

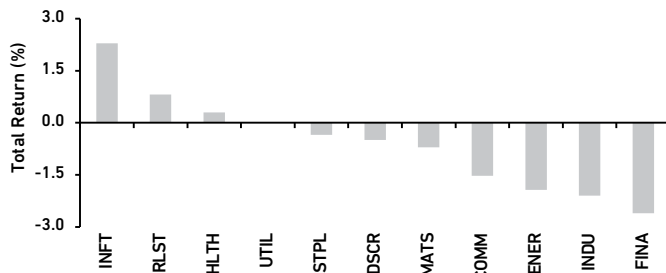
UK-based **Senior** makes critical components for airplanes, trucks, and power plants. Its aerospace products include the structural “skeletons,” engine parts, and ducting systems for commercial aircraft. It is no easy task to qualify as a supplier for jetliners: the parts must function reliably in extreme environments and, in some cases, last for the lifetime of the plane. However, the effort required to qualify is worth it: once manufacturers like Boeing or Airbus select a component supplier, switching to a rival is expensive due to stringent technical and regulatory demands.

Thanks to Senior’s expertise and global manufacturing capabilities, it was able to take advantage of the last big growth opportunity for manufacturers of passenger airplane components in the early 2010s, when Boeing and Airbus developed their 737 MAX and A320neo planes, respectively. The value of Senior’s components in each of these new models exceeds that of earlier generations.

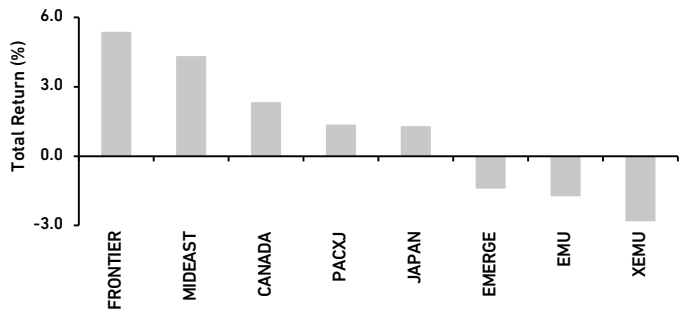
The outlook for the 737 MAX is uncertain following two crashes and its subsequent grounding. While it addresses technical issues, Boeing has cut production from 52 planes per month to 42. The company expects the plane to be back in service by the end of 2019, though regulatory delays could halt production temporarily. If airlines cancel MAX orders, they will likely increase their purchases of the A320neo—which also uses Senior’s parts. The long-term effect on the company will be delayed sales rather than lost sales.

**PERFORMANCE (% TOTAL RETURN) FOR THE PERIODS ENDED JULY 31, 2019<sup>1</sup>**

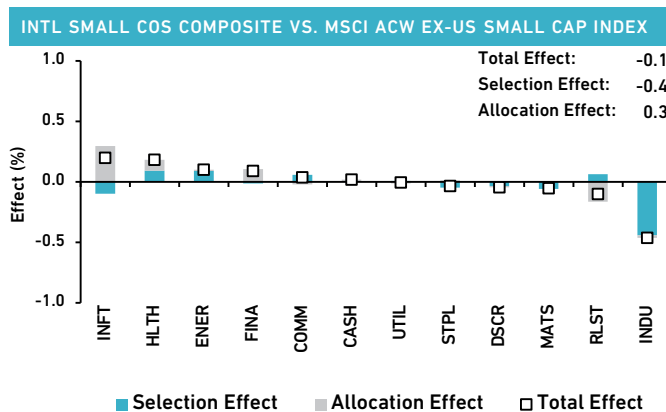
	1 MONTH	YTD	1 YEAR	3 YEARS <sup>2</sup>	5 YEARS <sup>2</sup>	10 YEARS <sup>2</sup>	SINCE INCEPTION <sup>2,3</sup>
HL INTL SMALL COMPANIES (GROSS OF FEES)	-0.69	18.75	-1.86	9.87	6.29	11.73	8.54
HL INTL SMALL COMPANIES (NET OF FEES)	-0.79	17.99	-2.98	8.74	5.18	10.52	7.35
MSCI ALL COUNTRY WORLD EX-US SMALL CAP INDEX <sup>4,5</sup>	-0.64	11.18	-6.84	6.00	3.41	7.84	4.12

**BENCHMARK PERFORMANCE BY SECTOR – JULY**


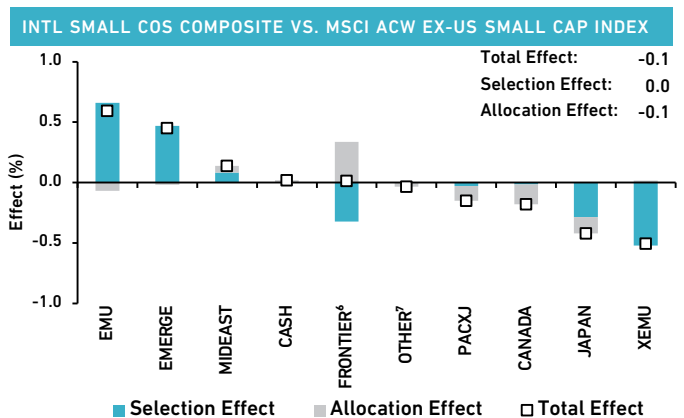
- Stocks of semiconductor companies rose 11% in the month, rebounding as trade talks resumed between the US and China. Those talks ended in August, and President Donald Trump threatened more new tariffs.

**BENCHMARK PERFORMANCE BY GEOGRAPHY – JULY**


- Brazil was a top-performing market as a pension reform bill progressed through Congress. If passed as expected this fall, the reform could save the government US\$240 billion over the next ten years.

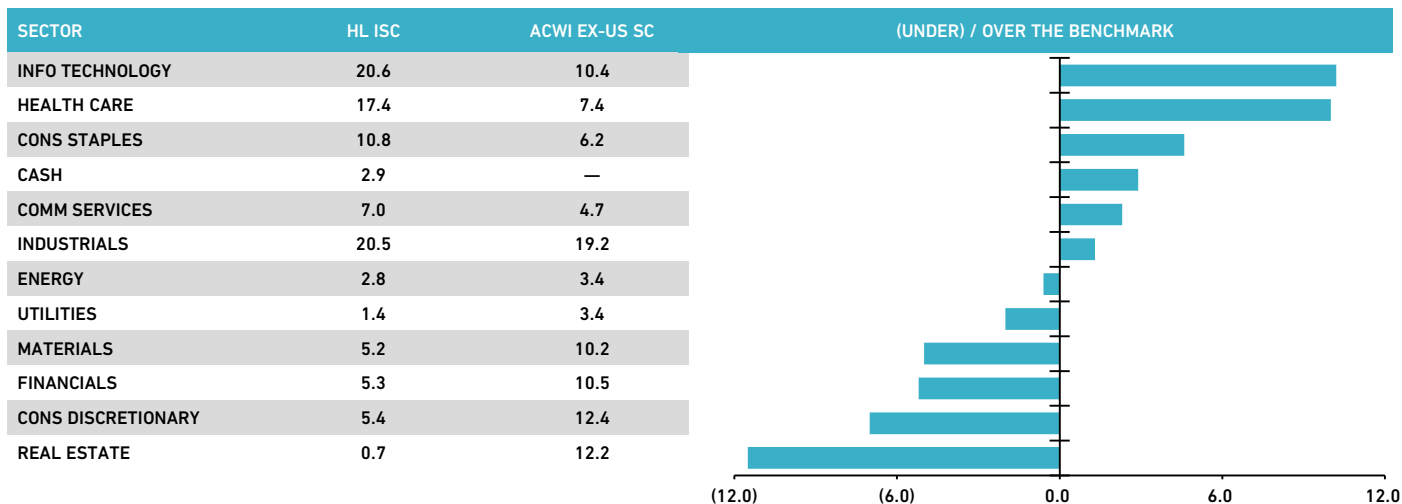
**PERFORMANCE ATTRIBUTION BY SECTOR – JULY**


- Shares of **Alfal Laval**, a Sweden-based industrial equipment manufacturer, came under pressure after it reported earnings and disclosed a lighter-than-expected order backlog.

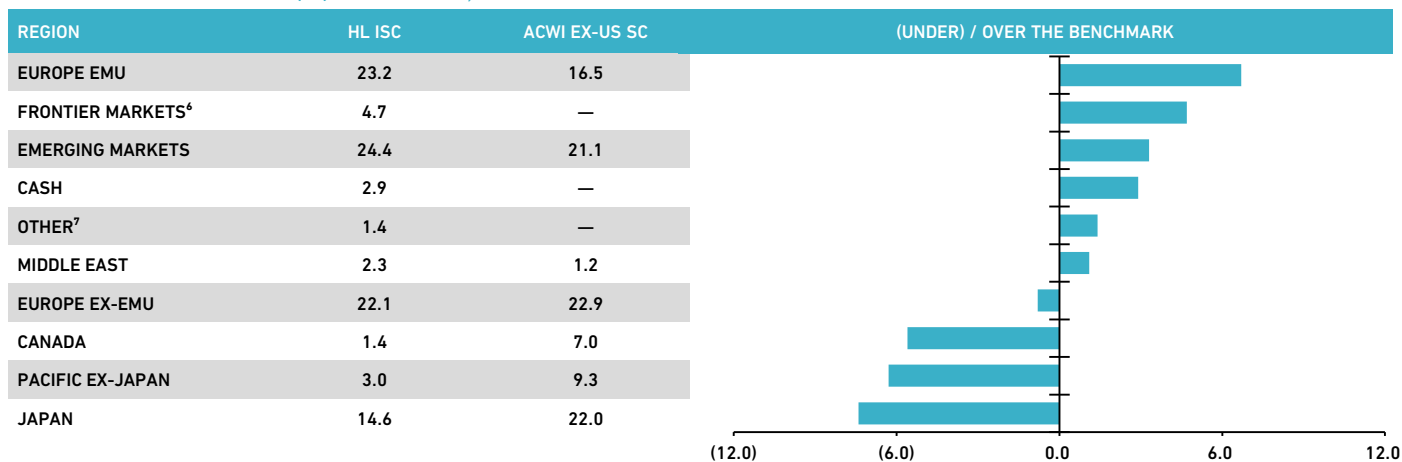
**PERFORMANCE ATTRIBUTION BY GEOGRAPHY – JULY**


- Germany’s **Carl Zeiss Meditec** reported third-quarter margins were significantly higher than expected. The company announced growing sales of ReLEx Smile, its eye-surgery platform.

## SECTOR EXPOSURE (%) AT JULY 31, 2019



## GEOGRAPHIC EXPOSURE (%) AT JULY 31, 2019



## ENDNOTES

(1) The July 2019 Composite performance shown is preliminary (2) Annualized returns (3) Inception date: December 31, 2006 (4) The Benchmark Index (5) Gross of withholding taxes (6) Includes countries with less-developed markets outside the Index (7) Includes companies classified in countries outside the Index.

## SOURCES

Benchmark Performance: FactSet; MSCI Inc. and S&P.  
Sector/Geographic Attribution: FactSet; Harding Loevner International Small Companies Composite; MSCI Inc. and S&P.  
Sector/Geographic Exposure: FactSet; Harding Loevner International Small Companies Model; MSCI Inc. and S&P.

## DISCLOSURES

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 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. The International Small Companies Composite has been examined for the periods January 1, 2007 through March 31, 2019. The verification and performance examination reports are available upon request. 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 the International Small Companies Equity 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.

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 53-8,297 million (as of June 30, 2019). You cannot invest directly in this Index.

Companies held in the portfolio during the month appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner.

Portfolio holdings, portfolio attribution, and sector/geographic allocations are supplemental information only and complement a fully compliant International Small Companies Composite GIPS Presentation, which is available upon request. The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is 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.

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