

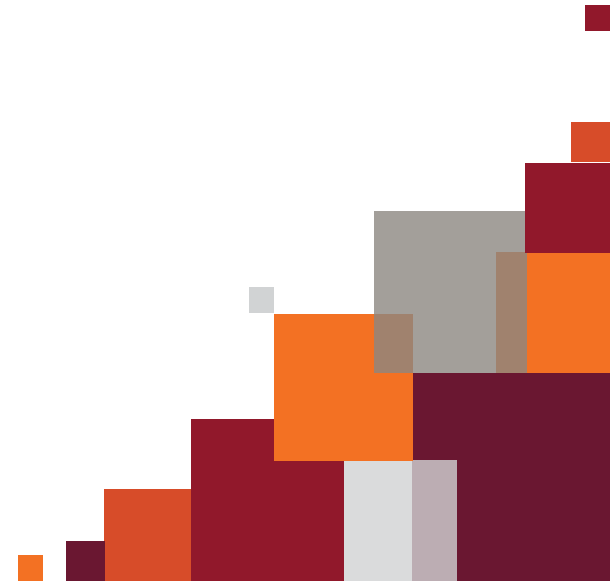


HARDING  
LOEVNER

Fundamental. Thinking. Worldwide.

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International Small Companies Review | Fourth Quarter 2018



# Composite Performance

As of December 31, 2018

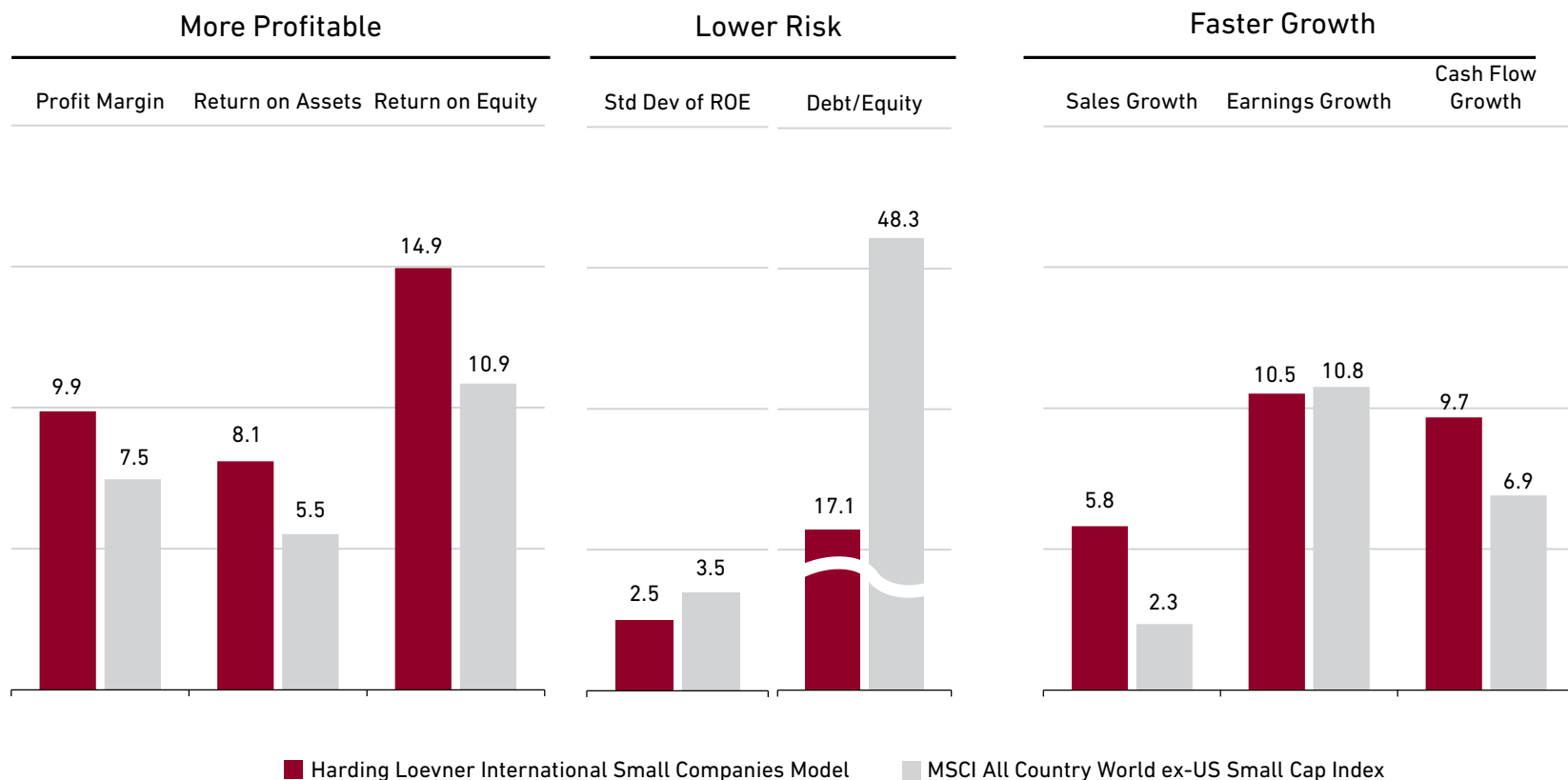
## Performance (% Total Return)

	3 Months	1 Year	3 Years <sup>1</sup>	5 Years <sup>1</sup>	10 Years <sup>1</sup>	Since Inception <sup>1,2</sup>
HL Intl Small Cos. (gross of fees)	-16.53	-16.39	5.06	3.73	14.22	7.42
HL Intl Small Cos. (net of fees)	-16.78	-17.34	3.99	2.65	12.98	6.25
MSCI ACW ex-US Small Cap Index <sup>3,4</sup>	-14.38	-17.89	4.20	2.32	10.40	3.41

<sup>1</sup>Annualized Returns; <sup>2</sup>Inception date: December 31, 2006; <sup>3</sup>The Benchmark Index; <sup>4</sup>Gross of withholding taxes. The International Small Companies Composite contains fully discretionary, fee-paying accounts investing primarily in non-US equity and equity-equivalent securities of companies with market capitalizations that fall within the range of the Composite's Benchmark Index and cash reserves. For comparison purposes, the Composite is measured against the MSCI All Country World ex-US Small Cap Total Return Index (Gross). 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. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through September 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. The International Small Companies Composite has been examined for the periods January 1, 2007 through September 30, 2018. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of International Small Companies Composite, please contact Harding Loevner at 908-218-7900 or visit [www.hardingloevner.com](http://www.hardingloevner.com). The firm maintains a complete list and description of composites, which is available upon request. Please read the disclosures on the last page, which are an integral part of this presentation.

# Quality-Growth Investment Philosophy

As of December 31, 2018

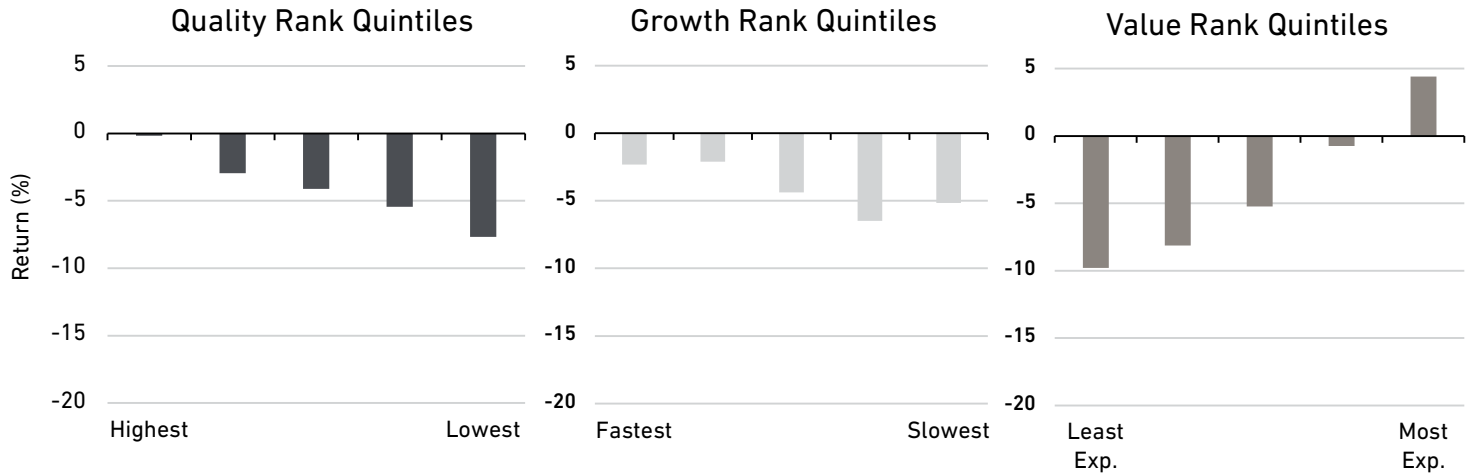


Source: FactSet. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are presented as weighted medians. Please read the disclosures on the last page, which are an integral part of this presentation.

# MSCI ACW ex-US Small Cap Index Total Returns by Quality, Growth, and Value Rank

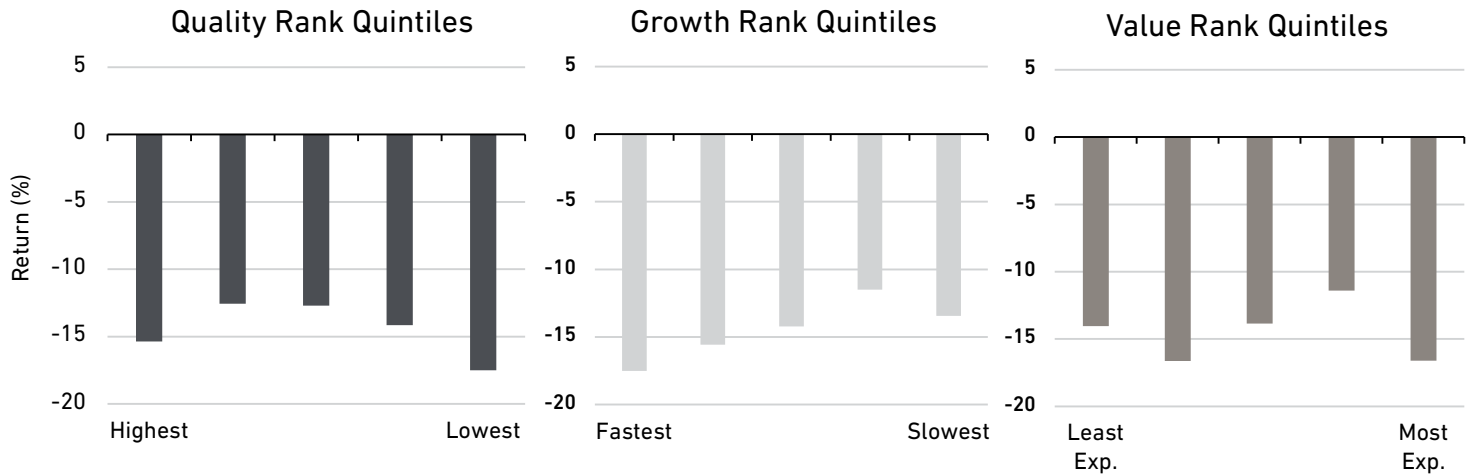
## 3Q18 YTD

Expensive, fast growing high quality outperforms.

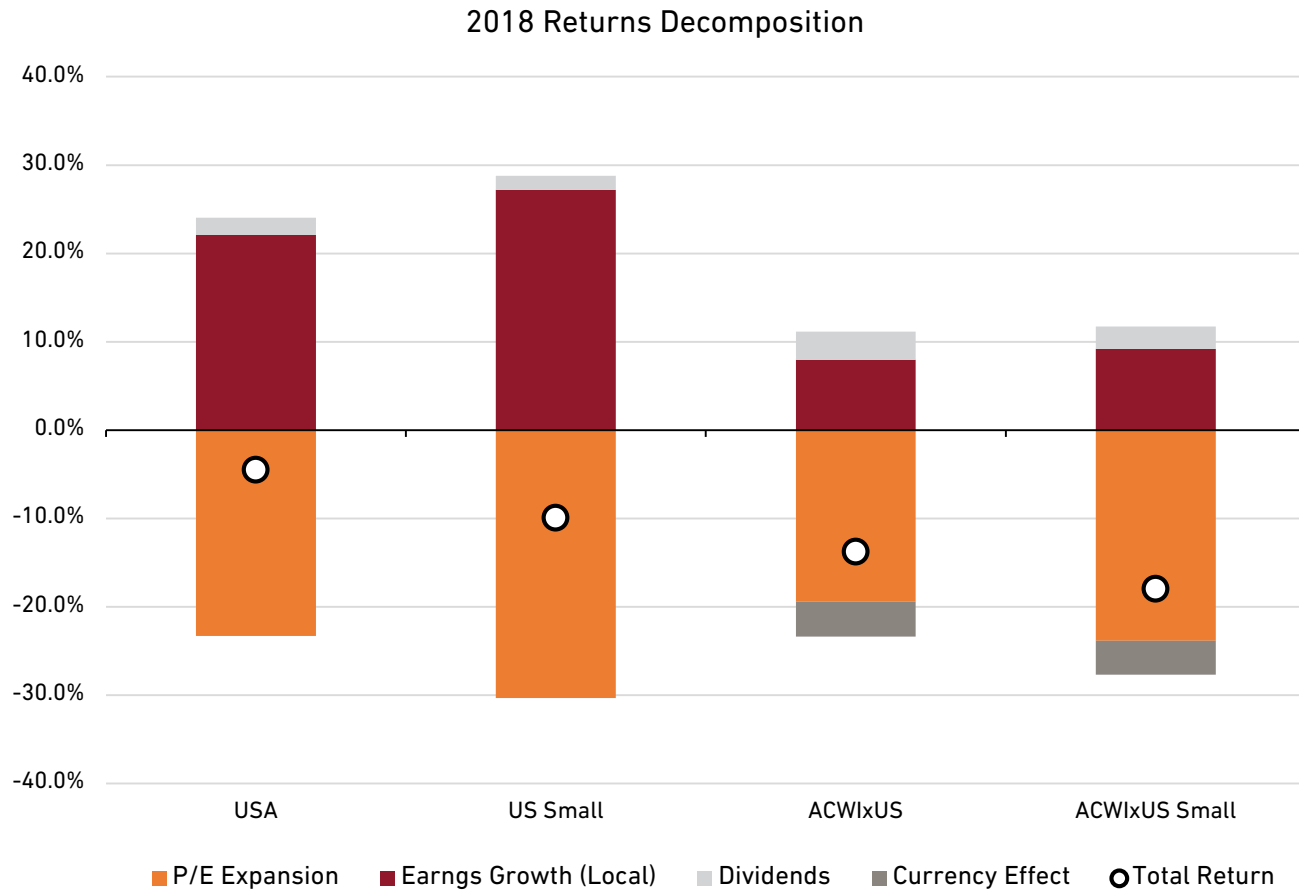


## 4Q18

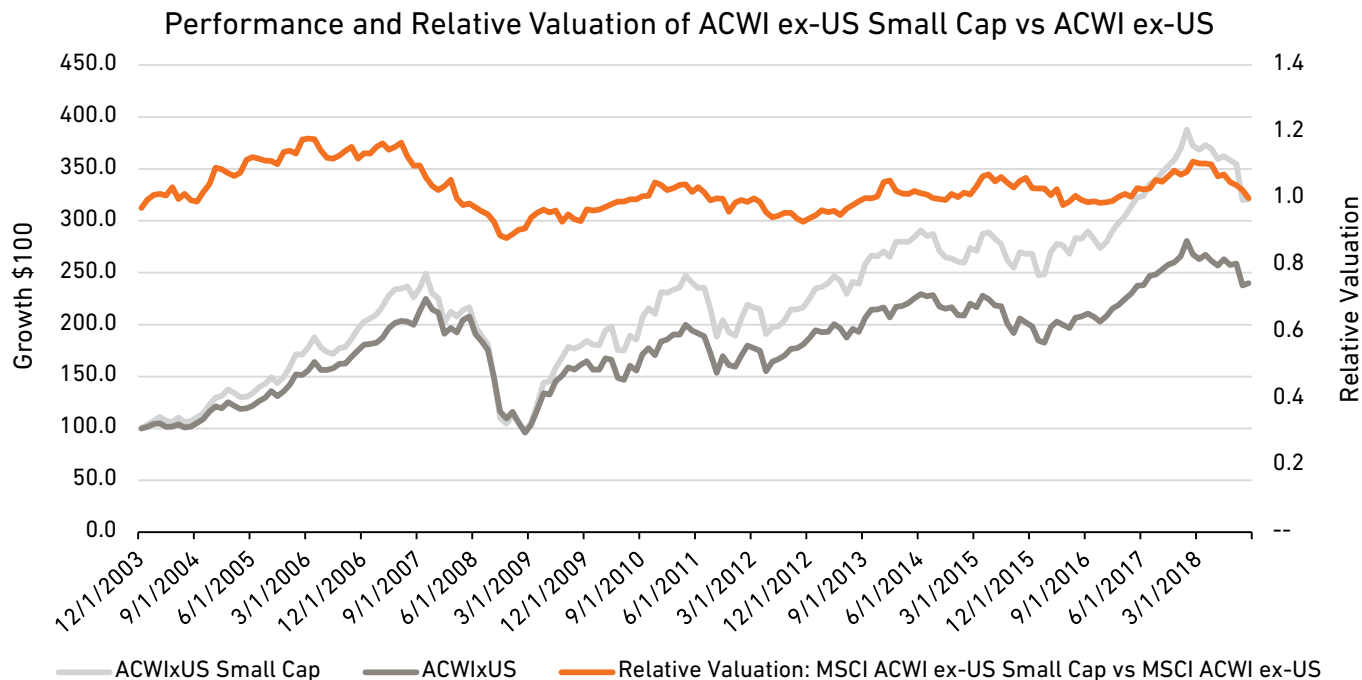
Fast growth underperforms.



# 2018 Returns Decomposition



# Relative Valuations



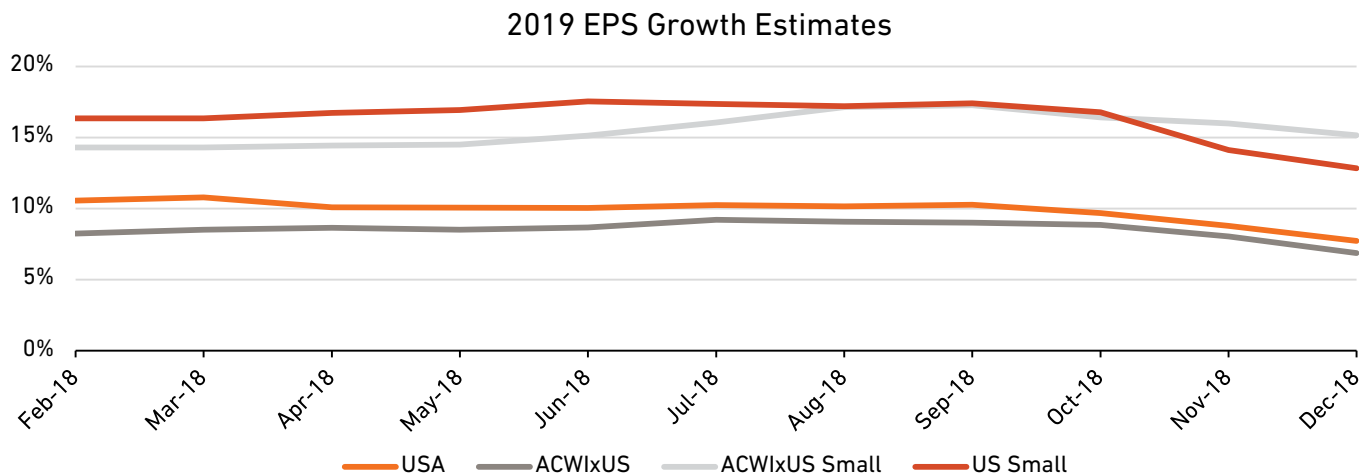
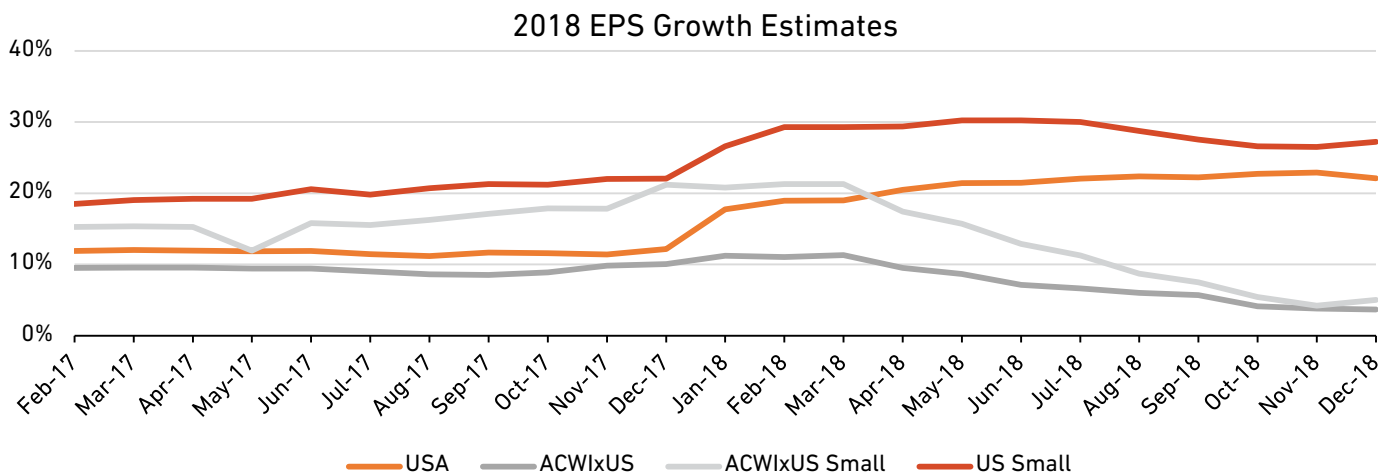
## Valuations as of 12/31/2018

	P/E	P/B	P/CF
HL Intl Small Cos	18.4	2.5	13.1
MSCI ACWI ex-US Small Cap	13.0	1.3	8.2
MSCI ACWI ex-US	12.1	1.5	7.9
MSCI US Small Cap Index	15.3	1.9	9.2

Source: FactSet. Data as of December 31, 2018. Data is equally-weighted composite of relative P/E, P/B, and P/CF multiples. Please read the disclosures on the last page, which are an integral part of this presentation.

# EPS Estimates

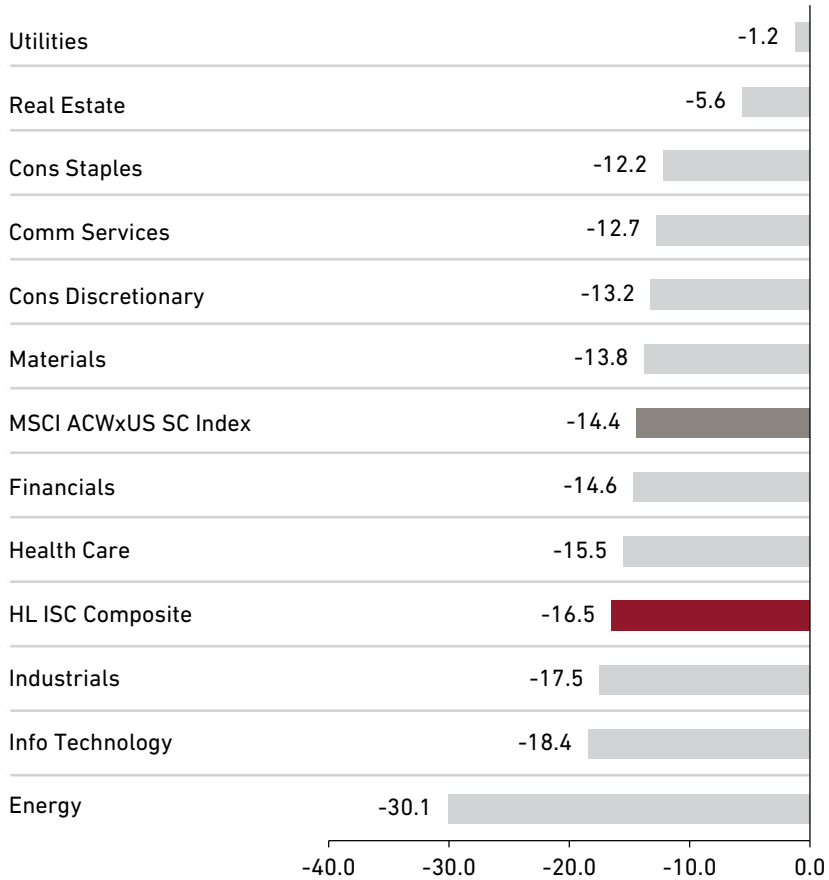
## 2018 vs 2019



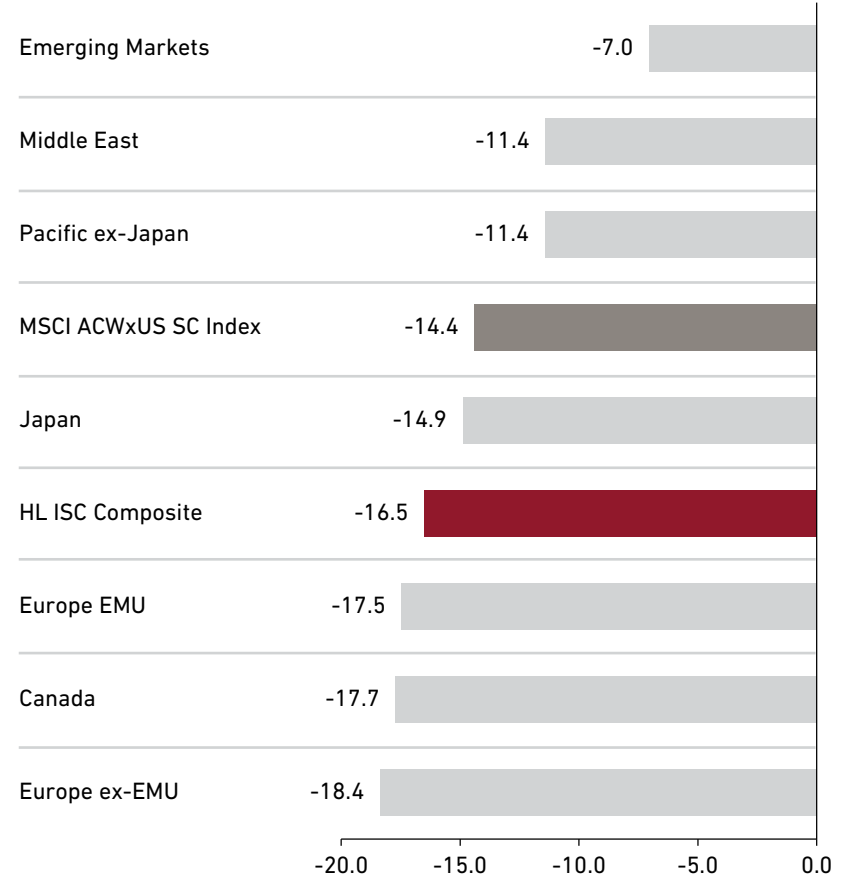
# Benchmark Sector/Region Returns

## Fourth Quarter

Sector Total Return (%)



Region Total Return (%)



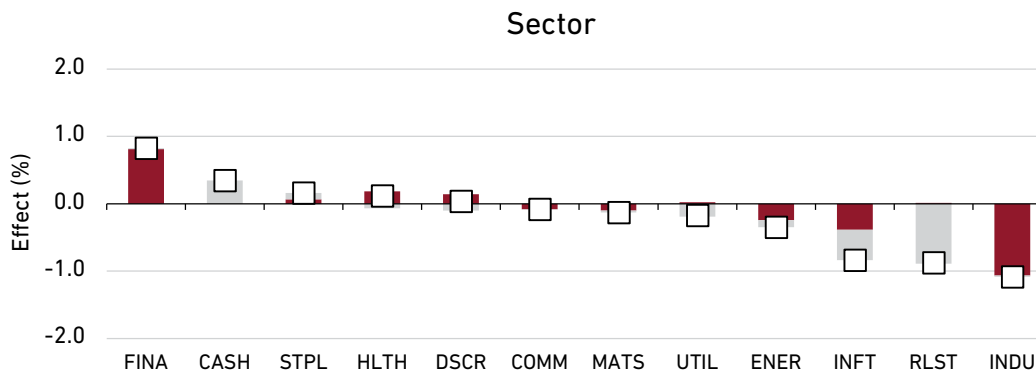
Source: FactSet; Data as of December 31, 2018. Past performance does not guarantee future results. Please read the disclosures on the last page, which are an integral part of this presentation.



# Performance Attribution: Composite vs Benchmark

## Fourth Quarter

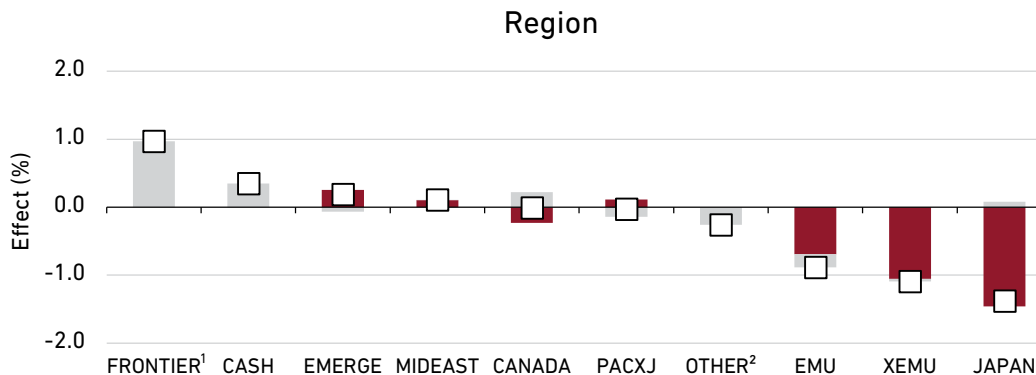
Total Effect: -2.0  
 Selection Effect: -0.6  
 Allocation Effect: -1.4



### Top Five Contributors to Absolute Returns

- Max Financial
- Loma Negra
- Agthia
- Jarir Marketing
- ICTSI

Total Effect: -2.0  
 Selection Effect: -3.0  
 Allocation Effect: 1.0



### Top Five Detractors from Absolute Returns

- Nostrum Oil & Gas
- Ariake
- Senior
- Reply
- Abcam

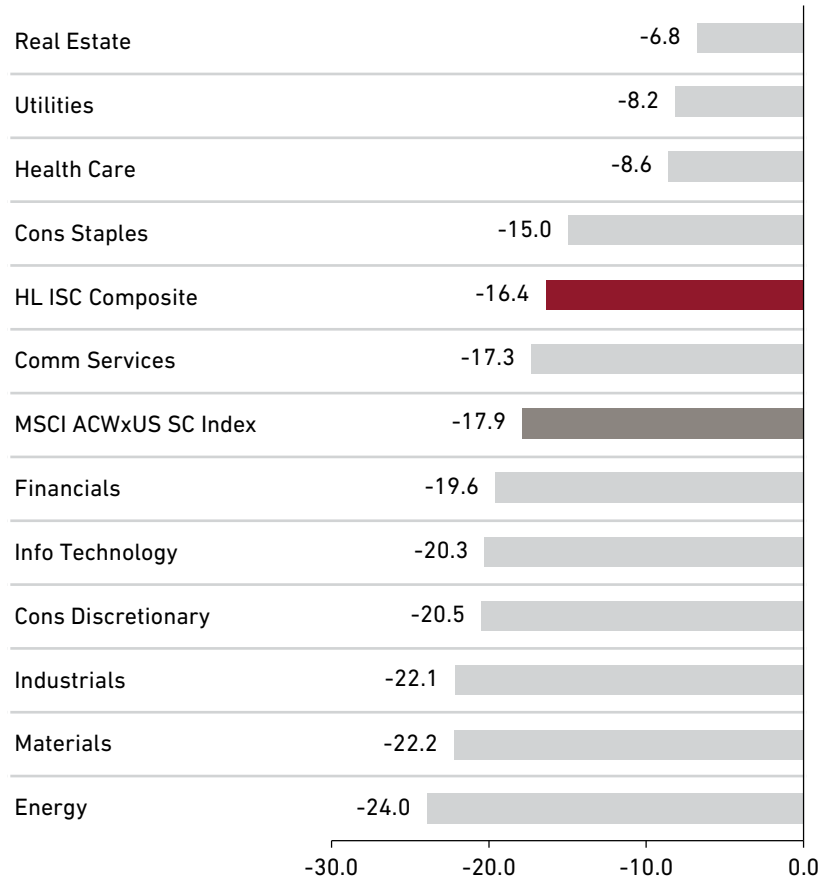
■ Selection Effect    ■ Allocation Effect    □ Total Effect

<sup>1</sup>Includes countries with less-developed markets outside the Index; <sup>2</sup>Includes companies classified in countries outside the Index. "Composite": International Small Companies Composite. "Benchmark": MSCI All Country World ex-US Small Cap Index. Past performance does not guarantee future results. Sector and Region Attribution and Contributors and Detractors are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and contribution of all holdings during the quarter. 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. Please read the disclosures on the last page, which are an integral part of this presentation.

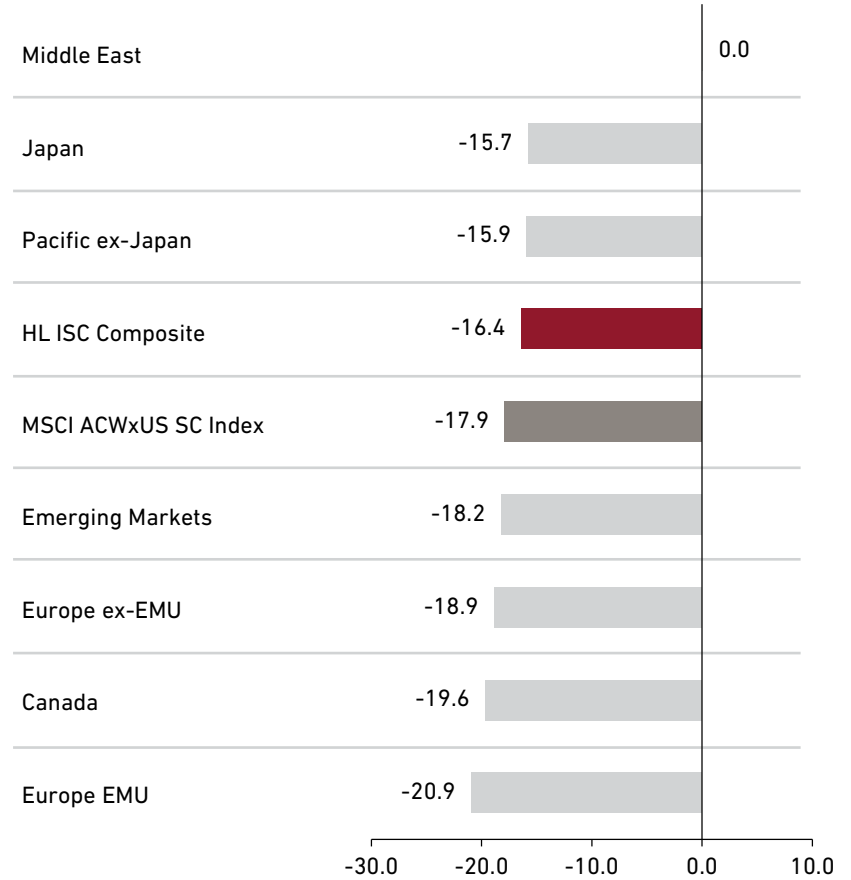
# Benchmark Sector/Region Returns

Trailing 12 Months

Sector Total Return (%)



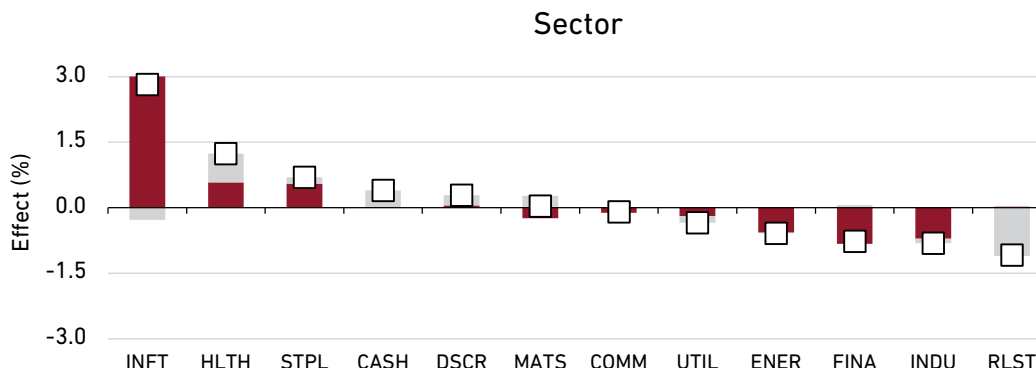
Region Total Return (%)



# Performance Attribution: Composite vs Benchmark

Trailing 12 Months

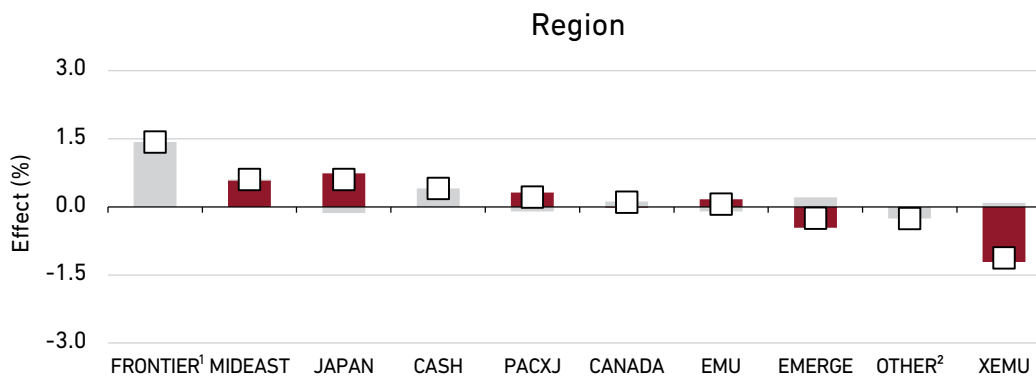
Total Effect: 1.8  
 Selection Effect: 1.7  
 Allocation Effect: 0.1



## Top Five Contributors to Absolute Returns

- Infomart
- Cyberark
- Carl Zeiss Meditec
- TOMRA
- Vitasoy

Total Effect: 1.8  
 Selection Effect: 0.1  
 Allocation Effect: 1.7



## Top Five Detractors from Absolute Returns

- Nostrum Oil & Gas
- LISI
- Senior
- RIB Software
- Arcadis

■ Selection Effect    ■ Allocation Effect    □ Total Effect

<sup>1</sup>Includes countries with less-developed markets outside the Index; <sup>2</sup>Includes companies classified in countries outside the Index. "Composite": International Small Companies Composite. "Benchmark": MSCI All Country World ex-US Small Cap Index. Past performance does not guarantee future results. Sector and Region Attribution and Contributors and Detractors are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and contribution of all holdings during the period. 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. Data is not annualized. Please read the disclosures on the last page, which are an integral part of this presentation.

# Completed Portfolio Transactions

## Fourth Quarter

### Positions Established

Company	Country	Sector
Bharti Infratel	India	Comm Services
Chargeurs	France	Cons Discretionary
Nihon M&A Center Inc.	Japan	Industrials
Thule Group	Sweden	Cons Discretionary
VAT Group	Switzerland	Industrials

### Positions Sold

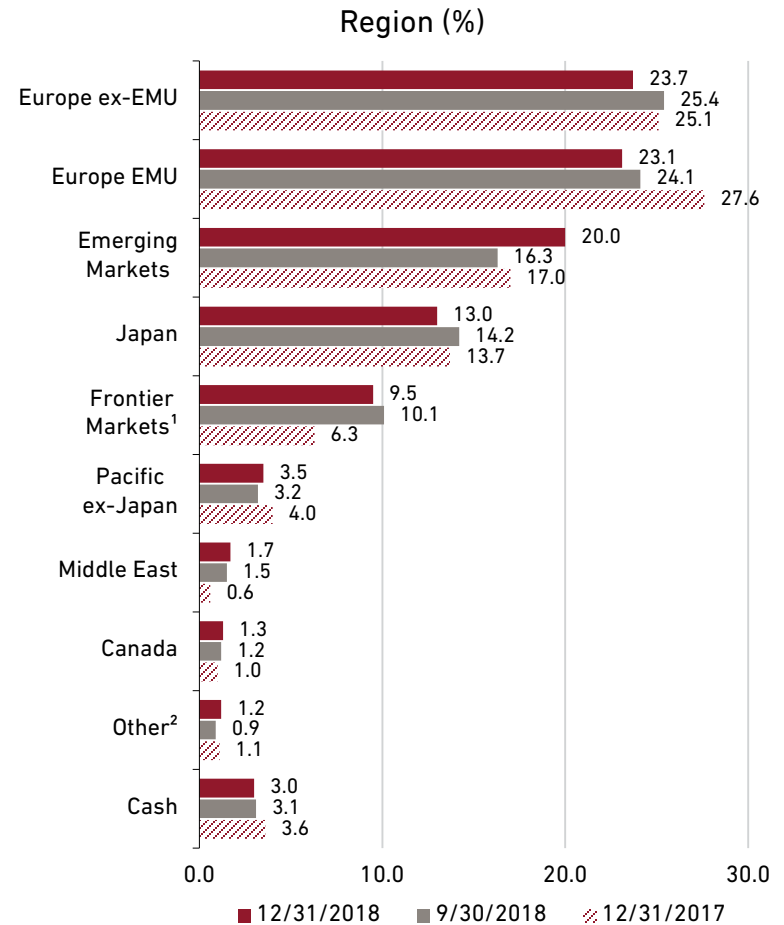
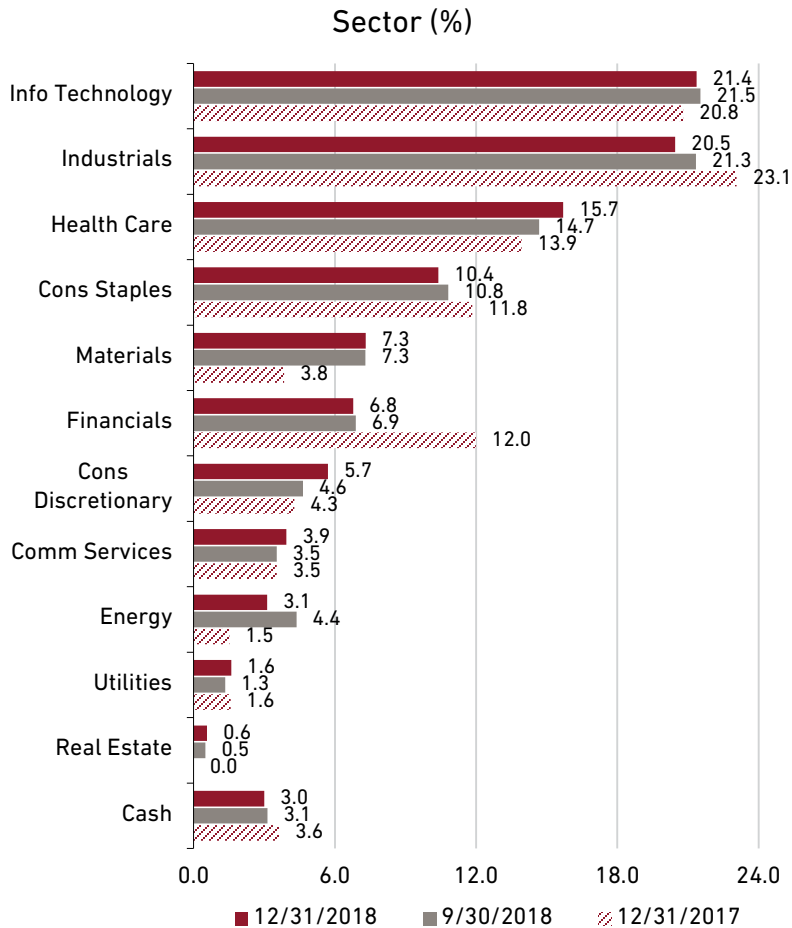
Company	Country	Sector
Arcadis	Netherlands	Industrials
Brac Bank	Bangladesh	Financials
Equity Bank	Kenya	Financials
Jardine Lloyd Thompson	UK	Financials
Tanzania Breweries	Tanzania	Cons Staples

- Portfolio Turnover (5-yr avg annual): 27.4%

The portfolio is actively managed therefore holdings shown may not be current. The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year, contact Harding Loevner. Holdings are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Portfolio Allocation Comparison

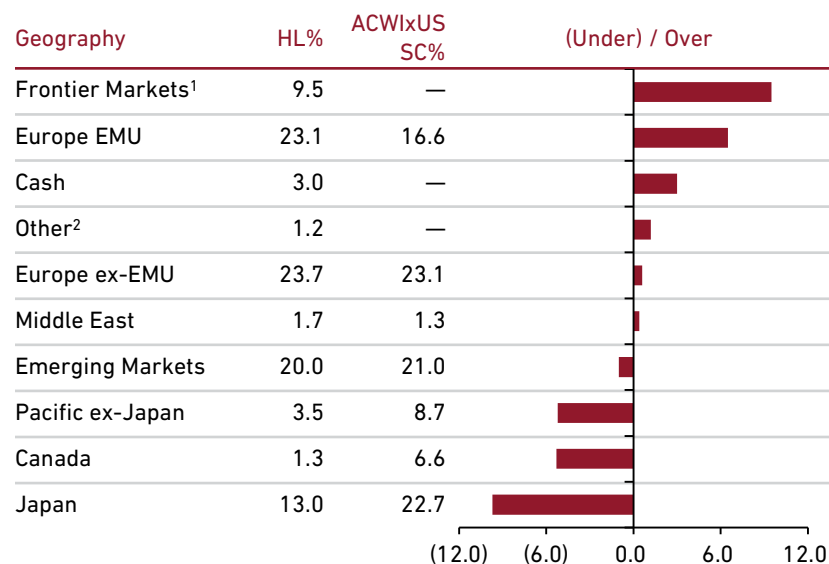
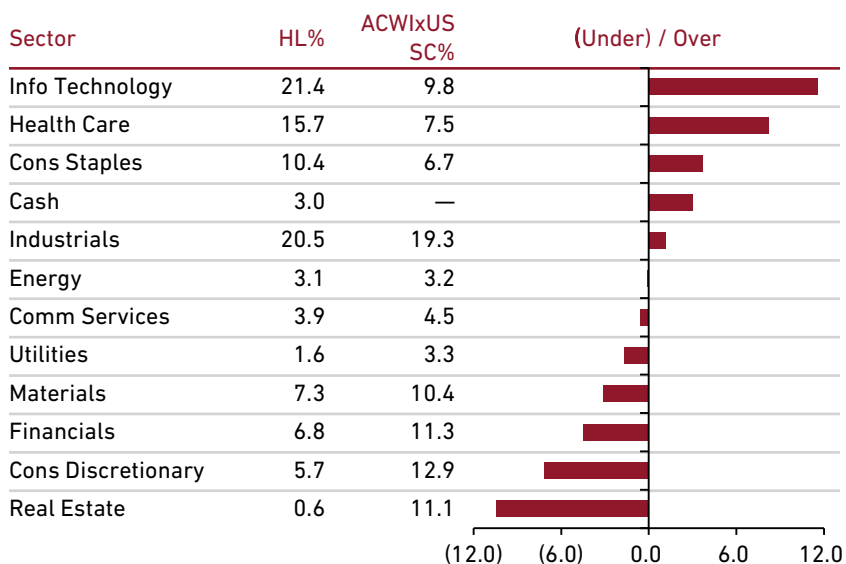
December 31, 2018 vs September 30, 2018 vs December 31, 2017



<sup>1</sup>Includes countries with less-developed markets outside the Index; <sup>2</sup>Includes companies classified in countries outside the Index. Sector and Region end weights are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Portfolio Exposures

As of December 31, 2018



## Ten Largest Holdings – Total Weight: 21.9%

Company	Country	Sector	Wt (%)
Carl Zeiss Meditec	Germany	Health Care	3.3
Abcam	UK	Health Care	2.4
Nakanishi	Japan	Health Care	2.3
Bechtle	Germany	Info Technology	2.2
Alten	France	Info Technology	2.2

Company	Country	Sector	Wt (%)
Max Financial	India	Financials	2.1
Reply	Italy	Info Technology	2.0
Ariake	Japan	Cons Staples	1.9
Globant	Argentina	Info Technology	1.8
Hoa Phat Group	Vietnam	Materials	1.7

97% Active Share

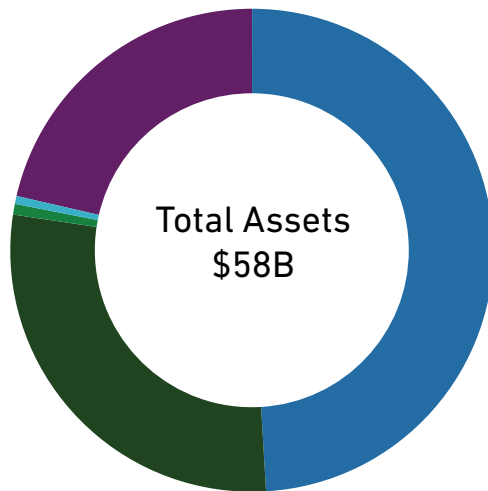
<sup>1</sup>Includes countries with less-developed markets outside the Index; <sup>2</sup>Includes companies classified in countries outside the Index.

Source: Harding Loevner International Small Companies Equity Model; MSCI Inc. and S&P. Sector and region end weights, holdings, and active share are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

# Harding Loevner Profile

As of December 31, 2018

- 41 investment professionals
- International Small Companies Equity portfolio management team averages 8 years at Harding Loevner



	Strategy Assets	Firm Assets
Global	13.3B	23%
International (Non-US)	28.6B	50%
Emerging Markets	15.1B	26%
International Small Companies	0.2B	<1%
Frontier Emerging Markets	0.4B	1%
Research Portfolios	<0.1B	<1%
Global Small Companies	<0.1B	<1%

# Disclosures

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The information provided in this Presentation should not be considered a recommendation to purchase or sell a particular security. Unless otherwise stated, non-performance based criteria have been used to select the securities listed. The portfolio is actively managed therefore securities shown may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner. A complete list of holdings for the International Small Companies Equity Model at December 31, 2018 is available on request.

Investing in stocks entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards.

Quality-Growth Characteristics, Investment Statistics, Benchmark Returns, Performance Attribution, Portfolio Exposures and Portfolio Transactions are shown as supplemental information only and complement the fully compliant International Small Companies Composite GIPS Presentation, which is available on request.

*Alpha*: a measure of risk-adjusted return. *Beta*: a measure of the portfolio's sensitivity to the market. *R-Squared*: a measure of how well a portfolio tracks the market. *Standard Deviation*: the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Information Ratio*: a measure of risk-adjusted return calculated by dividing the portfolio active return (i.e., portfolio returns minus benchmark return) by the standard deviation of the active return. *Sharpe Ratio*: the return over the risk free rate per unit of risk. *Up/Down Capture*: a measure of the manager's performance in up/down markets relative to the market itself. *Profit Margin*: relationship of gross profits to net sales. *Return on Assets*: net income for past 12 months divided by total assets. *Return on Equity*: the net income divided by total common equity outstanding, expressed as a percent. *Debt/Equity Ratio*: total long-term debt divided by total shareholder's equity. *Sales Per Share*: the total revenue earned per share over a 12-month period, net of returns, allowances, and discounts. *Earnings Per Share*: portion of a company's profit allocated to each outstanding share of common stock. *Cash Flow*: a measure of the cash generating capability of a company calculated by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. *Turnover*: calculated by dividing the lesser of Purchases or Sales by Average Capital.

The MSCI All Country World ex-US Small Cap Index is a free-float market capitalization index that is designed to measure small cap developed and emerging market equity performance. The Index consists of 46 developed and emerging market countries, and is comprised of companies that fall within a market capitalization range of USD 96-8,807 million (as of December 31, 2018). 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 USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 622 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US. The MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the US equity market. With 1,819 constituents, the index represents approximately 14% of the free float-adjusted market capitalization in the US. You cannot invest directly in these Indexes.

Harding Loevner's Quality, Growth, and Value rankings 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.

The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is preliminary and obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

Source (Benchmark Performance, Performance Attribution, Contributors and Detractors): FactSet, Harding Loevner International Small Companies Composite; MSCI Inc.

Source (Portfolio Exposures, Portfolio Transactions, Portfolio Allocation Comparison, Quality-Growth Characteristics [Run date: January 9, 2018]): FactSet; Harding Loevner International Small Companies Equity Model; MSCI Inc.

Source (Investment Statistics): eVestment Alliance; Harding Loevner International Small Companies Composite, based on composite returns.

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