HARDING LOEVNER

Fundamental. Thinking. Worldwide.

Global Equity Review | Second Quarter 2023

Composite Performance Summary

As of June 30, 2023

Performance (% Total Return)

	3 Months	Year to Date	1 Year	3 Years[1]	5 Years[1]	10 Years[1]	Since Inception[1,2]
HL Global Equity (Gross)	8.12	14.99	17.02	5.74	7.10	10.34	9.72
HL Global Equity (Net)	8.02	14.76	16.55	5.31	6.66	9.86	9.09
MSCI All Country World Index[3,4]	6.35	14.26	17.13	11.51	8.63	9.31	7.37

[1]Annualized returns. [2]Inception date November 30, 1989. [3]The benchmark index. [4]Gross of withholding taxes.
The performance returns shown are preliminary. For comparison purposes the composite return is measured against the MSCI All Country World Total Return Index (Gross). Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. 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, 2023. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Global Equity composite has had a performance examination for the period December 1, 1989 through March 31, 2023. 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 Global Equity composite, please contact Harding Loevner at (908) 218-7900 or invest@hlmnet.com. The firm maintains a complete list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds, which are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Please read the disclosures, which are an integral part of this presentation.

The Current Market Environment: What We are Thinking and Doing

Investor attention was captivated by the promise of generative AI, but risks remain

The Current Backdrop

Generative AI   vs.   Geopolitical Risks, Interest Rates, Inflation,
and Innovation   Stalled Recovery in China, Slowing Europe

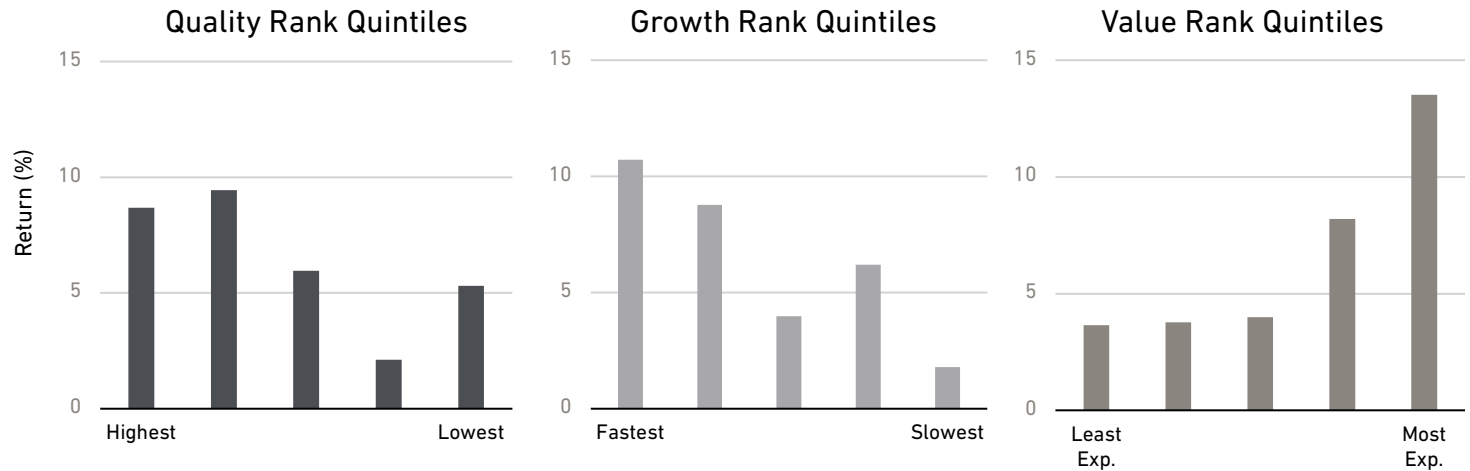**The Stock Market**

Index Concentration

Rising Valuations

What Are We Doing

Looking Beyond AI-related Stocks

Mindful of Valuation and Risk

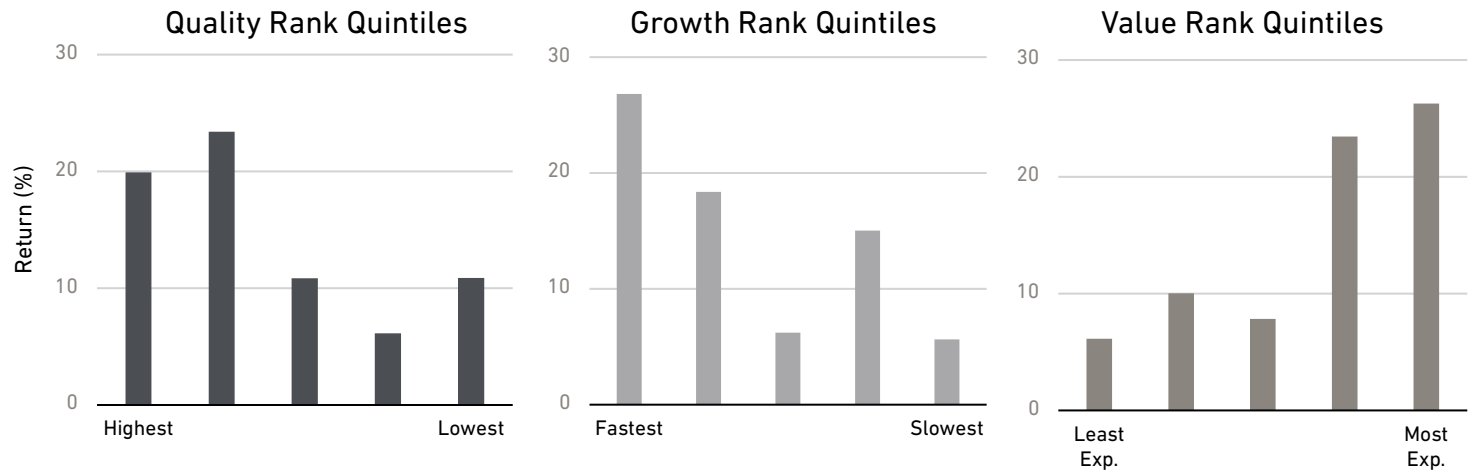# MSCI ACWI Index Total Returns by Quality, Growth, and Value Rank

2Q23

Expensive, fast-growing stocks outperformed. Quality also did well.

Quality Rank Quintiles

Return (%)

Highest · Lowest

Growth Rank Quintiles

Fastest · Slowest

Value Rank Quintiles

Least Exp. · Most Exp.

Year to Date

Expensive, fast-growing stocks outperformed. Quality also did well.

Quality Rank Quintiles

Return (%)

Highest · Lowest

Growth Rank Quintiles

Fastest · Slowest

Value Rank Quintiles

Least Exp. · Most Exp.

Source: FactSet, MSCI Inc. Data as of June 30, 2023. Please read the disclosures, which are an integral part of this presentation.
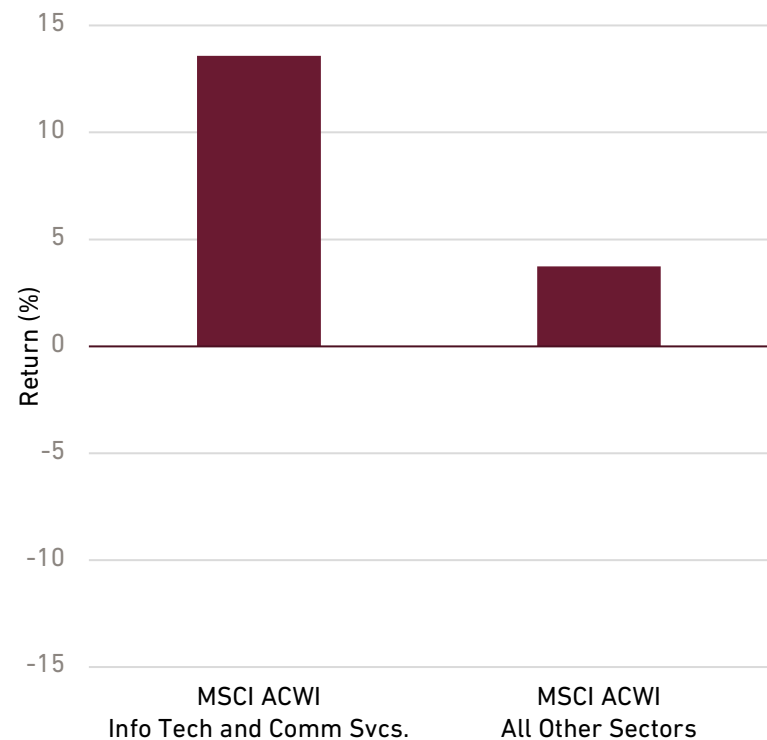
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The US and AI-related Stocks Powered Growth Performance

2Q23 Style Performance for MSCI ACWI Index by Region and Select Sectors

2Q23 Style Performance by Region
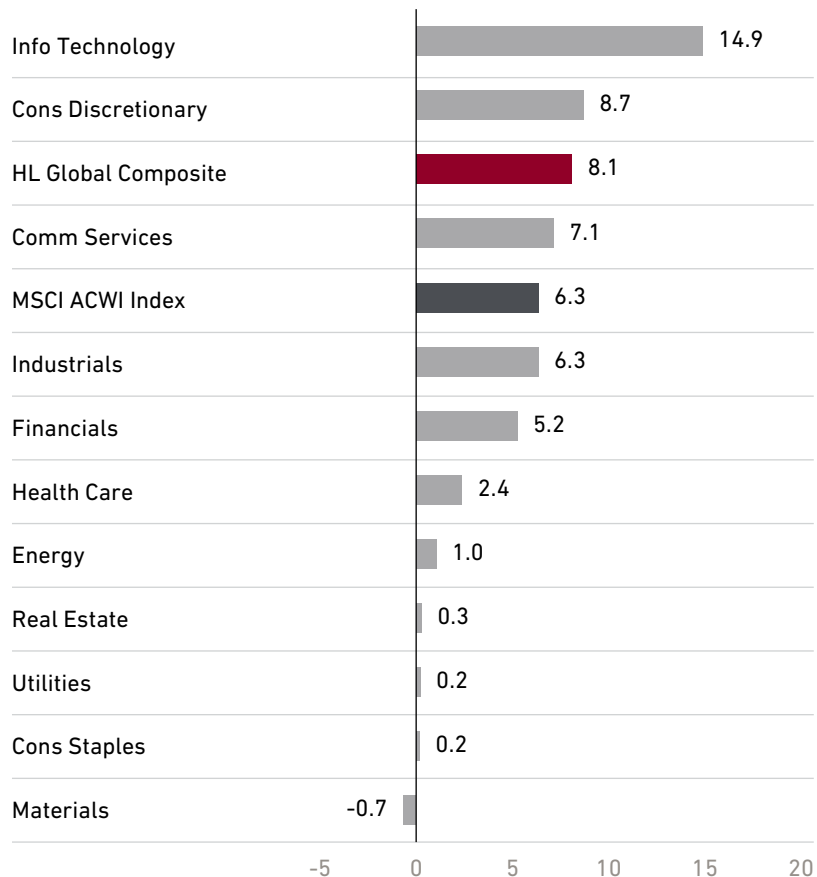### Fastest vs. Slowest Quintile of Growth
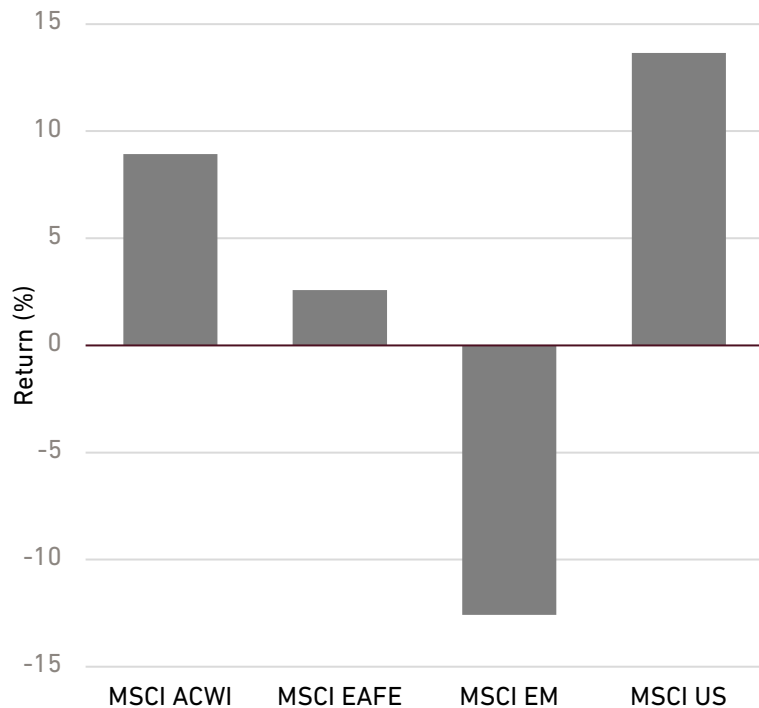
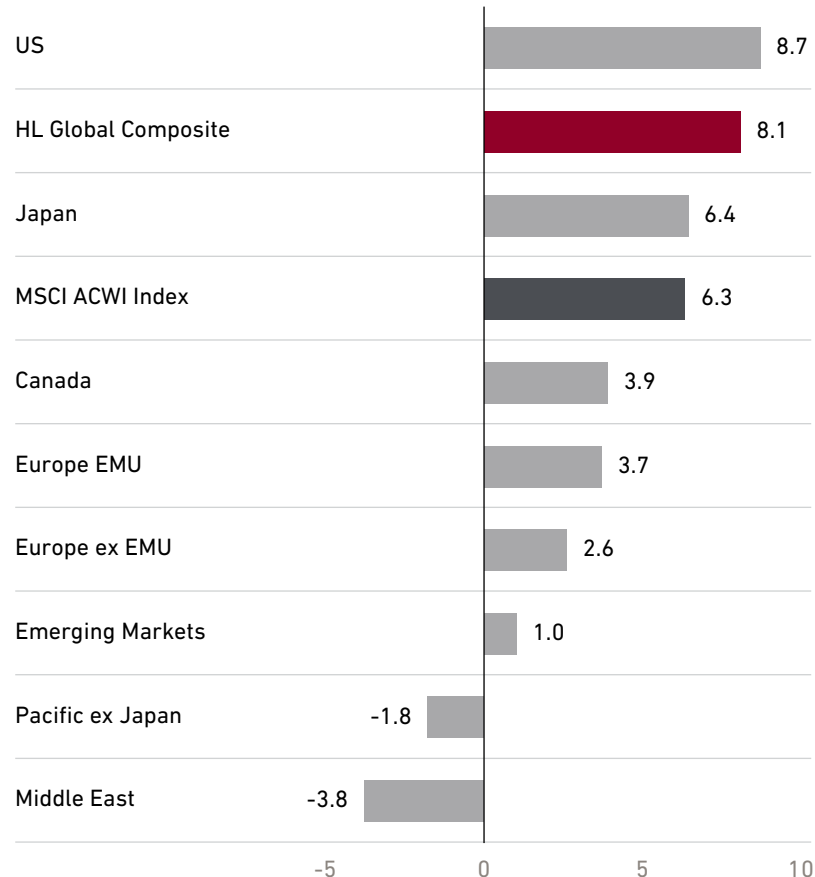### 2Q23 Style Performance by Sector
Fastest vs. Slowest Quintile of Growth

Source: FactSet, MSCI Inc. Data as of June 30, 2023. Please read the disclosures, which are an integral part of this presentation.

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Benchmark Performance

Second Quarter 2023

Sector Total Return (%)

Sector	Return
Info Technology	14.9
Cons Discretionary	8.7
HL Global Composite	8.1
Comm Services	7.1
MSCI ACWI Index	6.3
Industrials	6.3
Financials	5.2
Health Care	2.4
Energy	1.0
Real Estate	0.3
Utilities	0.2
Cons Staples	0.2
Materials	-0.7

Geographic Total Return (%)

Region	Return
US	8.7
HL Global Composite	8.1
Japan	6.4
MSCI ACWI Index	6.3
Canada	3.9
Europe EMU	3.7
Europe ex EMU	2.6
Emerging Markets	1.0
Pacific ex Japan	-1.8
Middle East	-3.8

Performance Attribution: Composite vs. Benchmark

Second Quarter 2023

Sector

	Effect
Selection Effect	1.4
Allocation Effect	0.4
Total Effect	1.8

Geography

	Effect
Selection Effect	2.1
Allocation Effect	-0.3
Total Effect	1.8
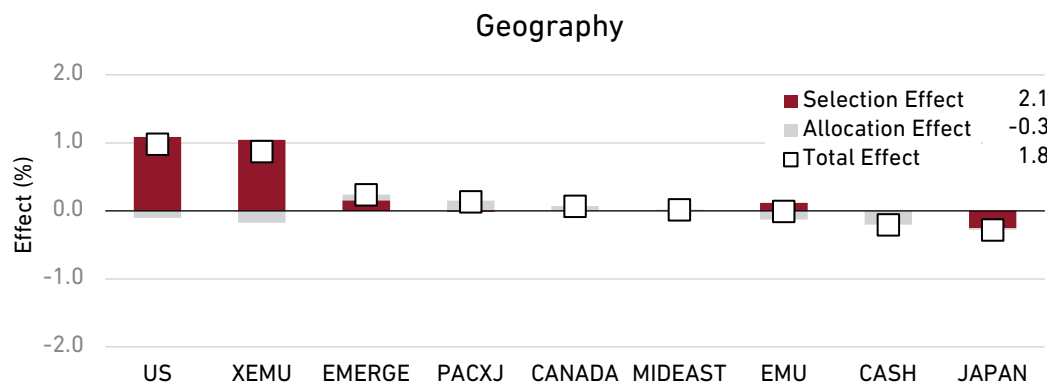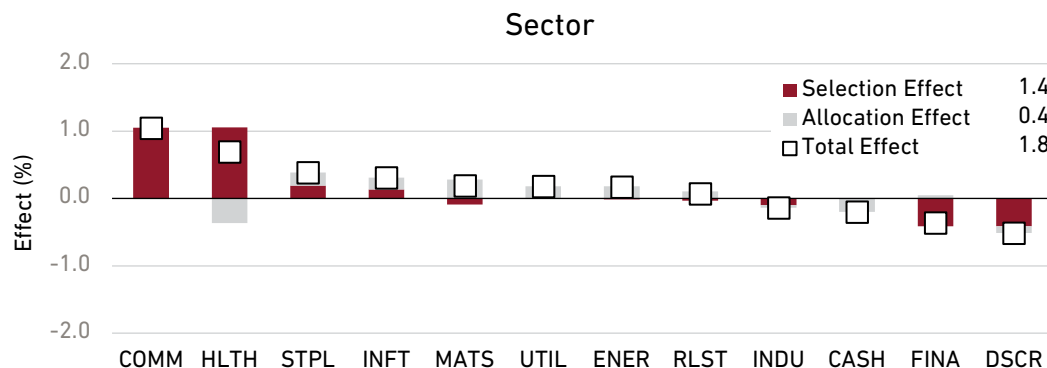
Top 5 Contributors

	Avg. Wt. %		Effect
to Relative Returns	HL	Index	%
Abcam	1.3	–	0.82
Meta Platforms	2.8	0.9	0.48
B3	1.0	<0.1	0.32
Broadcom	1.4	0.5	0.27
Netflix	1.5	0.3	0.26

Top 5 Detractors

	Avg. Wt. %		Effect
from Relative Returns	HL	Index	%
Apple	1.3	4.5	-0.36
Kering	1.4	0.1	-0.30
WuXi AppTec	0.9	<0.1	-0.30
Tradeweb	1.2	<0.1	-0.27
Thermo Fisher Scientific	1.8	0.3	-0.25

Concentrated Group of US Stocks Drove First Half 2023 Returns

Index Concentration – by Weight

Weight of Top 10 Constituents

— MSCI US   — MSCI ACWI ex US

Top 10 Stocks' Contribution to Index Returns
First Half 2023
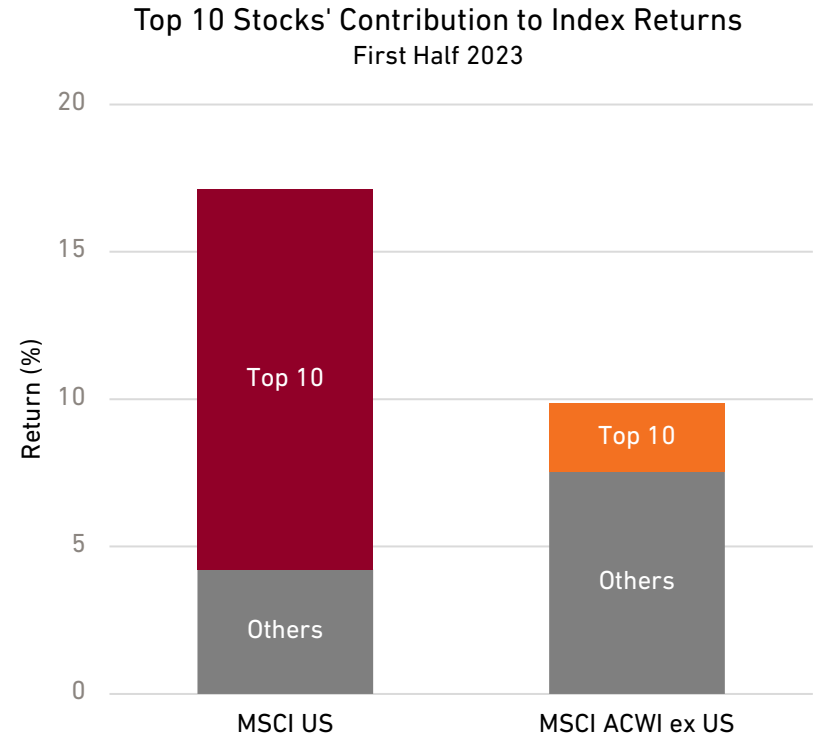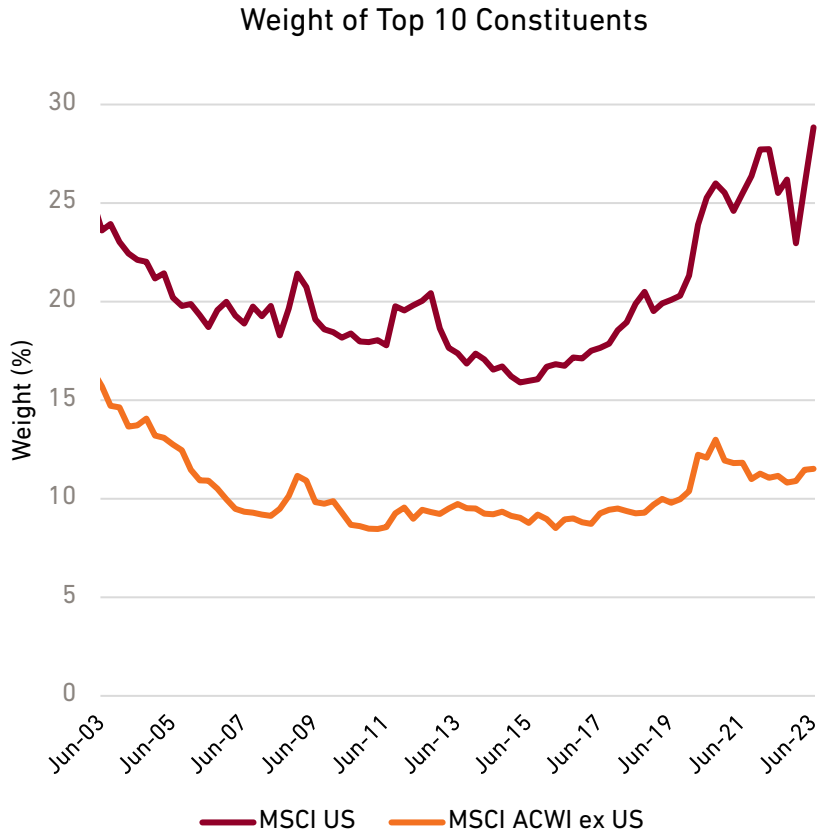
"The Magnificent 7" Drove First Half 2023 Returns

Without the top 7 contributors to performance, the US stock market lagged the rest of the world

The Magnificent 7 vs. Rest of the Market Cumulative Performance 1H2023
(Alphabet, Apple, Amazon, Meta, Microsoft, NVIDIA, Tesla)

— Top 7 Companies   - - - MSCI US ex Top 7   — MSCI US   — MSCI ACWI ex US
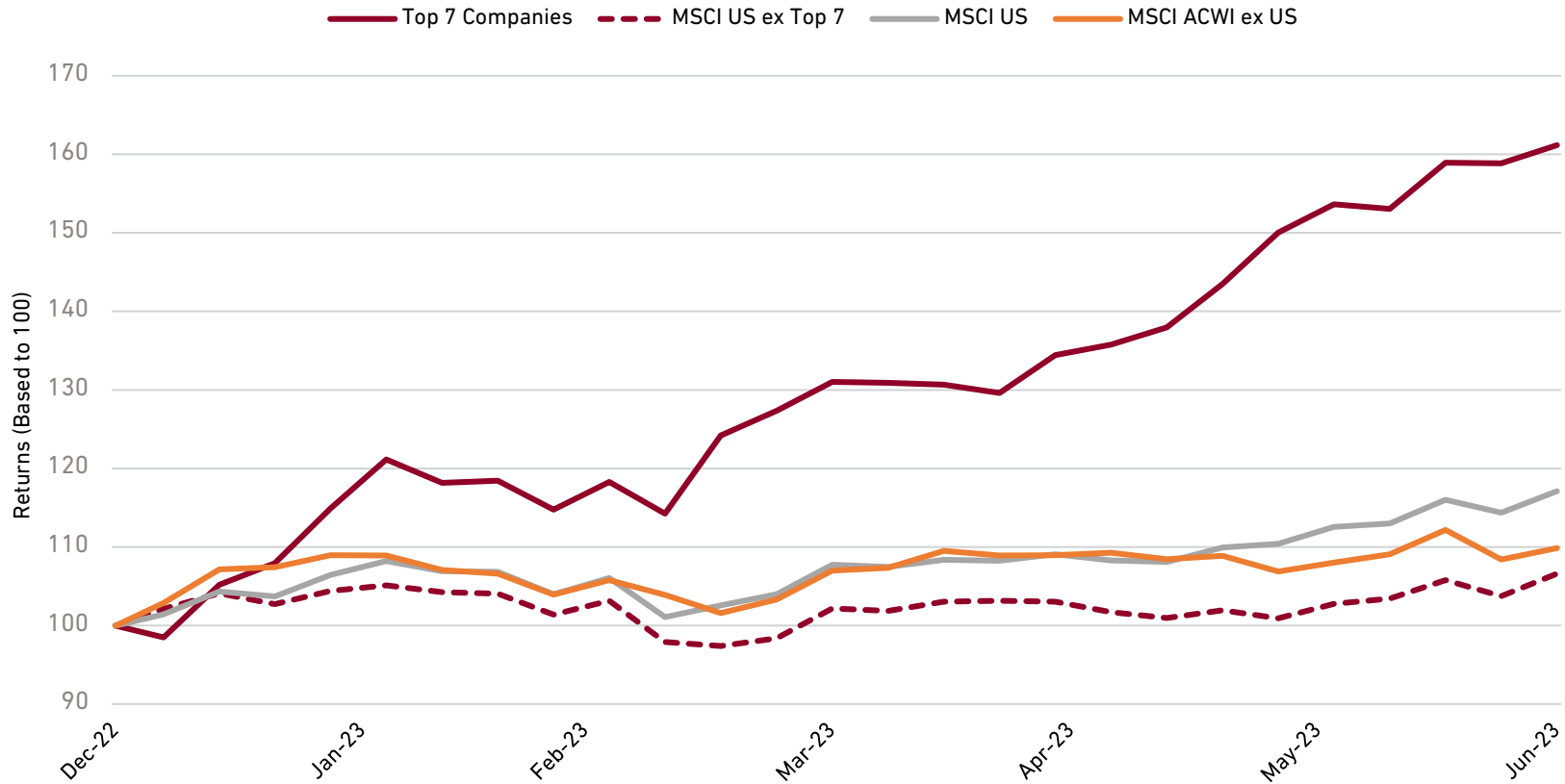
Generative AI: Impact Across Industries

Text Generation
Marketing copy, translation

Code Generation
Predictive coding and quality assurance

Chatbots
Intelligent Q&A and real-time customer service

GitHub Copilot

ChatGPT

Adobe Firefly

Image Generation
High resolution images for product design

Video Generation
Advertising and marketing

3D Content Generation
Detailed geometry to create 3D assets

Protein Prediction
3D structure predictions

Biomolecular Modeling
Novel protein sequences and small molecule generation

Molecular Docking
Modeling interactions between small molecules and target proteins

AI: Potential Cure-All, Dire Threat to our Existence, or Both?

The warp drive engine is accelerated computing, and the energy source is AI.

- Jensen Huang

Just as electricity transformed almost everything 100 years ago, today I actually have a hard time thinking of an industry that I don't think AI will transform in the next several years.

- Andrew Ng

A.I. will probably most likely lead to the end of the world, but in the meantime, there'll be great companies.

- Sam Altman

Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war.

- Geoffrey Hinton

"The Magnificent 7": Narrow Group of US Stocks Drove 2023 Returns

Relative Valuation of Highest vs. Lowest Quality Tercile

Relative Valuation of Fastest vs. Slowest Growth Tercile

Legend: Relative Valuation — Rel. Val. Since 2021 — Avg. Since 2008
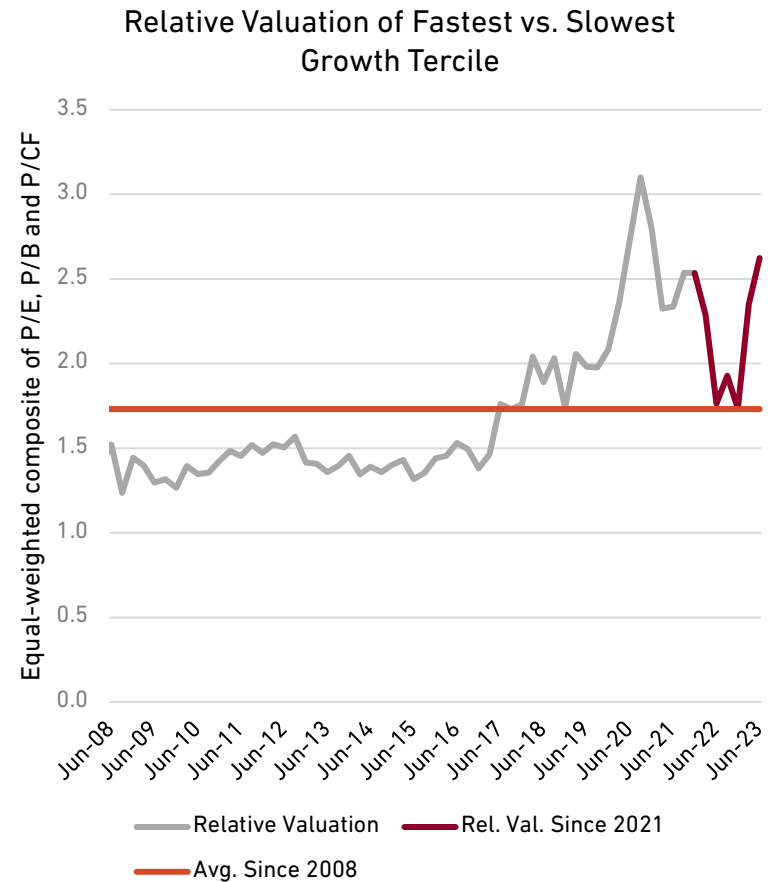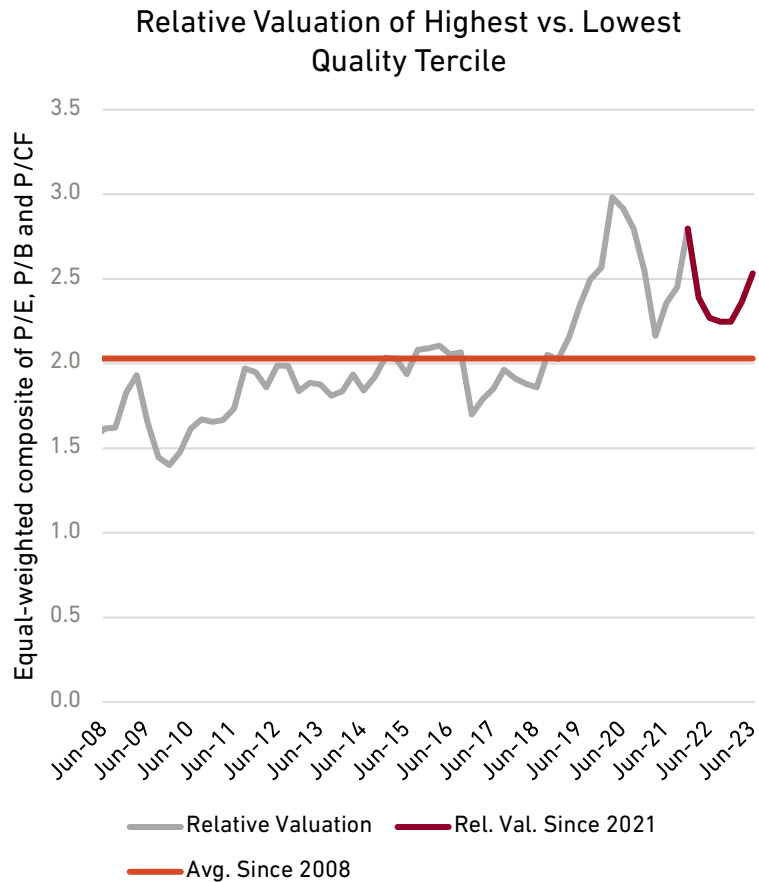
Completed Portfolio Transactions

Second Quarter 2023

Positions Established

Company	Market	Sector
Estée Lauder	US	Cons Staples
Haleon	UK	Cons Staples
Sony	Japan	Cons Discretionary
Symrise	Germany	Materials

Positions Sold

Company	Market	Sector
CD Projekt	Poland	Comm Services
Illumina	US	Health Care
PayPal	US	Financials
The Trade Desk	US	Comm Services
VAT Group	Switzerland	Industrials

- Portfolio Turnover (5-year annualized average): 30.3%

Symrise: Fragrances, Flavors, Food, and Cosmetics Ingredients

Strong profit growth driven by diversified portfolio of key ingredients for a wide variety of end markets

Segments and Business Units

Taste, Nutrition, and Health | €2,913m (63%)*				**Scent and Care** | €1,706 (37%)*		
Food & Beverage	**Pet Food**	**Aqua Feed**	**Probi****	**Fragrance**	**Cosmetics**	**Aroma Molecules**
Beverages	Pet Palatability	Aqua Feed Palatability	Probiotics	Fine Fragrances	Active Ingredients Sun Protection	Fragrance Ingredients
Sweet	Pet Nutrition			Consumer Fragrances	Botanicals	Menthol
Savory	Pet Food Protection			Oral Care		
Naturals	Veterinary					

Attractive Niche Industry

Handling complexity for our clients

Managing **~10,000** raw materials

for **~35,000** products.

Megatrends support organic growth

health & wellness, middle class boom & urbanization, naturalization & sustainability, traceability

High market concentration

top 4

(Givaudan, IFF, Firmenich and Symrise) with

~63%

Global footprint key to meet local tastes & preferences.

Targets until **2025**

Group growth (CAGR)

5 – 7%

EBITDA margin

20 – 23%

Business Free Cash Flow

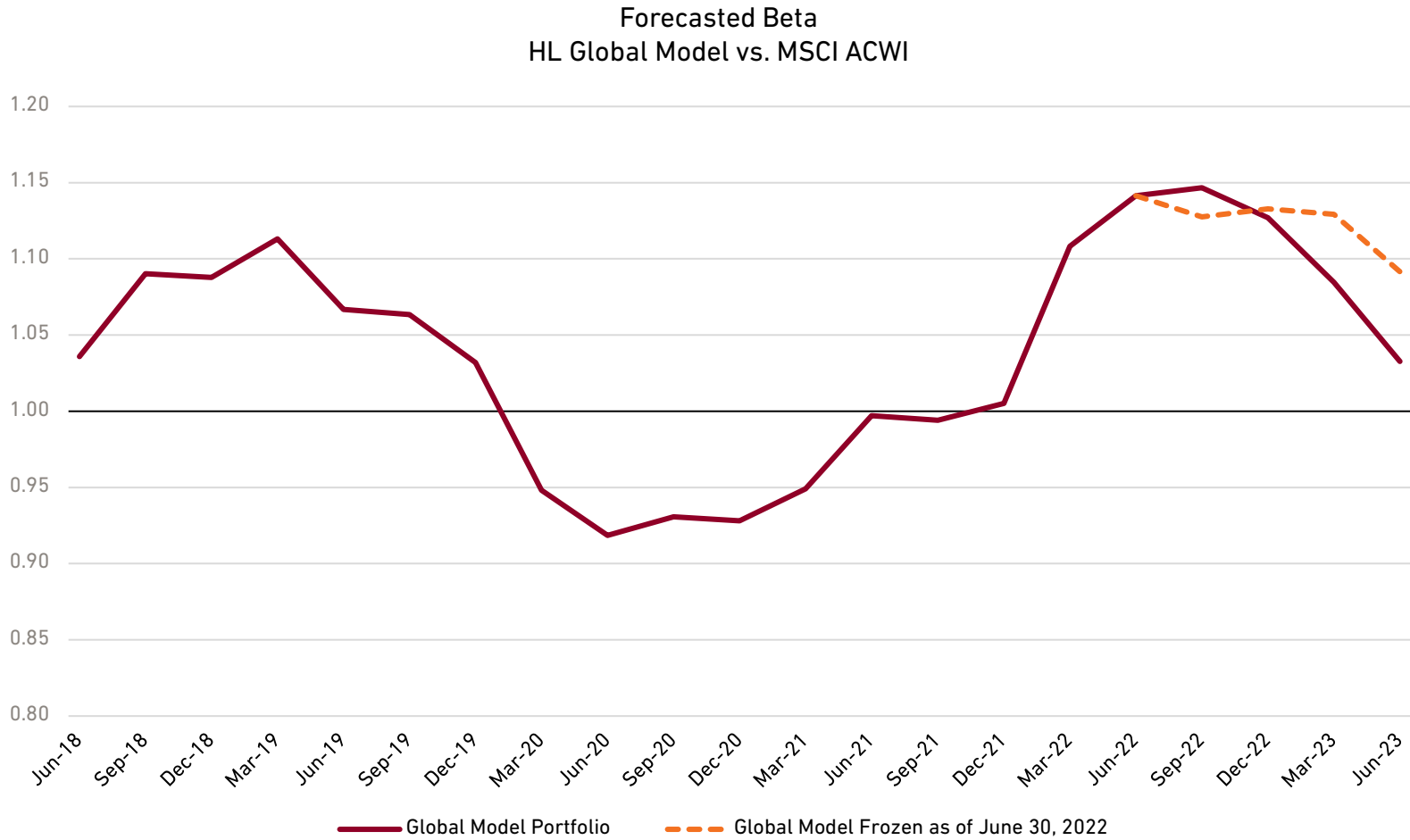**14%** of sales

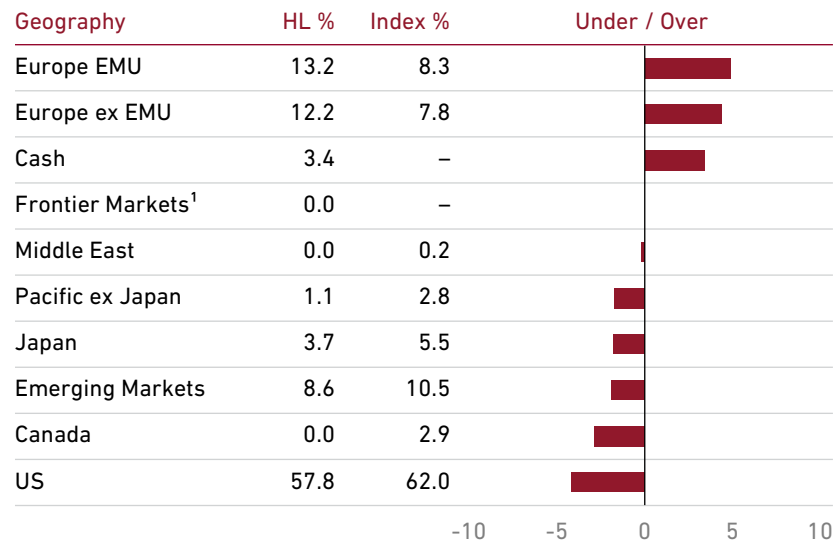Sweet "spot" in value chain only a small fraction of product costs **1-5%**, but a key buying criteria.

Forecasted Beta Has Declined

Portfolio transactions and the market environment contributed to a decline in forecasted beta

Forecasted Beta
HL Global Model vs. MSCI ACWI

Legend: Global Model Portfolio — Global Model Frozen as of June 30, 2022

Portfolio Positioning

As of June 30, 2023

Sector	HL %	Index %	Under / Over
Health Care	20.5	11.8	
Industrials	16.3	10.5	
Cash	3.4	–	
Comm Services	10.6	7.3	
Info Technology	22.4	22.1	
Real Estate	1.6	2.3	
Cons Staples	5.4	7.3	
Utilities	0.0	2.8	
Energy	1.5	4.6	
Materials	1.1	4.6	
Financials	11.0	15.4	
Cons Discretionary	6.2	11.3	

Geography	HL %	Index %	Under / Over
Europe EMU	13.2	8.3	
Europe ex EMU	12.2	7.8	
Cash	3.4	–	
Frontier Markets[1]	0.0	–	
Middle East	0.0	0.2	
Pacific ex Japan	1.1	2.8	
Japan	3.7	5.5	
Emerging Markets	8.6	10.5	
Canada	0.0	2.9	
US	57.8	62.0	

Ten Largest Holdings – Total Weight: 30.6%

Company	Market	Sector	Wt. (%)
Schneider Electric	France	Industrials	4.2
Vertex Pharmaceuticals	US	Health Care	3.8
Alphabet	US	Comm Services	3.6
Amazon.com	US	Cons Discretionary	3.1
Meta Platforms	US	Comm Services	3.1

Company	Market	Sector	Wt. (%)
John Deere	US	Industrials	2.9
Bank Central Asia	Indonesia	Financials	2.7
Microsoft	US	Info Technology	2.7
Danaher	US	Health Care	2.3
Rockwell Automation	US	Industrials	2.2

80% Active Share

Global Equity Specialist

A single investment philosophy, process, and research team drives all Harding Loevner strategies

Firm AUM: $55.3 Billion					
Global Equities	**$14.4B AUM**	**International Equities**	**$35.6B AUM**	**Emerging Markets Equities**	**$5.3B AUM**
Global Equity	**$11.5B**	International Equity	**$21.8B**	Emerging Markets Equity	**$5.2B**
Global Equity ADR	**$0.6B**	International Equity ADR	**$12.0B**	Chinese Equity	**<$0.1B**
Developed Markets	**$2.1B**	Developed Markets	**$1.1B**	Emerging Markets ex China	**<$0.1B**
Paris-Aligned	**$0.1B**	Developed Markets ADR	**<$0.1B**	Frontier Emerging Markets	**$0.1B**
Small Companies	**<$0.1B**	Carbon Transition	**<$0.1B**	Research	**<$0.1B**
Research	**<$0.1B**	Small Companies	**$0.6B**		
		Research	**<$0.1B**		

Timeline (above the line):
- 1989 **Global Equity**
- 1998 **Emerging Markets Equity**
- 2008 **Frontier Emerging Markets**
- 2013 **Global Developed Markets**
- 2018 **Global Small Companies**
- 2022 **Global Paris-Aligned**
- 2022 **Emerging Markets ex China**

Timeline (below the line):
- 1989 **International Equity**
- 2006 **International Small Companies**
- 2010 **International Developed Markets**
- 2015 **Research Strategies**
- 2020 **Chinese Equity**
- 2022 **International Carbon Transition**

Disclosures

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 Global Equity model at June 30, 2023 is available on request.

All Global Equity client accounts are based on the Harding Loevner Global Equity model, and are managed in strict accordance with this model. No deviation from the Harding Loevner Global Equity model is permissible except to accommodate unique, agreed-upon client guidelines or restrictions.

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 and Growth Characteristics, Investment Statistics, Benchmark Returns, Performance Attribution, Portfolio Exposures and Portfolio Transactions are shown as supplemental information only and complement the fully compliant Global Equity 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 net 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. *Active Share*: the proportion of holdings by weight that differ from holdings of the benchmark index.

The MSCI All Country World Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The index consists of 47 developed and emerging market countries. You cannot invest directly in this index.

All performance and data shown are in US dollar terms, unless otherwise noted.

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 Global Equity composite; MSCI Inc.

Source (Portfolio Positioning, Portfolio Transactions, Portfolio Allocation Comparison, Quality and Growth Characteristics [Run date: July 5, 2023, based on the latest available data in FactSet on this date.]): FactSet; Harding Loevner Global Equity model; MSCI Inc.

Source (Investment Statistics): eVestment Alliance; Harding Loevner Global Equity composite, based on composite returns.

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