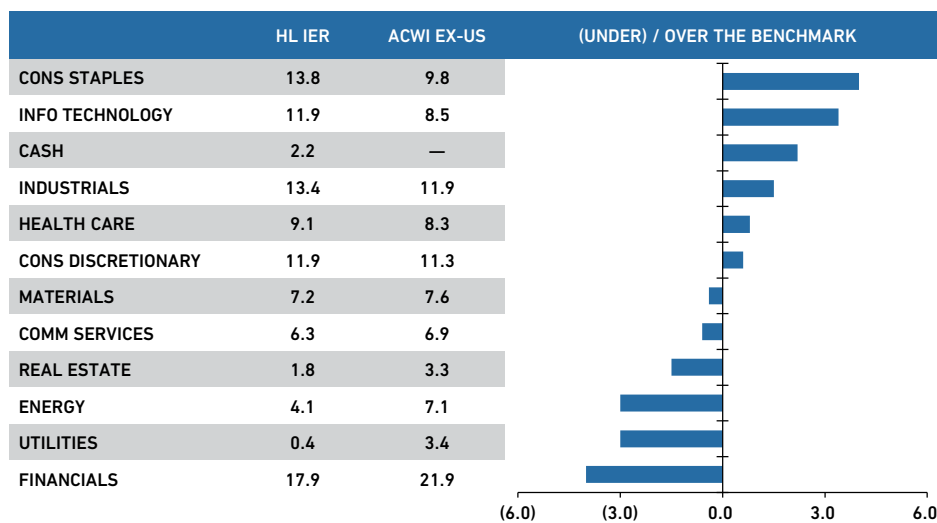
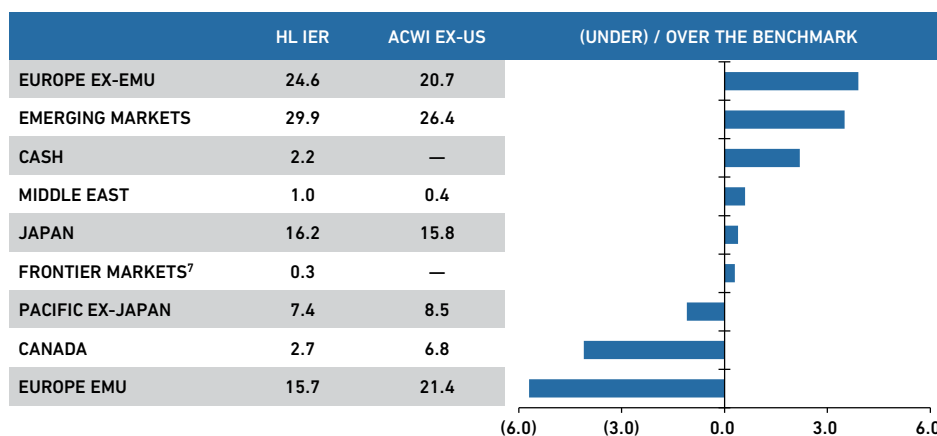


COMPOSITE PERFORMANCE (%TOTAL RETURN) FOR PERIODS ENDED JUNE 30, 2019¹

	3 MONTHS	YTD	1 YEAR	3 YEARS ²	SINCE INCEPTION ^{2,3}
HL INTL EQUITY RESEARCH (GROSS OF FEES)	3.94	15.61	1.82	11.18	11.16
HL INTL EQUITY RESEARCH (NET OF FEES)	3.76	15.20	1.08	10.37	10.34
MSCI ALL COUNTRY WORLD EX-US INDEX ^{4,5}	3.22	14.00	1.80	9.91	8.23
MSCI EAFE INDEX ^{5,6}	3.97	14.49	1.60	9.65	6.95

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

GEOGRAPHIC EXPOSURE (%)


⁷Includes 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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MARKET REVIEW

Equity markets swooned in May when US-China trade talks broke down, only to finish the quarter modestly higher after central banks signaled a return to monetary easing in response to continued weak economic data.

Optimism surrounding prospects for the latest round of US-China trade talks had supported rebounding stock markets in the first four months of the year, but evaporated when negotiations abruptly dissolved into recriminations, seemingly just shy of a deal. Piqued, US President Donald Trump announced a tariff increase on US\$200 billion of Chinese goods, and the Chinese stiffened their resistance to US demands. A further jolt was delivered by the US Commerce Department opening a new front in the conflict by barring US companies from selling advanced semiconductors or other parts to Huawei, China's telecommunications equipment giant, and banning US purchases of Huawei equipment and handsets, citing risks to national security. This unexpected action escalated a long-running dispute over intellectual property theft into potentially a new "war" for technological supremacy. Subsequently, the US added five more Chinese companies involved in supercomputing to the blacklist, again citing national security, and China established its own "unreliable entities list." Technology companies dependent on complex global supply chains—which are many of them—scrambled to assess and address the disruptive implications of the new conflict.

Trump's trade ire was not limited to China: he threatened duties on European car imports, charged India with unfair trade practices and excessive tariffs, and threatened tariffs on Mexican goods to compel assistance in deterring of US-bound migrants. The belligerence contributed to the erosion of business confidence domestically and abroad even as economic data continued to paint a picture of slowing global growth. Germany's Institute for Economic Research reported that its bellwether index of business confidence in the country had reached the lowest level in nearly five years. Japan's leading index had already been in modestly negative territory since mid-2018, and now US leading indicators are weakening. Investor sentiment is also worsening. The most recent Bank of America Merrill Lynch Global Fund Manager Survey was the most bearish since the financial crisis, and managers listed the trade war and recession risks as their primary concerns.

In the US, long-term interest rates fell below short-term rates, an inversion that is thought to presage a recession.

Central banks responded accordingly. In June, the Federal Reserve hinted strongly that rate cuts are on the table, and the European Central Bank stated clearly that it is ready to act if weak inflation persists. Bond markets also reacted to the downbeat data. In the US, long-term interest rates fell below short-term rates, an inversion that is thought to presage a recession. In Europe and Japan, the quantity of sovereign bonds with negative

MARKET PERFORMANCE (USD %)

MARKET	2Q 2019	TRAILING 12 MONTHS
CANADA	5.1	4.1
EMERGING MARKETS	0.8	1.6
EUROPE EMU	6.1	0.4
EUROPE EX-EMU	3.7	4.9
JAPAN	1.0	-3.8
MIDDLE EAST	-3.5	-4.2
PACIFIC EX-JAPAN	5.2	8.2
MSCI ACW EX-US INDEX	3.2	1.8

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

SECTOR	2Q 2019	TRAILING 12 MONTHS
COMMUNICATION SERVICES	1.2	-3.1
CONSUMER DISCRETIONARY	4.1	-3.9
CONSUMER STAPLES	2.5	5.2
ENERGY	0.8	-0.9
FINANCIALS	4.7	2.5
HEALTH CARE	1.3	4.7
INDUSTRIALS	5.4	3.4
INFORMATION TECHNOLOGY	4.2	2.1
MATERIALS	3.1	0.0
REAL ESTATE	-1.5	4.8
UTILITIES	2.3	10.9

Source: FactSet (as of June 30, 2019); MSCI Inc. and S&P.

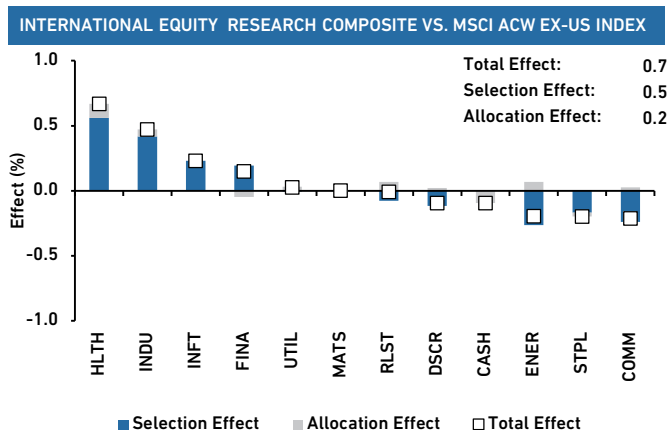
yields reached the US\$13 trillion dollar mark, surpassing the previous high in the summer of 2017.

Stock market leadership shifted throughout the quarter. Semiconductors, Information Technology (IT) hardware, and communications equipment fell hard on the Huawei blacklisting before rebounding in June, while non-cyclical industries suffered least amid the May swoon. Real Estate, Energy, Health Care, and Communication Services ended up the weakest sectors; Industrials (led by commercial services), Financials (led by insurance), and IT (led by software) ended up the best performing.

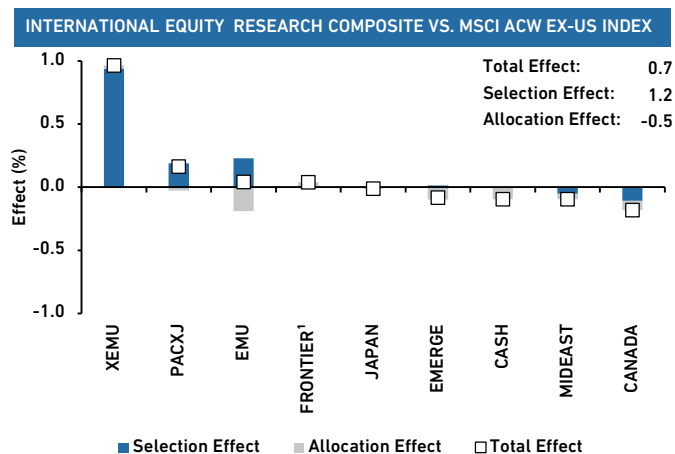
All major regions had positive returns, with Emerging Markets (EMs) at the bottom of the list due to the weak performance of Chinese stocks, including its mega-cap internet companies. Southeast Asian stocks rallied around the view that Singapore, Thailand, and Indonesia are among the countries that could benefit from the fallout of China's trade woes.

Style effects were much more muted than in the first quarter, with stocks of higher-quality companies outperforming modestly. Stocks of the slowest-growing companies performed worse than the broad market, while the more cheaply priced (aka "value") stocks also lagged.

SECTOR PERFORMANCE ATTRIBUTION SECOND QUARTER 2019



GEOGRAPHIC PERFORMANCE ATTRIBUTION SECOND QUARTER 2019



¹Includes 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.

PERFORMANCE AND ATTRIBUTION

The International Equity Research composite gained 4.0% in the second quarter, surpassing the 3.2% gain of the MSCI All Country World ex-US Index. For the year to date, the portfolio rose 15.6% compared to the 14.0% return of the benchmark. The charts above attribute the quarter's performance by sector and region.

Stock selection drove outperformance during the quarter. By sector, Health Care contributed the most to relative performance. Swiss hearing aid manufacturer **Sonova** reported robust growth of its Marvel hearing aid, which is the first on the market that connects to both iPhones and Android devices. Investors were also cheered by the CEO Arnd Kaldowski's focus on hiring new managers and developing the sales and marketing teams. **Cochlear**, another hearing aid manufacturer, launched its new

Nucleus Profile Plus implant earlier than expected. Although the implant is only available in Germany as it awaits approval in other markets, shares rose in response to the news. Our stocks in Industrials and IT also drove outperformance.

Energy and Communication Services were the largest detractors. Oil producers **EnCana**, **Pakistan Petroleum**, and **Oil & Gas Development Company** were all hurt by low oil prices. In Communication Services, the Japanese advertising agency **Dentsu** faced strong headwinds and detracted from our relative returns. As consumers continue to shift their attention to online media, clients expect their ad agencies to provide new means to command the audience's attention. Dentsu has proven to clients that it can deliver on its promises, improving return on investment in marketing efforts. Over the past five years, it has won more new contracts than it has lost.

By region, Europe ex-EMU contributed the most to our returns. UK-based **Spirax-Sarco**, which engineers specialized steam and pump machines, reported solid revenue and profit growth for the first half of the year. Investors were also cheered by the company's confirming its full-year guidance, something that was unexpected as the economic environment is weakening globally, especially for capital goods. In Canada, poor stock selection detracted, with energy company EnCana offsetting gains from convenience store operator **Alimentation Couche-Tard**. Our holdings in Argentina, which was readmitted to the MSCI EM Index on May 28, performed well amid a broad market rally.

PERSPECTIVE AND OUTLOOK

The probability of the US entering recession in the next 18 months is rising. Threats of "trade wars" are being issued to an extent not seen since the Great Depression. Meanwhile, the stocks of the industries exhibiting the highest quality and the fastest growth, which historically have shown some resilience in downturns, have become more correlated to overall market returns, and thus may not behave in any near-term market decline as well as their holders expect.

We spend little time trying to forecast the global economy or individual economies, as we've long sided with the academic literature that finds little or no correlation between long-term compound equity returns and long-term economic growth within countries. But there is abundant evidence that recessions damage stock market returns in the short term, and that US recessions in particular are bad for global equity markets due to the linkages of international trade and capital flows. So

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 June 30, 2019 is available on page 10 of this report.

we sit up and take note when the US yield curve inverts, a harbinger of the seven US recessions over the past 50 years. The inversion reflects weakening business sentiment not only in the US but also in Europe and Japan and it does not stem from the usual source: tight monetary or fiscal policies that, intentionally or not, suppress capital formation. All central banks save the US Federal Reserve have been accommodative, and now the Fed has joined by interrupting its program of normalizing short-term interest rates. Rather, the loss of confidence results from the disruptive business models enabled by e-commerce and from the increasingly polarized political environment in the US, Europe, and Latin America. This has been exacerbated by unilateral and unpredictable US actions on international trade in goods and, more recently, intellectual property. These actions have prompted counter-measures by trading partners, disrupting global supply chains and creating uncertainty for managers making business decisions, especially relating to long-term capital investments.

We focus on the long-term prospects for companies because we have little to no ability to forecast business cycles. Thus we are more exercised by the political threats to trade than by the risk of imminent recession. A policy-induced contraction in global trade would cause deeper and longer-lasting damage to general prosperity and corporate profits than an ordinary business-cycle recession. It's been three generations since the last general trade war, hence few people alive—including, pointedly, politicians, voters, or investors—have any first-hand experience of their consequences. The last one started in 1930 when the US Congress passed the Smoot-Hawley Tariff Act. Over the next four years, other countries retaliated with “beggar-thy-neighbor” tariffs, contributing to a plunge in exports and imports by two-thirds, and greatly deepening the depression.

We are more exercised by the political threats to trade than by the risk of imminent recession.

The move to freer trade in the post-WWII era was marked by the signing by 23 nations of the General Agreement on Tariffs and Trade (GATT) in 1947. Average tariff levels at the time were about 22%. By 1994, there were 123 GATT signatories, and average tariff levels had fallen to under 5%. A year later, GATT was succeeded by the World Trade Organization (WTO), which has 164 members. We have experienced relatively free global trade for our entire adult lives, and known only a beneficial and seemingly inexorable trend toward ever-freer trade. (There have been exceptional episodes: see the commentary on page 7 for a recounting of the US battles with Japan over trade adjustment.)

Some assert that the process for lowering barriers to trade was easier when it was pursued only by economies aligned to free markets and democratic values, as opposed to the rival communist block presented by the USSR and China. But after the Soviet Union collapsed and China reformed its economy, each embraced free markets to a degree (though not yet democratic

values). Both Russia and China ultimately joined the WTO, marking what may ultimately, in hindsight, be considered the pinnacle of global free trade. At present, it seems that the former, Western champions of free trade wish to climb down from this peak. In the US, politicians encourage voters to look askance at the rising incomes of their trading partners, alleging that those gains come at their expense, through the “loss” of US jobs. The US president has suggested that his country is being “ripped off” when it imports Apple smartphones assembled in China or GM automobiles assembled in Mexico. Meanwhile, in the UK, the political die has been cast for a move toward less trade with the EU, though the extent of the diminution is still indeterminate. That England was the birthplace of David Ricardo—the economist who set out the classical theory of wealth creation through trade based on comparative advantage—is an irony beyond the grasp of the average British voter.

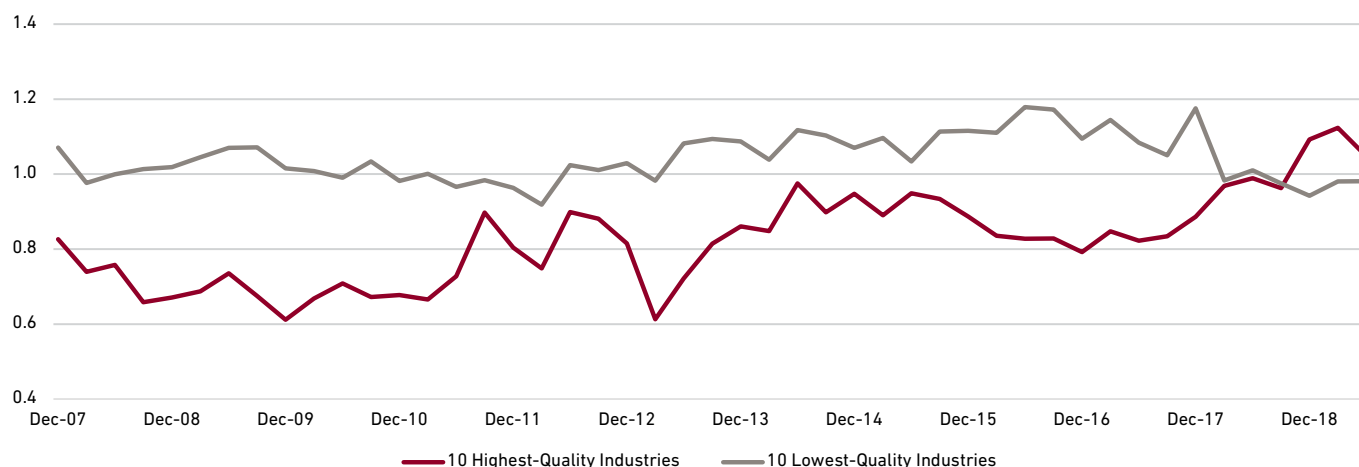
In the UK, the political die has been cast for a move toward less trade with the EU, though the extent of the diminution is still indeterminate.

Perhaps the global trading system is resilient enough to grind on despite the sand being thrown into its gears. The truce between President Trump and Chairman Xi Jinping called at the G20 sidelines may be a sign of easing tensions, or revelatory of the former's tactics and true intentions. It is also imaginable that the current inversion of US yields will prove transitory and thus alarmist; it would not be the first instance of a false-positive signal from this indicator. We can hope this is the case.

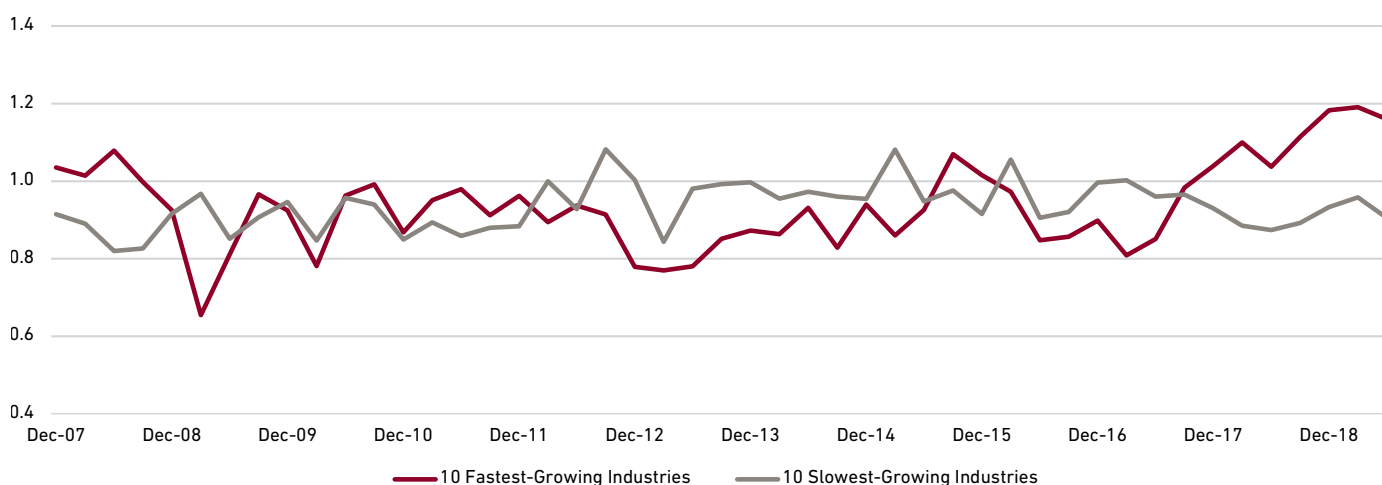
Using a long term discounted cash flow valuation model, we think global equity markets in aggregate are priced to deliver real (inflation-adjusted) returns in perpetuity of over 5%. US stocks are priced to deliver less than 4% real, while non-US stocks should deliver significantly more than 5%. A recession-led bear market in the coming year could lead to more compelling stock valuations, assuming there is no degradation to long-term profitability and growth. Bonds, by contrast, are currently priced to deliver real returns to maturity of zero or less.

Though non-US equities in aggregate appear priced to deliver respectable long-term returns, shares of the highest-quality, fastest-growing companies are more expensive than usual. This is not new, and we have commented on it often, but recently they have also become more volatile as well—more than we have seen over at least the past decade. For the first time since we've tracked quality and growth with our proprietary ranking, the average of the ten industries (out of 80 total) with the highest average quality rankings are showing up as having higher expected risk (in terms of expected market beta) than the ten industries with the lowest quality rankings. Historically, high-quality industries typically showed below-market beta. The fastest-growing industries have seen a similar trend of rising risk since 2018, and now show a significantly higher beta than the lowest-growth industries.

AVERAGE PREDICTED BETA FOR HIGHEST- AND LOWEST-QUALITY INDUSTRIES IN THE MSCI ACW EX-US INDEX



AVERAGE PREDICTED BETA FOR FASTEST- AND SLOWEST-GROWING INDUSTRIES IN THE MSCI ACW EX-US INDEX



Source: MSCI Inc., FactSet; Data as of June 30, 2019.

As we have written before, a rising valuation gap has emerged in recent years between companies that screen as above average on our quality and growth metrics and the rest of the market.

Investors crowding into the stocks of the highest-quality and fastest-growing companies to avoid exposure to the rising probability of economic downturn essentially accept that they are paying a premium to buy insurance against business recession exposure. But having driven up these stocks' relative valuations and volatility, at current levels they are just trading business risk for price risk, and perhaps more of the latter than they think.

The combination of rising valuation and rising volatility associated with quality-growth investing concerns us as we contemplate the approaching end of a business cycle. It presents us with a dilemma: should we continue to emphasize the highest-quality and fastest-growing companies, which *as businesses* should be the most resilient through a recession? Or should we emphasize companies whose businesses may be

slightly less robust but whose stock prices currently exhibit lower volatility and lower valuation, and which, therefore, might be more resilient *as stocks* in a stock market downturn?

A HISTORICAL PERSPECTIVE ON TRADE DISPUTES

by Jingyi Li and Yoko Sakai, CFA

In the second half of the twentieth century, the US was embroiled in a long-running trade dispute with Japan. A historical perspective can be useful to observers of today's trade war: it reminds us to take a long-term view and helps us not to get carried away by the present-day twists and turns.

Like today, the earlier clash stemmed from the US's massive trade deficit with Japan. Early attempts to reduce the imbalance in specific industries ended with Japanese concessions, including various voluntary export restraints on cotton textile (1956), steel (1969), synthetic fiber textiles (1971), and automobiles in the 1980s.

Over time, the goal of negotiations evolved from simply reducing the US trade deficit to addressing deep-rooted structural issues in a wide range of industries. Those talks lasted for decades. Successive US administrations tried different tactics, such as the Market-Oriented Sector-Selective talks (MOSS) under President Ronald Reagan, the Structural Impediments Initiative (SII) under President George H.W. Bush, and the US-Japan Framework for New Economic Partnership (Framework Talks) under President Bill Clinton.

During this long process, the US occasionally took draconian measures unilaterally. In 1971, for example, President Richard Nixon declared a national emergency in order to invoke the Trading with the Enemy Act against Japan, a US ally. The declaration allowed him to impose a 10% *ad valorem* supplemental duty on all dutiable imports into the US. Nixon hoped that the move would compel Japan to revalue the yen sharply, which Japan agreed to do.

As with today's dispute with China, the earlier trade dispute spread to the high-tech area. US semiconductor manufacturers blamed their loss of market share and global leadership on what they claimed were the unfair trade practices of Japanese competitors. They also denounced the Japanese government for restricting foreign companies in Japan and subsidizing local companies' R&D. US chipmakers warned that their industry was critical to the nation's overall economic and national security.

After five years of negotiations, the US and Japan reached the 1986 Semiconductor Agreement, which effectively forced Japan to give up an agreed percentage of its market to US chipmakers. Even with bilateral agreements, history shows that trade relationships can become contentious again. In 1987, President Reagan accused Japan of violating the chip agreement and imposed a 100% tariff on some Japanese-made computers, TVs, and power tools. In another development that year, a proposal by Fujitsu to acquire Fairchild Semiconductor (an industry pioneer that was by then a struggling subsidiary of French oilfield-services company Schlumberger) fell apart amid scrutiny by the Committee on Foreign Investment in the United States (CFIUS) and strong objections from the Reagan administration, which had been heavily lobbied by Silicon Valley.

Compared with the US-Japan trade disputes of the 70s and 80s, the differences between the US and China run deeper: they are rooted in separate ideologies and geopolitical interests. Although political issues such as the return of Okinawa were entangled with the US-Japan disputes, Japan was a US ally and depended on the US military to deter mutual adversaries. By contrast, China is in a stronger position than Japan to resist, even defy, US demands. It does not need the US for protection, and its economy—now the world's second largest—is two-thirds the size of the US economy. (Japan's GDP at its relative peak in the 1970s was only a third of US GDP.) The US administration sees its Chinese adversary as an existential threat, and that national security concern has triggered actions like the blocking of US companies from supplying advanced chips to technology giant Huawei.

However, China faces internal economic and political issues that weaken its bargaining position. The government seeks to develop its high-tech sector, but it cannot do that—yet—without US technology. Recent protests in Hong Kong not only explicitly take issue with the legal and political system in mainland China but also cast a shadow over the January 2020 elections in Taiwan, with which China hopes eventually to reunite. President Xi needs to stabilize the US trade relationship so that he can maintain the Chinese peoples' confidence in his reign.

Perhaps the biggest reminder from history is that trade disputes are not unusual and they last long—but eventually settle down. In recent years, trade relations between the US and Japan have grown less strained. Some of the deals helped balance the relationship, while others turned out to be ineffective. There were also unintended consequences that were impossible to predict. In the years after 1986's Semiconductor Agreement, for example, Japan lost its dominant market share in memory chips (a key focus of the deal). But that business did not return to US shores. Today, 75% of DRAMs are made by South Korean companies such as Samsung, which were not a party to, and not bound by, the bilateral agreement.

■ PORTFOLIO HIGHLIGHTS

The International Equity Research portfolio's holdings are directly determined by analysts' recommendations among Harding Loevner's collection of researched companies. In addition to responding to changes in analysts' ratings, we also adjusted individual position weights to maintain our desired risk profile (moderately lower volatility compared with the benchmark and restrained tracking error).

During this quarter, we followed analyst recommendations to buy 16 companies and sell 16, resulting in a modest increase in the number of holdings in Communication Services, Health Care, and IT compared with the first quarter. The number of investments fell slightly in the Consumer sectors, both Staples and Discretionary. The portfolio ended the second quarter with 189 holdings.

In Communication Services, all four of our new purchases (**Autohome**, **China Tower**, **Tencent**, and **Weibo**) are domiciled in China. Autohome is China's leading online platform where automotive buyers can browse for comprehensive information about cars and driving. The company claims over 90 million registered users, three times the number of Chinese car buyers each year. The audience is valuable to automakers seeking to target their advertising, while data gathered by the site can help car dealers identify future customers. New auto-related services the company is pursuing, including selling auto insurance and finance products, are providing opportunities for additional revenue growth. China Tower has a near-monopoly (97% market share) of the country's telecommunications towers, which are leased long term to telecom service providers. As data usage continues to climb, new towers are needed to support the additional traffic. Additional towers are also required for upgrading networks to fifth-generation (5G) wireless technology.

Autohome claims over 90 million registered users, three times the number of Chinese car buyers each year.

In Health Care, we shifted from an underweight to a slight overweight due to new purchases including **Alcon**, the world's largest maker of devices and equipment used in eye surgeries and a leading provider of consumer eye-care products such as contact lenses. Alcon has spent heavily in innovation and marketing since its separation from Novartis earlier this year, and our analyst believes it will realize the benefits of those investments over the next several years. The company recently launched its most advanced intraocular lens implant, in Brazil, Canada, and some Asian markets. Once the FDA approves the device, it will be the only trifocal lens on the US market. We also established a position in **WuXi AppTec**, a China-based global pharmaceutical R&D services platform. The company provides comprehensive integrated research and manufacturing services for manufacturers of chemically synthesized drugs.

In the Consumer sectors, our analysts' downgrades were concentrated in EMs. In Consumer Discretionary, we sold three Chinese companies—e-commerce giant **JD.com**, travel-services website **Ctrip.com**, and appliance manufacturer **Midea Group**—and an Indian motorcycle manufacturer, **Hero Motorcorp**. Our analyst expects Hero to face margin pressures due to the cost of meeting India's tightening emissions standards. In the cases of Midea and Ctrip, our analysts thought their stocks were expensive in light of falling demand amid China's weakening economy. In Consumer Staples, we sold **Unilever Indonesia** as the stock appeared expensive after a period of outperformance. We also sold Brazilian food retailer **Pão de Açúcar (CBD)** due to concerns over management's strategy. CBD is buying Colombian retailer **Éxito** from its French parent company Casino, a transaction that will not add value to CBD's business in our analyst's opinion.

In Industrials, our number of holdings did not change, but our weight in the sector decreased after we trimmed two relatively volatile stocks, Sweden's **Atlas Copco** and Japan's **Komatsu**.

By geography, our exposure to EMs fell, continuing a trend from the first quarter, while our exposures in Europe (both EMU and ex-EMU) and Japan went up. Half of our EM sales were of Consumer companies as discussed; we also sold Chinese employment website **51job Inc.** in Industrials, Colombian cement maker **Cementos Argos** in Materials, **Moscow Exchange** in Financials, Chinese smartphone component-maker **Sunny Optical** in IT, **Telecom Argentina** in Communication Services, and **Qatar Electricity** in Utilities.

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INTERNATIONAL EQUITY RESEARCH 25 LARGEST HOLDINGS (AS OF JUNE 30, 2019)

COMPANY	COUNTRY	SECTOR	END WT.(%)
SAP Enterprise software developer	GERMANY	INFO TECHNOLOGY	1.2
ALIMENTATION COUCHE-TARD Convenience stores operator	CANADA	CONS STAPLES	1.2
ANHEUSER-BUSCH INBEV Alcoholic beverage manufacturer	BELGIUM	CONS STAPLES	1.2
ALLIANZ Financial services and insurance provider	GERMANY	FINANCIALS	1.1
NESTLÉ Foods manufacturer	SWITZERLAND	CONS STAPLES	1.1
ROCHE Pharma and diagnostic equipment manufacturer	SWITZERLAND	HEALTH CARE	1.1
BHP Mineral miner and processor	AUSTRALIA	MATERIALS	1.1
AIA GROUP Insurance provider	HONG KONG	FINANCIALS	1.1
TATA CONSULTANCY SERVICES IT consultant	INDIA	INFO TECHNOLOGY	1.1
CANADIAN NATIONAL RAILWAY Railway operator	CANADA	INDUSTRIALS	1.0
ALCON Eye care products manufacturer	SWITZERLAND	HEALTH CARE	1.0
UNILEVER Foods and consumer products producer	UK	CONS STAPLES	1.0
ASSA ABLOY Security equipment manufacturer	SWEDEN	INDUSTRIALS	1.0
AMADEUS Global distribution systems operator	SPAIN	INFO TECHNOLOGY	1.0
OVERSEA-CHINESE BANKING CORP Financial services	SINGAPORE	FINANCIALS	1.0
SONOVA HOLDING Hearing aids manufacturer	SWITZERLAND	HEALTH CARE	1.0
ABC-MART Footwear retailer	JAPAN	CONS DISCRETIONARY	1.0
DENTSU Marketing and advertising services	JAPAN	COMM SERVICES	1.0
KUEHNE + NAGEL Transportation systems operator	SWITZERLAND	INDUSTRIALS	1.0
SHIMANO Bicycle component manufacturer	JAPAN	CONS DISCRETIONARY	1.0
ROYAL DUTCH SHELL Oil and gas producer	UK	ENERGY	1.0
CHINA MOBILE Mobile telecom services	CHINA	COMM SERVICES	1.0
UNICHARM Consumer products manufacturer	JAPAN	CONS STAPLES	1.0
DBS GROUP Commercial bank	SINGAPORE	FINANCIALS	1.0
BANCO SANTANDER Commercial bank	SPAIN	FINANCIALS	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.

2Q19 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
ADIDAS	DSCR	0.9	0.22
SAP	INFT	1.2	0.21
ESSILORLUXOTTICA	DSCR	0.9	0.17
SPIRAX-SARCO	INDU	0.7	0.16
ICTSI	INDU	0.9	0.16

2Q19 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
ENCANA	ENER	0.3	-0.10
UNICHARM	STPL	1.0	-0.09
DENTSU	COMM	0.8	-0.09
CHECK POINT	INFT	1.0	-0.09
COWAY	DSCR	0.4	-0.09

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL IER	ACWI EX-US
PROFIT MARGIN ¹ (%)	12.9	11.1
RETURN ON ASSETS ¹ (%)	8.4	5.2
RETURN ON EQUITY ¹ (%)	15.8	13.2
DEBT/EQUITY RATIO ¹ (%)	42.7	64.8
STD DEV OF 5 YEAR ROE ¹ (%)	2.7	3.4
SALES GROWTH ^{1,2} (%)	4.9	1.7
EARNINGS GROWTH ^{1,2} (%)	9.0	7.7
CASH FLOW GROWTH ^{1,2} (%)	8.0	6.0
DIVIDEND GROWTH ^{1,2} (%)	7.1	4.8
SIZE & TURNOVER	HL IER	ACWI EX-US
WTD MEDIAN MKT CAP (US \$B)	18.9	35.6
WTD AVG MKT CAP (US \$B)	45.6	70.8
TURNOVER ³ (ANNUAL %)	43.5	—

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
ICTSI	INDU	0.7	0.53
ALIMENTATION COUCHE-TARD	STPL	1.0	0.40
NESTLÉ	STPL	0.9	0.32
ROCHE	HLTH	1.1	0.31
ADIDAS	DSCR	0.8	0.29

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
HOSHIZAKI	INDU	0.5	-0.59
ASOS	DSCR	0.1	-0.40
BAYER	HLTH	0.5	-0.38
ENCANA	ENER	0.4	-0.37
BANKINTER	FINA	0.9	-0.31

RISK & VALUATION	HL IER	ACWI EX-US
ALPHA ⁴ (%)	1.41	—
BETA ⁴	0.98	—
R-SQUARED ⁴	0.95	—
ACTIVE SHARE ³ (%)	82	—
STANDARD DEVIATION ⁴ (%)	11.22	11.24
SHARPE RATIO ⁴	0.87	0.76
TRACKING ERROR ⁴ (%)	2.4	—
INFORMATION RATIO ⁴	0.53	—
UP/DOWN CAPTURE ⁴	101/93	—
PRICE/EARNINGS ⁵	18.6	14.6
PRICE/CASH FLOW ⁵	13.6	8.8
PRICE/BOOK ⁵	2.5	1.6
DIVIDEND YIELD ⁶ (%)	2.3	3.1

¹Weighted median; ²Trailing five years, annualized; ³Three-year average; ⁴Trailing three years annualized; ⁵Weighted harmonic mean; ⁶Weighted mean. Source: FactSet (Run date: July 4, 2019); 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 JUNE 30, 2019)

	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 (%)
2019 YTD ⁵	15.61	15.20	14.00	14.49	11.22	11.24	10.92	N.A. ⁶	1	12	0.02
2018	-12.08	-12.74	-13.78	-13.36	11.45	11.40	11.27	N.M. ⁷	1	10	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

¹Benchmark Index; ²Supplemental Index; ³Variability of the Composite and the Index returns over the preceding 36-month period, annualized; ⁴Asset-weighted standard deviation (gross of fees); ⁵The 2019 YTD performance returns and assets shown are preliminary; ⁶N.A.—Internal dispersion less than a 12-month period; ⁷N.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 March 31, 2019.

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