HARDING LOEVNER

INTERNATIONAL EQUITY RESEARCH

2019 Year End Report

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

	3 MONTHS	1 YEAR	3 YEARS[2]	SINCE INCEPTION[2,3]
HL INTL EQUITY RESEARCH (GROSS OF FEES)	8.95	24.06	12.52	11.64
HL INTL EQUITY RESEARCH (NET OF FEES)	8.76	23.20	11.70	10.83
MSCI ALL COUNTRY WORLD EX-US INDEX[4,5]	8.99	22.13	10.40	9.02
MSCI EAFE INDEX[5,6]	8.21	22.66	10.11	7.89

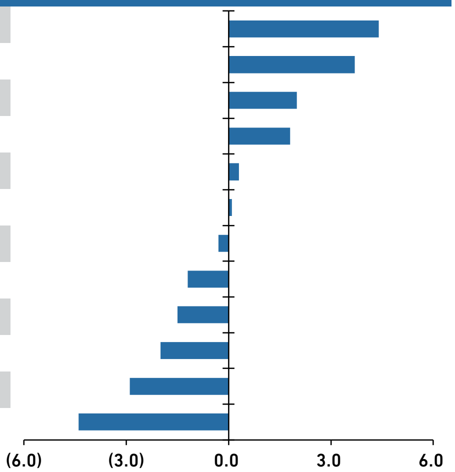
[1]The Composite performance returns shown are preliminary; [2]Annualized returns; [3]Inception Date: December 31, 2015; [4]The Benchmark Index; [5]Gross of withholding taxes; [6]Supplemental Index.

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	13.8	9.4
INDUSTRIALS	15.7	12.0
CONS DISCRETIONARY	13.8	11.8
CASH	1.8	—
HEALTH CARE	9.2	8.9
INFO TECHNOLOGY	9.4	9.3
MATERIALS	7.1	7.4
COMM SERVICES	5.5	6.7
REAL ESTATE	1.7	3.2
UTILITIES	1.4	3.4
ENERGY	3.6	6.5
FINANCIALS	17.0	21.4

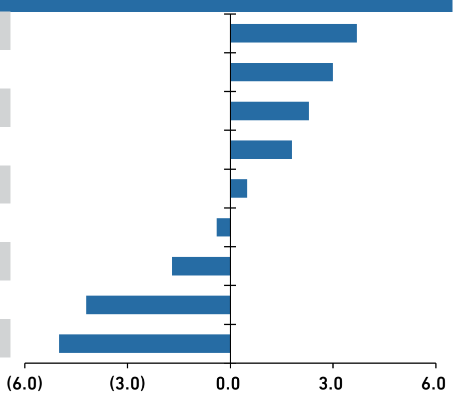
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL IER	ACWI EX-US
EMERGING MARKETS	31.2	27.5
EUROPE EX-EMU	23.4	20.4
JAPAN	18.4	16.1
CASH	1.8	—
FRONTIER MARKETS[7]	0.5	—
MIDDLE EAST	0.0	0.4
PACIFIC EX-JAPAN	6.1	7.8
CANADA	2.5	6.7
EUROPE EMU	16.1	21.1

(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.

WHAT'S INSIDE

Market Review ›

International equity markets rose in the quarter as fears of a recession faded. All sectors and regions finished in positive territory for both the quarter and the year.

Performance and Attribution ›

Sources of relative return by region and sector.

Perspective and Outlook ›

As investors chase yield, they have pursued "low volatility" equity strategies. We take a keen interest in this phenomenon because it competes with us for the high-quality companies in which we invest.

Portfolio Highlights ›

Our purchases this quarter included seven companies in the Consumer Discretionary sector.

Portfolio Holdings ›

At the end of the year, our portfolio is most overweight Industrials and Consumer Staples, while most underweight Financials and Energy.

Portfolio Facts ›

Contributors, detractors, and characteristics.

ONLINE SUPPLEMENTS

Watch the Intl Equity Research Quarterly Review

View other reports at hardingloevner.com/library

This page intentionally left blank.

MARKET REVIEW

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

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

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

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

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

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

MARKET PERFORMANCE (USD %)

MARKET	4Q 2019	TRAILING 12 MONTHS
CANADA	5.1	28.5
EMERGING MARKETS	11.9	19.0
EUROPE EMU	8.2	24.2
EUROPE EX-EMU	9.6	25.0
JAPAN	7.7	20.1
MIDDLE EAST	7.4	9.9
PACIFIC EX-JAPAN	5.8	18.5
MSCI ACW EX-US INDEX	9.0	22.1

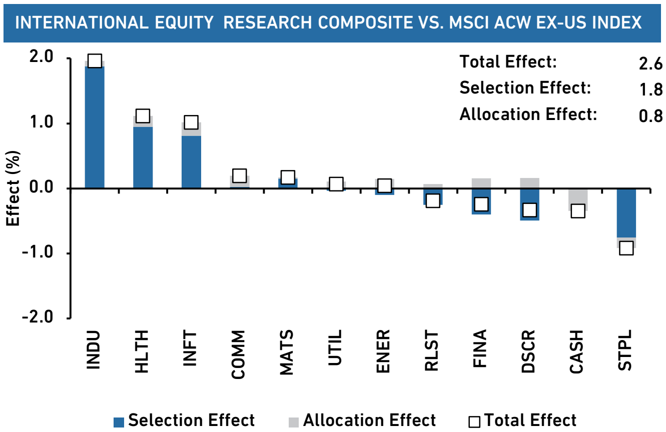
SECTOR PERFORMANCE (USD %)
OF THE MSCI ACW EX-US INDEX

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

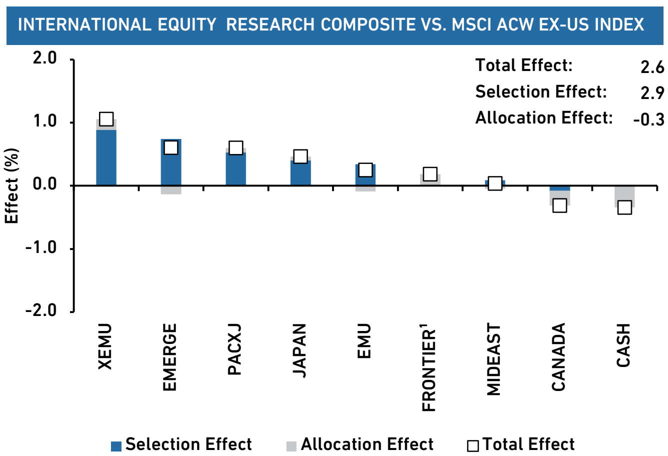
Source: FactSet (as of December 31, 2019); MSCI Inc. and S&P.

Despite the rebound in equity markets, there were signs of fragility in financial markets. In the US, spiking overnight interest rates in the collateralized lending market necessitated emergency intervention from the Fed in September. Meanwhile, President Donald Trump opened new fronts in the trade war by ordering new tariffs on steel and aluminum from Brazil and Argentina to counter "massive devaluation of their currencies." His administration also threatened tariffs on French agricultural and consumer products in retaliation for France's digital services tax aimed at Google, Apple, Amazon.com, and Facebook. In China, a shrinking current account surplus tightened monetary conditions domestically, threatening to undo policy easing. Chinese regulators, meanwhile, must still grapple with the hangover from reckless local government borrowing unleashed during the massive stimulus a decade ago. In May, the government seized control of Baoshang Bank, the first such takeover in more than 20 years, and later engineered bailouts for two other small provincial commercial banks. Central bankers in Japan and the eurozone, fearing an eventual downturn in their domestic economies, fretted about the limits of mone-

SECTOR PERFORMANCE ATTRIBUTION
TRAILING 12 MONTHS



GEOGRAPHIC PERFORMANCE ATTRIBUTION
TRAILING 12 MONTHS



[1]Includes countries with lessd-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.

tary policy and called for greater fiscal stimulus—rare behavior for the guardians of financial probity.

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

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

PERFORMANCE AND ATTRIBUTION

The International Equity Research composite rose 8.9% in the quarter, trailing the index's 9.0% gain. For the year, the portfolio rose 24.1% compared with its benchmark's 22.1% return. The charts to the left attribute the year's performance by sector and region.

In the quarter, our strong stock selection in Industrials was the largest contributor to our relative returns. Shares of Brazilian electric motor manufacturer **WEG** rose after the company reported stronger-than-expected third-quarter results. UK-based **HomeServe**, a home-repair provider, posted steady revenue and profit growth as its existing customers upgraded their service contracts. The company also reported customer gains in North America and France.

Our poor stock selection in the consumer sectors detracted, as did our overweight to poorly performing Consumer Staples. **Compass Group**, a British food service company, reported strong revenue growth in September but warned that economic weakness in Europe could hurt its margins in the near term. **Anheuser-Busch InBev**, a Belgium-based brewer, announced poor third-quarter results due to low volume growth in China, Brazil, South Korea, and the US. The company also lowered its profit guidance for the remainder of 2019.

By geography, our EM stocks did not keep pace with the overall performance of the region. **ITC Limited**, an Indian conglomerate with interests in tobacco, food, and personal care products, reported increased sales, but its shares fell out of concern that demand for its products could be affected by increasing excise taxes. Our allocations to China and Taiwan also hurt. Chinese e-commerce giant Alibaba and Taiwanese chip foundry **TSMC** performed strongly but dragged on our relative returns nonetheless as their weights in our portfolio are lower than in the benchmark. Shares of Mexican bread maker **Grupo Bimbo** fell as a slowdown in the Mexican economy dragged on growth.

Companies held in the portfolio during the year appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A list of the 25 largest holdings at December 31, 2019 is available on page 9 of this report.

For the full year, our strong stocks in IT and overweight to the top-performing sector contributed to our relative performance. One of our best IT companies was Japan's **Nomura Research Institute**, an IT systems integrator for financial companies. The company has benefited as Japanese firms invest in technology to combat labor shortages and stay competitive. By region, our strong stock selection in Europe (inside and outside the monetary union) and EMs contributed, while our underweight to Canada detracted. Our modest cash reserves also detracted.

PERSPECTIVE AND OUTLOOK

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

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

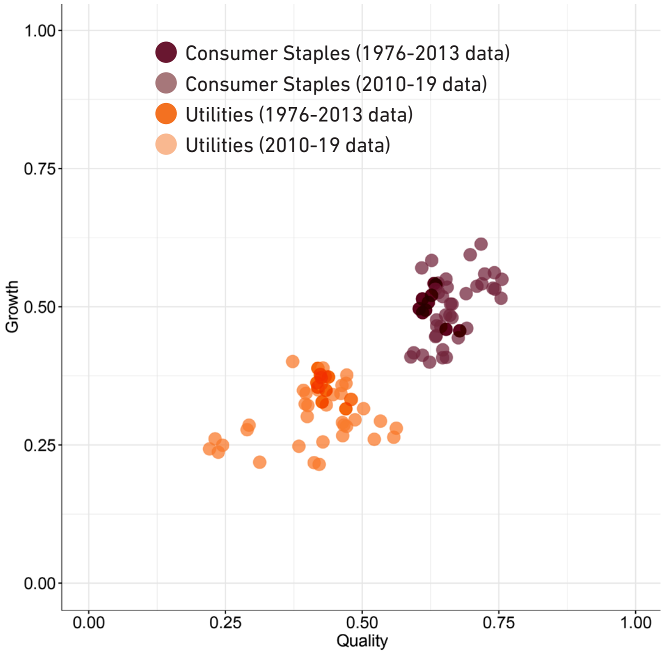
Denied the prospect of positive yields (and perhaps only dimly recognizing the dreadful negative real yields, after inflation), investors are reaching for current investment income in every manner possible. This has been a bonanza for thinly capitalized issuers of speculative debt, who are on target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

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

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

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

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



Source: Harding Loevner, HOLT database.

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

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

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

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

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

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

PORTFOLIO HIGHLIGHTS

The 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 the analysts' ratings, we also adjust individual position weights periodically to maintain our desired risk profile (moderately below-market volatility and moderate tracking error).

During this quarter, our analysts recommended buying ten companies and selling eleven, resulting in a modest increase in the number of holdings in Industrials and a modest decrease in Financials. The portfolio ended the year with 191 holdings. The portfolio's Industrials weight increased by two percentage points, in part due to three purchases during the quarter: Chinese express delivery company **ZTO Express**, Swedish debt collector **Intrum Justitia**, and Panama-based airline operator **Copa Holdings**. ZTO provides express delivery and other logistics services to over 98% of China's prefectures and cities. With over 30,000 pickup and delivery outlets, ZTO is the largest delivery company in China by volume. Our analyst believes that ZTO's low cost structure and reputation for high-quality service will allow it to continue to gain market share. In 2018, the company delivered 8.5 billion parcels in China, an increase of nearly 40% over the previous year. Our Materials exposure also increased as we added to two existing holdings: Anglo-Australian mining giant **Rio Tinto** and Denmark-based food additive supplier **Chr. Hansen**. Our weight to Health Care also grew, the result of the sector's outperformance.

Our weight in the consumer sectors and IT fell during the quarter. In Consumer Discretionary, we sold South Korea's **Hankook Tire** after prosecutors charged its CEO with taking bribes and embezzling corporate funds. Our analyst immediately "unrated" (disqualified for investment) the company for violating our corporate governance standards. We also trimmed our holdings in Chinese educational tutoring company **New Oriental Education** and Japanese home-furnishing retailer **NITORI**. Our reduced IT weight was a result of several trims, including semiconductor equipment manufacturer **ASM Pacific Technology**, IT systems integrator Nomura Research Institute, and Japanese software company **Infomart**. We also sold Argentine technology services consultant **Globant**, after its shares grew too expensive in our analyst's view.

At the end of the year, our portfolio is most overweight Consumer Staples and Industrials, while most underweight Financials and Energy.

By region, our exposure to Japan increased during the quarter, while our weight to EMs and Europe ex-EMU fell. In Japan, we bought pharmaceuticals manufacturer **Shionogi**. The company, best known for the cholesterol-lowering drug Crestor, has recently reported progress in developing combination therapies that reduce the viral load in HIV-positive patients. In EMs, we exited three positions due to high valuations: Egypt's **Commercial International Bank**, Russia's **Novatek**, and Globant. We also sold **Security Bank** of the Philippines due to the deterioration of assets in its retail business. In Europe ex-EMU, excessive valuations prompted our sales of Swiss hearing-aid manufacturer **Sonova Holding** and Danish medical device manufacturer **Coloplast**.

At the end of 2019, our portfolio was most overweight to EMs and Europe ex-EMU, while most underweight to the eurozone and Canada.

This page intentionally left blank.

INTERNATIONAL EQUITY RESEARCH 25 LARGEST HOLDINGS (AS OF DECEMBER 31, 2019)

COMPANY	COUNTRY	SECTOR	END WT.(%)
ROCHE Pharma and diagnostic equipment manufacturer	SWITZERLAND	HEALTH CARE	1.2
HOMESERVE Emergency repair services	UK	INDUSTRIALS	1.1
RIO TINTO Mineral miner and processor	UK	MATERIALS	1.1
ASML Semiconductor equipment manufacturer	NETHERLANDS	INFO TECHNOLOGY	1.1
BUMRUNGRAD HOSPITAL Hospital operator	THAILAND	HEALTH CARE	1.1
ALLIANZ Financial services and insurance provider	GERMANY	FINANCIALS	1.1
KUEHNE + NAGEL Transportation systems operator	SWITZERLAND	INDUSTRIALS	1.0
QATAR NATIONAL BANK Commercial Bank	QATAR	FINANCIALS	1.0
UNICHARM Consumer products manufacturer	JAPAN	CONS STAPLES	1.0
SHIONOGI Pharma manufacturer	JAPAN	HEALTH CARE	1.0
RUBIS Liquid chemical storage and distribution	FRANCE	UTILITIES	1.0
KAO Consumer products manufacturer	JAPAN	CONS STAPLES	1.0
ESSILORLUXOTTICA Eyewear manufacturer and retailer	FRANCE	CONS DISCRETIONARY	1.0
SHIMANO Bicycle component manufacturer	JAPAN	CONS DISCRETIONARY	1.0
BANCO SANTANDER Commercial bank	SPAIN	FINANCIALS	1.0
ABC-MART Footwear retailer	JAPAN	CONS DISCRETIONARY	1.0
AMADEUS Global distribution systems operator	SPAIN	INFO TECHNOLOGY	1.0
AIA GROUP Insurance provider	HONG KONG	FINANCIALS	1.0
COMPASS GROUP Contract food services	UK	CONS DISCRETIONARY	1.0
NITORI Home-furnishings retailer	JAPAN	CONS DISCRETIONARY	1.0
CANADIAN NATIONAL RAILWAY Railway operator	CANADA	INDUSTRIALS	1.0
AIR LIQUIDE Industrial gases producer	FRANCE	MATERIALS	1.0
BANKINTER Commercial Bank	SPAIN	FINANCIALS	0.9
ALIMENTATION COUCHE-TARD Convenience stores operator	CANADA	CONS STAPLES	0.9
BHP Mineral miner and processor	AUSTRALIA	MATERIALS	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.

4Q19 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
ASML	INFT	1.0	0.20
FUCHS PETROLUB	MATS	0.8	0.19
RIO TINTO	MATS	1.0	0.19
DIPLOMA	INDU	0.6	0.18
HOMESERVE	INDU	1.1	0.16

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
ASML	INFT	0.9	0.64
NOMURA RESEARCH INSTITUTE	INFT	1.0	0.64
ADIDAS	DSCR	0.9	0.43
BBA AVIATION	INDU	0.8	0.42
SAP	INFT	1.0	0.39

4Q19 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
ANHEUSER-BUSCH INBEV	STPL	0.9	-0.14
EMAAR PROPERTIES	RLST	0.5	-0.07
PIGEON	STPL	0.6	-0.06
ITC LIMITED	STPL	0.5	-0.05
BANCO SANTANDER	FINA	0.1	-0.04

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
LOMA NEGRA	MATS	0.1	-0.16
BANCO SANTANDER	FINA	0.7	-0.13
DENTSU	COMM	0.9	-0.13
HANKOOK TIRE	DSCR	0.4	-0.11
PAKISTAN PETROLEUM	ENER	0.1	-0.10

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL IER	ACWI EX-US
PROFIT MARGIN[1] (%)	11.6	11.1
RETURN ON ASSETS[1] (%)	8.8	5.4
RETURN ON EQUITY[1] (%)	15.8	13.3
DEBT/EQUITY RATIO[1] (%)	46.4	61.8
STD DEV OF 5 YEAR ROE[1] (%)	2.3	2.9
SALES GROWTH[1,2] (%)	4.2	1.9
EARNINGS GROWTH[1,2] (%)	9.7	7.8
CASH FLOW GROWTH[1,2] (%)	8.7	6.4
DIVIDEND GROWTH[1,2] (%)	8.1	5.6
SIZE & TURNOVER	**HL IER**	**ACWI EX-US**
WTD MEDIAN MKT CAP (US $B)	20.2	38.2
WTD AVG MKT CAP (US $B)	44.5	79.0
TURNOVER[3] (ANNUAL %)	44.7	—

RISK & VALUATION	HL IER	ACWI EX-US
ALPHA[4] (%)	2.26	—
BETA[4]	0.97	—
R-SQUARED[4]	0.96	—
ACTIVE SHARE[3] (%)	82	—
STANDARD DEVIATION[4] (%)	11.19	11.33
SHARPE RATIO[4]	0.97	0.77
TRACKING ERROR[4] (%)	2.3	—
INFORMATION RATIO[4]	0.93	—
UP/DOWN CAPTURE[4]	102/89	—
PRICE/EARNINGS[5]	19.4	15.6
PRICE/CASH FLOW[5]	14.1	9.2
PRICE/BOOK[5]	2.6	1.7
DIVIDEND YIELD[6] (%)	2.4	3.1

[1]Weighted median; [2]Trailing five years, annualized; [3]Three-year average; [4]Trailing three years annualized; [5]Weighted harmonic mean; [6]Weighted mean. Source: FactSet (Run date: January 7, 2020); 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 DECEMBER 31, 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[5]	24.06	23.20	22.13	22.66	11.18	11.33	10.8	N.M.[6]	1	20	0.03
2018	-12.08	-12.74	-13.78	-13.36	11.45	11.40	11.27	N.M.	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

[1]Benchmark Index; [2]Supplemental Index; [3]Variability of the Composite and the Index returns over the preceding 36-month period, annualized; [4]Asset-weighted standard deviation (gross of fees); [5]The 2019 performance returns and assets shown are preliminary; [6]N.M.-Information is not statistically significant due to an insufficient number of portfolios in the composte 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 48 developed and emerging market countries. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The Index consists of 21 developed market countries. You cannot invest directly in these Indices.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Harding Loevner has been independently verified for the period November 1, 1989 through September 30, 2019.

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

This page intentionally left blank.