INTERNATIONAL EQUITY RESEARCH

2018 Third Quarter Report

COMPOSITE PERFORMANCE (%TOTAL RETURN) FOR PERIODS ENDED SEPTEMBER 30, 2018[1]

	3 MONTHS	YTD	1 YEAR	SINCE INCEPTION[2,3]
HL INTL EQUITY RESEARCH (GROSS OF FEES)	0.26	0.08	6.55	13.76
HL INTL EQUITY RESEARCH (NET OF FEES)	0.07	-0.48	5.76	12.92
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	0.80	-2.67	2.25	10.19
MSCI EAFE INDEX[5,6]	1.42	-0.98	3.25	8.85

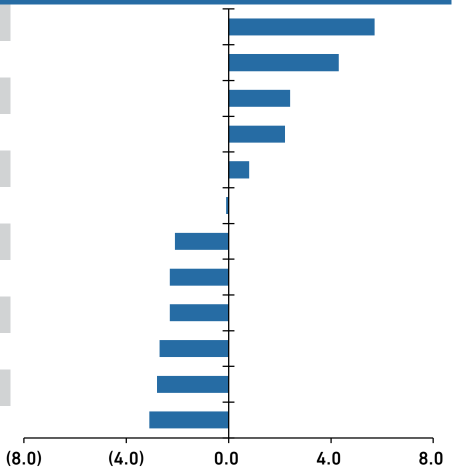
[1]The Composite performance returns shown are preliminary; [2]Annualized returns; [3]Inception Date: December 31, 2015; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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 IER	ACWI EX-US
CONS STAPLES	15.2	9.5
INDUSTRIALS	16.2	11.9
CONS DISCRETIONARY	13.3	10.9
CASH	2.2	—
HEALTH CARE	9.3	8.5
INFO TECHNOLOGY	11.5	11.6
UTILITIES	0.9	3.0
MATERIALS	5.8	8.1
REAL ESTATE	0.8	3.1
TELECOM SERVICES	1.1	3.8
ENERGY	4.8	7.6
FINANCIALS	18.9	22.0

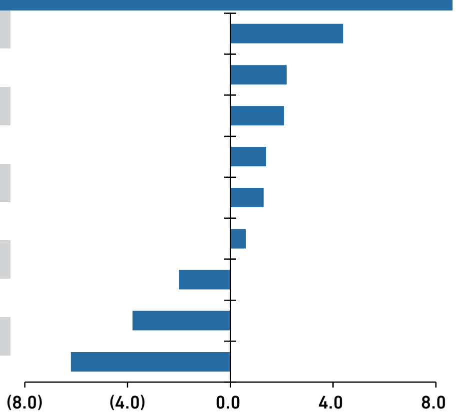
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL IER	ACWI EX-US
EMERGING MARKETS	29.0	24.6
CASH	2.2	—
EUROPE EX-EMU	23.4	21.3
FRONTIER MARKETS[7]	1.4	—
JAPAN	18.2	16.9
MIDDLE EAST	1.0	0.4
PACIFIC EX-JAPAN	6.1	8.1
CANADA	2.8	6.6
EUROPE EMU	15.9	22.1

(UNDER) / OVER THE BENCHMARK



[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.

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Developed markets gained modestly, while developing markets fell. Worries about rising US interest rates, the strengthening dollar, escalating trade tensions, and a slowdown in China dragged on EM returns.

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MARKET REVIEW

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

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

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

MARKET PERFORMANCE (USD %)

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

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

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

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

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

The escalating trade war with the US is beginning to have significant effects, as Chinese firms postpone capital investments to improve productivity or expand capacity in the face of uncertainty.

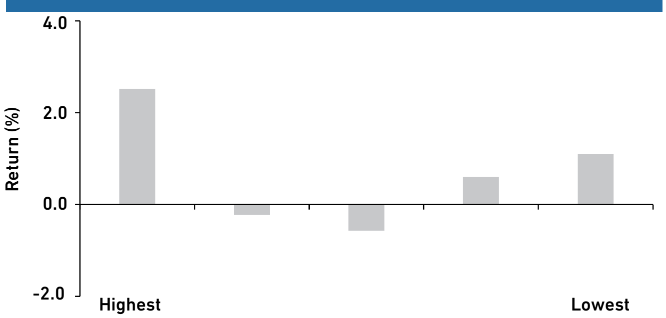
Developing markets can be shaken by relatively mild actions by the Fed, but the troubles that beset EM index heavyweight China this quarter were primarily domestic in origin. After the losses of this quarter, the MSCI China Index has suffered a cumulative decline of 20% since its January highs; the fall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

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

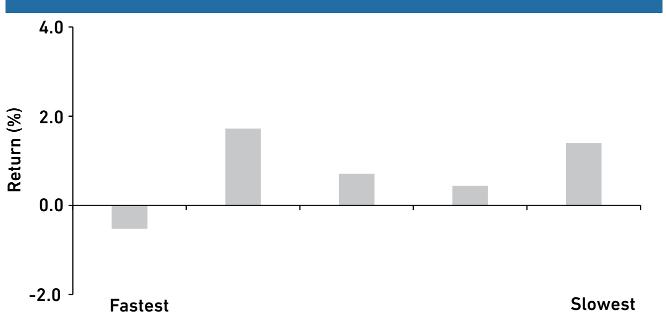
Elsewhere in the world, developed markets were mixed as investors continued to struggle with familiar problems. In Europe, investors are contemplating a worst-case "no-deal" Brexit, with negotiations between the UK and Europe still inconclusive as the deadline approaches. However, the UK market experienced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

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

MSCI ACW EX-US INDEX PERFORMANCE BY QUALITY 3Q18

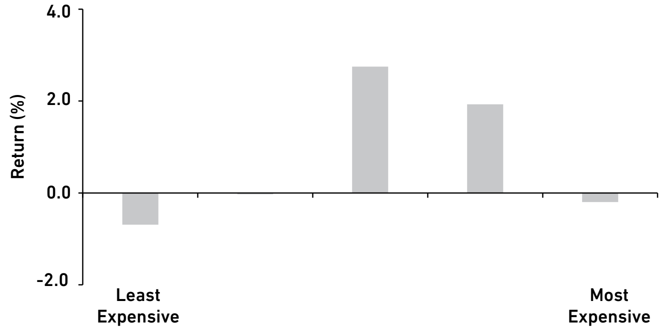


MSCI ACW EX-US INDEX PERFORMANCE BY GROWTH 3Q18



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

MSCI ACW EX-US INDEX PERFORMANCE BY VALUE 3Q18



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

The preceding charts divide the market into quintiles according to Harding Loevner's Quality, Growth, and Value rankings, which are proprietary measures determined using objective data. Quality rankings are based on the stability, trend, and level of profitability, as well as balance sheet strength. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected changes in earnings and profitability. Value rankings are based on several valuation measures, including price ratios.

PERFORMANCE AND ATTRIBUTION

The International Equity Research composite gained 0.3% in the quarter, compared with the 0.8% rise of the MSCI ACW ex-US Index. For the year to date, the composite rose 0.1%, outperforming the 2.7% decline of the benchmark. The charts on the following page attribute the quarter's performance by sector and region.

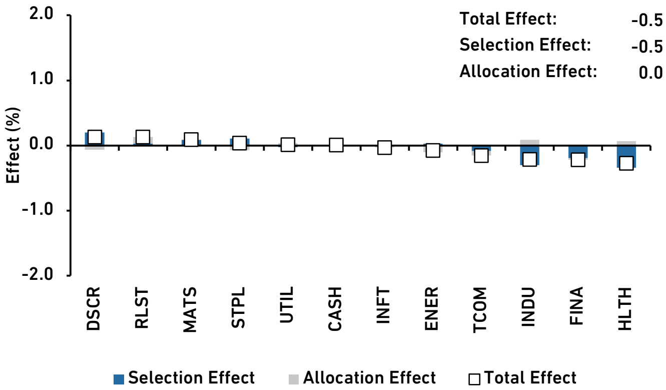
Stock selection, dictated as always by our analysts' recommendations, was the primary cause of our underperformance in the quarter. Our holdings in Health Care, the index's best-performing sector, detracted the most from our relative returns. In August, shares of German life-science firm **Bayer** fell sharply after a California jury awarded US$290 million to a man who claimed his cancer was caused by glyphosate, an herbicide found in Monsanto's Roundup weed killer. Bayer, which acquired Monsanto in June, is appealing the verdict. We also lagged in Industrials due in part to **AirTAC**, a Taiwanese manufacturer of pneumatic equipment. The company reported that uncertainties caused by the escalating trade war with the US helped cause a sharp slowdown in new orders from Chinese manufacturers.

Holdings in the Consumer sectors positively contributed to our relative returns. In Consumer Discretionary, South Korea's **Hankook Tire** posted weak second-quarter results, but investors were cheered by management guidance that growth and margins would revive in the second half of 2018, helped by its new US plant in Tennessee. We also had good stock selec-

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 September 30, 2018 is available on page 9 of this report.

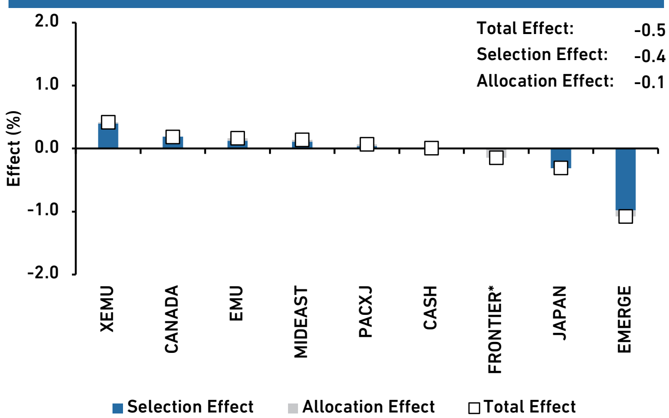
SECTOR PERFORMANCE ATTRIBUTION
THIRD QUARTER 2018

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



GEOGRAPHIC PERFORMANCE ATTRIBUTION
THIRD 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.*

tion in Consumer Staples, where **Alimentation Couche-Tard**, a convenience-store operator based in Canada, attributed stronger-than-expected sales growth to its re-branding effort. It reported that store traffic has increased at the nearly 4,000 locations that have adopted the company's familiar Circle-K brand. Couche-Tard also said it is realizing benefits earlier than expected from its 2017 acquisition of fuel and convenience retailer CST Brands.

By region, our stocks in EMs detracted. Two Chinese pharmaceutical holdings (**Sino Biopharmaceutical** and **CSPC Pharmaceutical Group**) fell in response to abrupt regulatory changes designed to reduce the prices of generic drugs, although the precise impact on drug manufacturers' long-term revenues and margins is still unclear.

Our investments in Frontier Markets also hurt our returns. Argentina's escalating currency crisis and weakening economy undermined the shares of commercial banks **Grupo Financiero Galicia** and **Banco Macro**. In Panama, **Copa Holdings**, the parent company of airlines with routes across the Americas, forecast lower earnings due to economic weakness in Brazil and Argentina, which represent a large portion of Copa's revenues.

Stocks in Europe ex-EMU helped returns. Shares of London-based insurer **Jardine Lloyd Thompson** rose after it agreed to be acquired by Marsh & McLennan. Marsh will pay Jardine Lloyd Thompson shareholders £19.15 per share in cash, a 34% premium to the closing price the day prior to the announcement. The deal is expected to close in the spring.

PERSPECTIVE AND OUTLOOK

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

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

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

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

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

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

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

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

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

PORTFOLIO HIGHLIGHTS

The International Equity Research portfolio's holdings are directly determined by analysts' recommendations among Harding Loevner's collection of companies under active research coverage. During this quarter, our analysts recommended buying 16 companies and selling 27, decreasing the portfolio's total holdings to 192. By sector, the number of holdings fell in IT, Industrials, and Health Care. These sectors contributed significantly to our returns in the last 12 months, and many of the stocks had grown expensive in the opinion of our analysts.

As we executed these portfolio changes in response to analyst 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). Our exposure to certain sectors and regions shifted but remained well within our self-imposed risk limits.

The most significant change occurred in IT, where we moved from an overweight to underweight position for the first time since our portfolio's inception nearly three years ago. Our analysts recommended selling two Chinese technology companies due to China's slowing economy and escalating trade war with the US: **NetEase**, an online gaming company, and **Hangzhou Hikvision**, a manufacturer of video-surveillance equipment. We also sold Indian technology consultant **Infosys** after strong share-price performance.

We decreased our exposure to Industrials by 120 basis points. We sold the Australian online jobsite **SEEK** and UK technical-services provider **Diploma** after both became expensive following stock price rises. We also sold Brazilian toll road operator **CCR** out of growth concerns. The company has several significant road concessions expiring in three years and appears unlikely to replace them without taking on more debt.

Although our absolute weight in Health Care changed only modestly, turnover was high in the sector with seven ejections on downgrades and five admissions on upgrades. We sold Japanese clinical laboratory equipment manufacturer **Sysmex**, following recent stock outperformance. We also sold on valuation concerns Swedish radiation therapy company **Elekta**, Chinese pharmaceutical manufacturers **Jiangsu Hengrui Medicine** and Sino Biopharmaceutical, as well as two blood plasma specialists, Australia's **CSL Limited** and Spain's **Grifols**.

Among our Health Care purchases was **Sartorius Stedim Biotech**, a French supplier to biopharma equipment developers and manufacturers. The company is a leading producer of single-use products for biology-based drug manufacturing. Sartorius should continue to benefit from the increasing global use of biologic medicines over chemically synthesized drugs. We also purchased Japan's **Chugai Pharmaceutical**, German dialysis company **Fresenius Medical Care**, and two manufacturers of equipment for the hearing impaired—Australia's **Cochlear** (a specialist in cochlear implants), and Switzerland's **Sonova Holding** (a producer of hearing aids).

In IT, we moved from an overweight to underweight position for the first time since our portfolio's inception nearly three years ago.

Our weight in Consumer Discretionary and Energy increased. In Energy we made one new purchase, the UK-based oil company **Royal Dutch Shell**. We also added to our holding in Brazilian fuel distributor **Ultrapar** after recent share-price weakness.

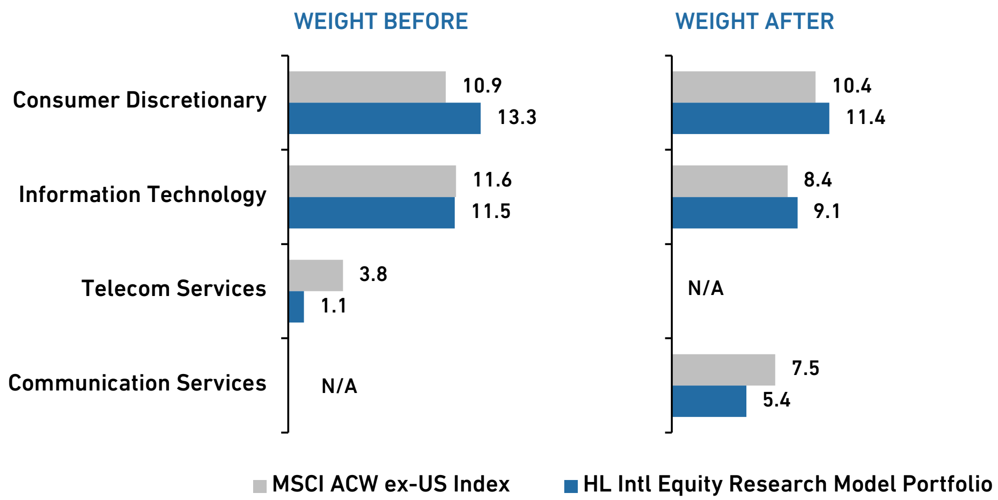
By region, our exposure to EMs fell by 150 basis points. In India, our analysts recommended selling **HDFC Bank**, **Godrej** (a conglomerate), **Dabur India** (a maker of holistic medicines), as well as Infosys due to valuation concerns after strong share-price performance. In China, we also sold several companies that had become expensive including the hypermarket operator **Sun Art Retail** and the aforementioned Health Care companies Jiangsu Hengrui Medicine and Sino Biopharmaceutical.

Our new positions in China-focused companies during the quarter included power-tool manufacturer **Techtronic Industries**, travel agent **Ctrip.com**, and **Ping An Insurance**. Ping An is China's second-largest insurance company with over one million agents and 143 million customers. The company has invested heavily to be at the forefront among Chinese insurers in deploying technology, including artificial intelligence (AI). Its AI-powered tools help its agents sell products tailored to specific types of customers. China's rising household wealth, and consequent rising demand for insurance products, provide Ping An significant long-term growth opportunities.

UPCOMING INDEX CHANGES AND OUR PORTFOLIO POSITIONING

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

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



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

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

INTERNATIONAL EQUITY RESEARCH 25 LARGEST HOLDINGS (AS OF SEPTEMBER 30, 2018)

COMPANY	COUNTRY	SECTOR	END WT.(%)
MAKITA Power tool manufacturer	JAPAN	INDUSTRIALS	1.2
HOSHIZAKI Commercial kitchen equipment manufacturer	JAPAN	INDUSTRIALS	1.1
HAKUHODO Marketing and advertising services	JAPAN	CONS DISCRETIONARY	1.1
ROCHE Pharma and diagnostic equipment manufacturer	SWITZERLAND	HEALTH CARE	1.1
SAP Enterprise software developer	GERMANY	INFO TECHNOLOGY	1.1
AIA GROUP Insurance provider	HONG KONG	FINANCIALS	1.1
UNICHARM Consumer products manufacturer	JAPAN	CONS STAPLES	1.1
SHIMANO Bicycle component manufacturer	JAPAN	CONS DISCRETIONARY	1.1
DIAGEO Alcoholic beverages manufacturer	UNITED KINGDOM	CONS STAPLES	1.1
ROYAL DUTCH SHELL Oil and gas producer	UNITED KINGDOM	ENERGY	1.1
ESSILOR Ophthalmic lenses manufacturer	FRANCE	HEALTH CARE	1.0
ALLIANZ Financial services and insurance provider	GERMANY	FINANCIALS	1.0
CANADIAN NATIONAL RAILWAY Railway operator	CANADA	INDUSTRIALS	1.0
OCBC Commercial bank	SINGAPORE	FINANCIALS	1.0
NOMURA RESEARCH INSTITUTE IT consultant	JAPAN	INFO TECHNOLOGY	1.0
KAO Consumer products manufacturer	JAPAN	CONS STAPLES	1.0
SGS Quality assurance services	SWITZERLAND	INDUSTRIALS	1.0
LINDE Industrial gases supplier and engineer	GERMANY	MATERIALS	1.0
CHECK POINT Cybersecurity software developer	ISRAEL	INFO TECHNOLOGY	1.0
ALIMENTATION COUCHE-TARD Convenience stores operator	CANADA	CONS STAPLES	1.0
ST. JAMES'S PLACE Financial services	UNITED KINGDOM	FINANCIALS	1.0
DBS GROUP Commercial bank	SINGAPORE	FINANCIALS	1.0
NOVARTIS Pharma manufacturer	SWITZERLAND	HEALTH CARE	0.9
BANKINTER Commercial Bank	SPAIN	FINANCIALS	0.9
BMW Automobile manufacturer	GERMANY	CONS DISCRETIONARY	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.

3Q18 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
JARDINE LLOYD THOMPSON	FINA	0.6	0.24
SARTORIUS STEDIM BIOTECH	HLTH	0.6	0.16
CHECK POINT	INFT	0.9	0.16
FINECOBANK	FINA	0.8	0.14
SIAM COMMERCIAL BANK	FINA	0.6	0.14

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
SHISEIDO	STPL	0.7	0.42
FAST RETAILING	DSCR	0.3	0.40
DASSAULT SYSTÈMES	INFT	0.8	0.39
ECOPETROL	ENER	0.4	0.38
CSL LIMITED	HLTH	0.8	0.34

3Q18 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
BAYER	HLTH	0.7	-0.16
ASM PACIFIC TECHNOLOGY	INFT	0.6	-0.13
SUNNY OPTICAL	INFT	0.3	-0.13
RINNAI	DSCR	0.8	-0.13
SECURITY BANK	FINA	0.5	-0.12

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
EMAAR PROPERTIES	RLST	0.7	-0.34
BAYER	HLTH	0.9	-0.33
TELECOM ARGENTINA	TCOM	0.2	-0.30
BHARTI INFRATEL	TCOM	0.6	-0.28
SURUGA BANK	FINA	0.3	-0.23

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL IER	ACWI EX-US
PROFIT MARGIN[1] (%)	12.4	11.1
RETURN ON ASSETS[1] (%)	7.6	5.5
RETURN ON EQUITY[1] (%)	14.7	13.7
DEBT/EQUITY RATIO[1] (%)	43.0	59.0
STD DEV OF 5 YEAR ROE[1] (%)	2.7	3.4
SALES GROWTH[1,2] (%)	3.3	0.1
EARNINGS GROWTH[1,2] (%)	10.5	8.8
CASH FLOW GROWTH[1,2] (%)	8.5	6.8
DIVIDEND GROWTH[1,2] (%)	7.7	3.8

RISK & VALUATION	HL IER	ACWI EX-US
PRICE/EARNINGS[3]	19.5	13.8
PRICE/CASH FLOW[3]	14.0	9.1
PRICE/BOOK[3]	2.7	1.7
DIVIDEND YIELD[4] (%)	2.2	3.0
SIZE	**HL IER**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	17.8	35.1
WTD AVG MKT CAP (US $B)	40.9	67.7

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

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

INTERNATIONAL EQUITY RESEARCH COMPOSITE PERFORMANCE (AS OF SEPTEMBER 30, 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]	0.08	-0.48	-2.67	-0.98	+	+	+	N.A.[6]	1	11	0.02
2017	30.59	29.64	27.77	25.62	+	+	+	N.M.[7]	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 and Canada. The Index consists of 21 developed market countries. You cannot invest directly in these Indices.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Harding Loevner has been independently verified for the period November 1, 1989 through June 30, 2018.

Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. 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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