RESEARCH COMPOSITE VS. MSCI ACW EX-US INDEX



**Includes countries with less-developed markets outside the Index. Source: FactSet; Harding Loevner International Equity Research 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.*

PERSPECTIVE AND OUTLOOK

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

— Charlie Munger,
Berkshire Hathaway annual meeting, 2000

Arguably the greatest contribution that Charlie Munger has made to Berkshire Hathaway's shareholders was in convincing Warren Buffett in the 1970s that a long-duration growth business trading at an apparently premium price could still represent a good value. His reasoning was that the return on the shares would ultimately converge with the return on capital

for the business as the compounding of the latter would, over a long period of time (Munger cited 40 years), come to dwarf the initial premium paid for the shares. That inevitability meant that you could buy, then sit and wait—but, presumably (and critically), only if you were assured that the company would manage to maintain its growth rate and sustain its high profitability in the process. You could tolerate occasional periods of overvaluation of that business's shares because, given enough time, its profits would grow back into its share price.

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

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

To "be right and sit tight," to borrow a phrase from legendary Wall Street trader Jesse Livermore, is easier said than done in other ways. In addition to guarding against the deterioration of companies' underlying businesses (the "be right" part), investors need also to guard against the human tendency to become risk averse when they are in a position of gain on their shares (the "sit tight" part); investors tend to harvest their gains too early. They process the constant bombardment of ever-shifting news as calls to action, feeding the instinct to lock in profits and avoid reversals. That flow of news can be company-specific but is often related to the general environment in which companies operate. Our analysts try to avoid overreacting to possibly peripheral current events. Instead, we focus on the growth prospects for each company and the specific threats that could endanger its stock's market valuation relative to the rest of the market.

Our limited reaction to political or economic developments does not mean we are unaware of such issues. Central banks are withdrawing monetary stimulus in reaction to signs that inflation expectations are increasing, and in the larger cause of normalizing interest rates ahead of the next recession. Rising populism, particularly in Europe, has called into question the longstanding consensus on advantages of a common currency, tax-free trade, and free movement of labor. And now the US threatens to precipitate a trade war that would have a devastating impact on globalization and potentially erase the enormous benefits that free trade has brought to nearly all parts of the world that have participated in it.

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

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

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

We are uneasy, but admit a range of possible outcomes, from spiraling tit-for-tat tariff actions to possibly more-measured responses, and perhaps even some positive long-term consequences, such as potential reform of the WTO. But we know from experience that we have little ability to forecast the political outcome. Our analysts are watching these developments carefully for signs of potentially outsized and lasting impacts on the companies they cover. Thus far they are not expecting imminent deterioration of the business fundamentals or investment attractiveness of our companies.

PORTFOLIO HIGHLIGHTS

The International Equity Research portfolio's holdings are directly determined by analysts' recommendations among Harding Loevner's collection of researched companies. During this quarter, which was marked by periods of significant market decline, our analysts recommended buying 30 companies and selling 12 holdings, resulting in the portfolio's holdings increasing by 18.

As we executed these portfolio changes in response to changes in the analysts' ratings, we continued to adjust individual position weights to maintain our desired risk profile (moderately lower volatility compared with the benchmark and restrained tracking error). We were pleased that the portfolio behaved as designed amidst the quarter's volatility, by generally falling less than the market during its sharpest downturns. We outperformed modestly in January, a positive month, and fell significantly less than the benchmark in February and March, down 4.5% versus 6.3% in this two-month period.

Our analysts upgraded a large number of Consumer Staples companies during the quarter, leading us to increase our holdings in the sector from 25 to 33. A number of these upgrades were in recognition of increasingly appealing valuations following share price declines. For example, the stocks of two South Korean cosmetics companies, **Amorepacific** and **LG Household & Health Care**, have been hurt since early 2017 when China punished South Korea for deploying a US-made missile defense system by discouraging Chinese citizens from visiting Seoul, a popular shopping destination. Last month China signaled that it will end the punitive measures. Our analyst believed the shares of both companies were attractively priced and would recover once Chinese tourist visits returned to predispute levels. In South Africa, shares of pharmacy chain **Clicks Group** and consumer-products company **Tiger Brands** fell in late January and early February, a period of political uncertainty when (now former) President Jacob Zuma maneuvered to delay the succession of Cyril Ramaphosa, the leader of the African National Congress party, to the presidency. Mr. Ramaphosa, who took over on February 15, has pledged to stamp out corruption and attract more foreign investment. Other new Consumer holdings this quarter included **Sugi Holdings** (a drugstore chain) and **Kao** (personal care products), both of Japan, and **Anheuser-Busch InBev**, the global brewer, which is based in Belgium.

Our Materials sector weight remains lower than that of the index, but we narrowed the gap during the quarter by purchasing **Chr. Hansen**, a Danish producer of cultures, enzymes, and natural food ingredients, whose stock fell after quarterly results indicated a year-over-year decline in margins. The analyst, believing the company's long-term growth potential remains undiminished, upgraded the shares to *Buy*. We also added French industrial gasses producer **Air Liquide** whose improving growth prospects make its valuation more favorable.

We decreased our already small weight in Real Estate by selling what was our largest holding in the sector, Japan's Daito Trust.

From a regional perspective, we increased our overweight in EMs (largely through the Consumer Staples additions noted previously) and decreased our underweight in the European Monetary Union (EMU) by purchasing Anheuser-Busch InBev and Air Liquide. We also added to our holding in German flavor and fragrance supplier **Symrise**. In Europe outside of the EMU, we increased our weight in Sweden to nearly 5% by buying two companies, industrial manufacturer **Alfa Laval** and radiation-therapy equipment maker **Elekta**, as well as adding to our position in **Assa Abloy**, a manufacturer of locks and other security equipment.

We funded our increased exposure to Europe partly by decreasing our overweight in Japan. Our four complete sales (Daito Trust, **JGC Corp.**, **Nidec**, and **Fast Retailing**) and trims of other holdings in Japan were partially offset by three new purchases (Sugi Holdings, Kao, and **Hoshizaki**).

INTERNATIONAL EQUITY RESEARCH 25 LARGEST HOLDINGS (AS OF MARCH 31, 2018)

COMPANY	COUNTRY	SECTOR	END WT.(%)
OCBC Commercial bank	SINGAPORE	FINANCIALS	1.2
MAKITA Power tool manufacturer	JAPAN	INDUSTRIALS	1.1
NOMURA RESEARCH INSTITUTE IT consultant	JAPAN	INFO TECHNOLOGY	1.1
BMW Automobile manufacturer	GERMANY	CONS DISCRETIONARY	1.1
UNICHARM Consumer products manufacturer	JAPAN	CONS STAPLES	1.1
ATLAS COPCO Industrial equipment manufacturer	SWEDEN	INDUSTRIALS	1.1
CSL LIMITED Blood plasma fractionation operator	AUSTRALIA	HEALTH CARE	1.0
ALLIANZ Financial services and insurance provider	GERMANY	FINANCIALS	1.0
DBS GROUP Commercial bank	SINGAPORE	FINANCIALS	1.0
BANKINTER Commercial Bank	SPAIN	FINANCIALS	1.0
BBA AVIATION Flight support systems and services	UNITED KINGDOM	INDUSTRIALS	1.0
ABC-MART Footwear retailer	JAPAN	CONS DISCRETIONARY	1.0
LINDE Industrial gases supplier and engineer	GERMANY	MATERIALS	1.0
AIA GROUP Insurance provider	HONG KONG	FINANCIALS	1.0
DIAGEO Alcoholic beverages manufacturer	UNITED KINGDOM	CONS STAPLES	1.0
RICHEMONT Luxury-goods manufacturer	SWITZERLAND	CONS DISCRETIONARY	1.0
AMADEUS Global distribution systems operator	SPAIN	INFO TECHNOLOGY	1.0
RINNAI Consumer appliances manufacturer	JAPAN	CONS DISCRETIONARY	1.0
ASSA ABLOY Security equipment manufacturer	SWEDEN	INDUSTRIALS	1.0
HOSHIZAKI Commercial kitchen equipment manufacturer	JAPAN	INDUSTRIALS	1.0
GRIFOLS Blood plasma fractionation operator	SPAIN	HEALTH CARE	0.9
ESSILOR Ophthalmic lenses manufacturer	FRANCE	HEALTH CARE	0.9
HENKEL Consumer products manufacturer	GERMANY	CONS STAPLES	0.9
SAP Enterprise software developer	GERMANY	INFO TECHNOLOGY	0.9
HALMA Health and safety products manufacturer	UNITED KINGDOM	INFO TECHNOLOGY	0.9

Model Portfolio holdings are supplemental information only and complement the fully compliant International Equity Research Composite GIPS Presentation. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

1Q18 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
DASSAULT SYSTÈMES	INFT	1.0	0.27
SHISEIDO	STPL	0.7	0.21
WUXI BIOLOGICS	HLTH	0.3	0.20
MAKITA	INDU	1.1	0.16
HONG KONG EXCHANGES	FINA	0.8	0.15

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
NIDEC	INDU	0.9	0.60
MISUMI GROUP	INDU	1.0	0.52
DASSAULT SYSTÈMES	INFT	1.0	0.51
TEMENOS GROUP	INFT	0.9	0.49
DBS GROUP	FINA	1.0	0.47

1Q18 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
SURUGA BANK	FINA	0.5	-0.22
INTRUM JUSTITIA	INDU	0.8	-0.19
DAITO TRUST	RLST	0.4	-0.19
ALIMENTATION COUCHE-TARD	STPL	0.9	-0.14
LINDE	MATS	1.1	-0.10

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
NGK INSULATORS	INDU	0.8	-0.25
DENTSU	DSCR	0.8	-0.20
QATAR NATIONAL BANK	FINA	0.3	-0.19
INTRUM JUSTITIA	INDU	0.8	-0.17
SURUGA BANK	FINA	0.7	-0.16

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL IER	ACWI EX-US
PROFIT MARGIN[1] (%)	13.7	10.9
RETURN ON ASSETS[1] (%)	7.7	5.3
RETURN ON EQUITY[1] (%)	14.9	13.2
DEBT/EQUITY RATIO[1] (%)	41.5	57.3
STD DEV OF 5 YEAR ROE[1] (%)	2.5	3.3
SALES GROWTH[1,2] (%)	3.5	-0.3
EARNINGS GROWTH[1,2] (%)	10.5	8.4
CASH FLOW GROWTH[1,2] (%)	10.1	7.1
DIVIDEND GROWTH[1,2] (%)	7.6	3.1

RISK & VALUATION	HL IER	ACWI EX-US
PRICE/EARNINGS[4]	19.6	14.2
PRICE/CASH FLOW[4]	14.4	9.1
PRICE/BOOK[4]	2.6	1.7
DIVIDEND YIELD[5] (%)	2.1	2.9
SIZE	**HL IER**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	17.6	36.1
WTD AVG MKT CAP (US $B)	37.6	70.7

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Weighted harmonic mean. Source: FactSet (Run date: April 3, 2018); Harding Loevner International Equity Research Model, based on the underlying holdings; MSCI Inc.

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

INTERNATIONAL EQUITY RESEARCH COMPOSITE PERFORMANCE (AS OF MARCH 31, 2018)

	INTL EQUITY RESEARCH GROSS (%)	INTL EQUITY RESEARCH NET (%)	MSCI ACWI EX-US[1] (%)	MSCI EAFE[2] (%)	INTL EQUITY RESEARCH 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]	1.01	0.83	-1.08	-1.41	+	+	+	N.A.[6]	1	11	0.02
2017	30.59	29.64	27.77	25.62	+	+	+	N.M.	1	11	0.02
2016	9.09	8.28	5.01	1.51	+	+	+	N.M.	1	8	0.02

[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; [7]N.M.–Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year; +Less than 36 months of return data.

The International Equity Research Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities and cash reserves, and is measured against the MSCI All Country World ex-US Total Return Index (Gross) for comparison purposes. Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI All Country World ex-US Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the US. The Index consists of 46 developed and emerging market countries. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. The Index consists of 21 developed market countries. You cannot invest directly in these Indices.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Harding Loevner has been independently verified for the period November 1, 1989 through December 31, 2017.

Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. Verification does not ensure the accuracy of any composite presentation. The verification 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 Research 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 Research Composite was created on December 31, 2015.

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