

# Global Small Companies Equity



Quarterly Report | Year End 2021

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Global small capitalization stocks rose modestly in the fourth quarter, capping another year of strong returns, but after two years when smaller global companies outperformed larger ones, the tepid quarter meant they came up just short in 2021.

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Cloud computing giants have created nearly turnkey platforms for running advanced simulations once only possible with supercomputers. For small cap vertical software companies with experience and proprietary knowledge, the added firepower far outweighs the negative impact of lowered barriers to entry.

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We are still underweight the US relative to the benchmark, reflecting the still-expensive valuation of US small cap stocks generally compared to their international peers, but we are finding more US opportunities.

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## Composite Performance

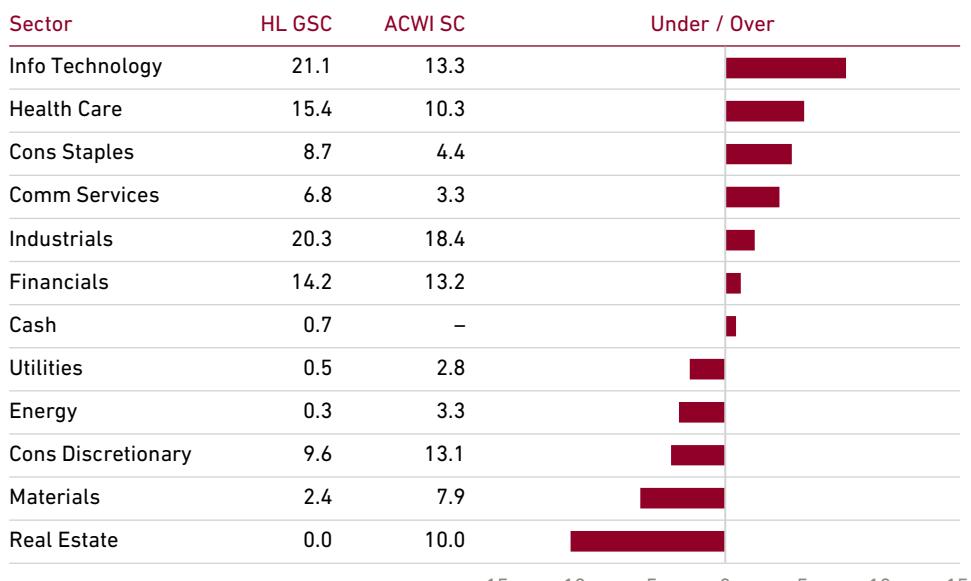
Total Return (%) — Periods Ended December 31, 2021<sup>1</sup>

	3 Months	1 Year	3 Years <sup>2</sup>	Since Inception <sup>2,3</sup>
HL Global Small Companies Equity (Gross of Fees)	3.10	12.53	23.94	23.94
HL Global Small Companies Equity (Net of Fees)	2.86	11.52	22.83	22.83
MSCI All Country World Small Cap Index <sup>4,5</sup>	2.22	16.54	19.44	19.44

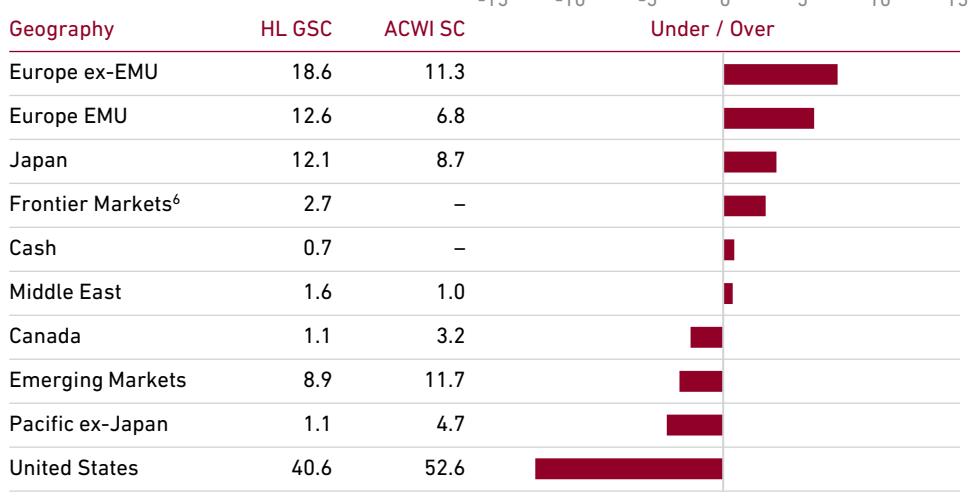
<sup>1</sup>The Composite performance returns shown are preliminary; <sup>2</sup>Annualized Returns; <sup>3</sup>Inception Date: December 31, 2018; <sup>4</sup>The Benchmark Index; <sup>5</sup>Gross of withholding taxes.

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.

## Portfolio Positioning (% Weight)



-15 -10 -5 0 5 10 15



-15 -10 -5 0 5 10 15

<sup>6</sup>Includes countries with less developed markets outside the Index.

Sector and geographic allocations are supplemental information only and complement the fully compliant Global Small Companies Equity Composite GIPS Presentation. Source: Harding Loevner Global Small Companies Equity 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

Global small capitalization stocks rose modestly in the fourth quarter, capping another year of strong returns, but after two years when smaller global companies outperformed larger ones, the tepid quarter meant they came up just short in 2021.

Consumer price inflation in the US reached 6.8% in the year to November, the highest rate since 1982, prompting Federal Reserve Chair Jerome Powell to retire the word "transitory" from his lexicon. The Fed assumed an unambiguously hawkish stance at its December meeting, signaling as many as three interest rate hikes in 2022 and an imminent end to its bond buying program. Other central banks moved more quickly: the Bank of England raised its main interest rate for the first time since the onset of the pandemic to combat the country's highest inflation in a decade, and the European Central Bank announced it would end its bond buying program in March 2022.

China faced a different set of challenges. Its economic growth stalled amid a slowdown in construction spending after several heavily indebted property developers, including the gargantuan Evergrande, defaulted on bond payments. In response, the People's Bank of China loosened monetary policy by reducing the amount of cash that banks must hold in reserve and cutting its benchmark one-year loan prime rate by five basis points.

## MSCI ACWI Small Cap Index Performance (USD %)

Geography	4Q 2021	Trailing 12 Months
Canada	3.9	23.9
Emerging Markets	1.4	19.3
Europe EMU	1.2	15.1
Europe ex-EMU	3.7	16.0
Japan	-7.7	-1.9
Middle East	13.8	37.9
Pacific ex-Japan	3.7	11.3
United States	3.6	19.5
MSCI ACWI Small Cap Index	2.2	16.5
Sector	4Q 2021	Trailing 12 Months
Communication Services	-3.8	7.5
Consumer Discretionary	-0.7	15.3
Consumer Staples	-2.0	3.6
Energy	0.4	52.5
Financials	3.4	27.3
Health Care	-6.4	-7.1
Industrials	4.3	22.8
Information Technology	5.5	16.5
Materials	4.7	19.1
Real Estate	8.0	22.6
Utilities	6.3	13.3

Source: FactSet (as of December 31, 2021). MSCI Inc. and S&P.

Just as supply chain bottlenecks showed signs of easing, the emergence of Omicron in November threatened to upset the progress. Markets were rattled by an explosion of cases in South Africa and Europe and the reintroduction of lockdowns. Chinese officials, still aiming for zero transmission, locked down a city of more than 200,000 following a single coronavirus case while, in the US, new cases eclipsed last winter's peak. Preliminary data from the UK and South Africa suggesting that Omicron causes milder disease, especially for those with some immunity from vaccination or prior infection, tempered concerns at year-end.

The year had begun with investors in an optimistic mood, as accelerating vaccination efforts ushered in a burgeoning economic recovery after a jarring 2020. Cyclical stocks rallied, banks rebounded, and the price of industrial commodities such as oil and copper surged. But the outlook darkened as the year progressed: resurgent consumer demand, turbocharged by fiscal stimulus and large household cash balances accumulated during lockdowns, ran headlong into pandemic-related supply chain constraints, pushing inflation rates up to levels not seen in decades.

With markets focused on central bank tightening and inflation, the most cyclical sectors saw the fourth quarter's largest gains. This included Financials, one of the strongest performing sectors for the full year as well. Information Technology (IT), one of the top-performing sectors in the quarter, was another top performer for the year, helped by semiconductor stocks which continue to be borne aloft by the ongoing chip shortage. Less economically sensitive sectors such as Consumer Staples and Health Care were among the weakest performing sectors both during the quarter and year.

Region returns were influenced by similar factors. Two of the best performing regions in 2021, Canada and Emerging Markets (EM), are heavily weighted toward cyclical commodity-driven sectors. However, EM performance was negatively influenced by regulatory crackdowns on various industries in China, which heavily weighed on sentiment. Japan was the sole region with negative returns for the year after weakness in the fourth quarter reversed strong returns in the third. Prime Minister Fumio Kishida had been expected to deliver long-needed economic reforms, but those hopes were dashed when, in pursuit of his "new capitalism" (which has been likened to Chinese President Xi Jinping's "common prosperity"), he floated the ideas of raising Japan's capital gains tax and limiting share buybacks.

Style effects were mixed for the year. There was little difference in returns viewed through the lens of growth. Investors eschewed the worst quality quintile of the market, which trailed index returns by a wide margin, but made little distinction outside of

Companies held in the portfolio at the end of 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 Loewner. A complete list of holdings at December 31, 2021 is available on pages 8-9 of this report.

that cohort. The least expensive stocks outperformed the most expensive, with the most notable effect falling on the most expensive quintile, which had flat returns, trailing the index returns considerably. In the fourth quarter, investors preferred higher growth and quality stocks, though they continued to shun the most expensive stocks.

## Performance and Attribution

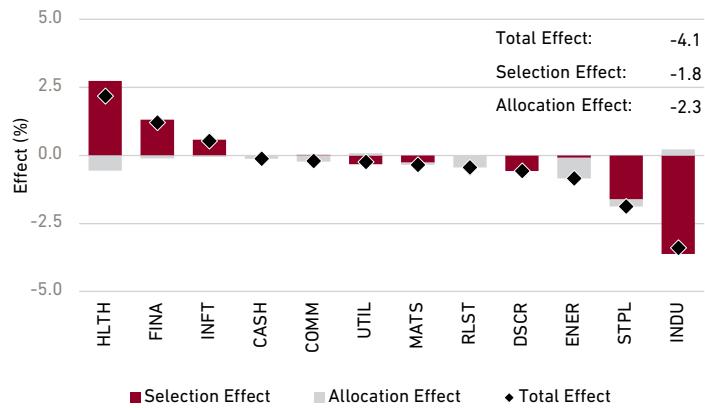
The Global Small Companies Composite returned 3.1% in the fourth quarter gross of fees, besting the 2.2% gain of the MSCI ACWI Small Cap Index. For the year, the composite gained 12.5% (also gross of fees), trailing the 16.5% rise of the Index.

In the fourth quarter, strong stocks in IT were partially offset by weaker performance in Industrials. In IT, **Vaisala**, a Finnish

### Trailing 12 Months Performance Attribution

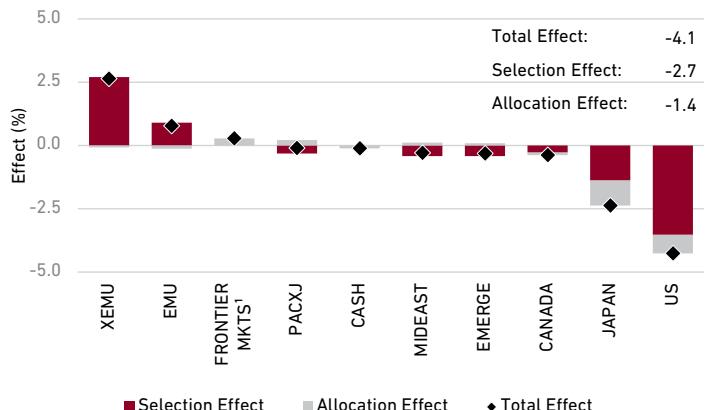
#### Sector

Global Small Companies Composite vs. MSCI ACWI Small Cap Index



#### Geography

Global Small Companies Composite vs. MSCI ACWI Small Cap Index



<sup>1</sup>Includes countries with less-developed markets outside the index. Source: FactSet; Harding Loewner Global Small Companies Equity 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.

environmental and industrial measurement equipment maker, raised its full-year guidance for sales and earnings, bolstered by strong demand from customers who use its continuous monitoring equipment to protect temperature-sensitive drugs and vaccines. In Industrials, shares of **Senior**, a UK-based aviation supplier, fell on fears that Omicron could hinder the recovery in commercial air travel.

By region, performance was led by European holdings outside the monetary union. Norway-based **TOMRA**, the leading global maker of recycling sorting machines, grew revenues by more than 15% as more European countries implemented new collection schemes.

For the year, the portfolio's US stocks failed to keep up with the robust returns of the region in the face of a pronounced style headwind, as US small cap growth stocks trailed their value peers by over 1,400 basis points. Disappointing business results from several US companies also worked against us. Earnings at **Protolabs**, a rapid prototyping and manufacturing company, fell on a margin decline caused by ongoing investments in IT infrastructure and rising material and wage inflation. **Healthcare Services**, a provider of outsourced housekeeping and dietary services for post-acute-care and long-term assisted living facilities, saw its rising labor and food costs weigh on both revenues and profits as some of its customers balked at higher fees. **Ollie's Bargain Outlet**, a discount retailer, reported weak results due to supply chain troubles and lack of inventory in key categories including toys and other Christmas merchandise. These stock-specific problems in the US were partly offset by better stock selection in Europe.

UK-based **Dechra**, an animal health company with strong offerings in many drug categories, reported revenue and earnings growth of more than 20% in the second half of its fiscal year ended in June, as pet adoptions by socially distancing humans continued apace.

By sector, Financials and Health Care were the year's bright spots. Shares of US-based **Signature Bank** skyrocketed as the company grew its deposits more than 20%, helped by quick growth in cryptocurrency-related deposits, and its loan loss provisions continued shrinking. Our Health Care holdings benefitted from the pandemic both coming and going. UK-based **Dechra**, an animal health company with strong offerings in many drug categories, reported revenue and earnings growth of more than 20% in the second half of its fiscal year ended in June, as pet adoptions by socially distancing humans continued apace. **Repligen**, a leading provider of filtration equipment used in manufacturing biologics, experienced accelerating growth due to strong demand for COVID-19 vaccines and antibody therapies. Demand for surgical ophthalmology equipment bounced back as patients rescheduled procedures that had been deferred in 2020, helping Switzerland-based **Carl Zeiss Meditec**.

# Perspective and Outlook

Detailed digital simulations of the physical world aren't new. By the mid-1980s, NASA was using Cray-2 supercomputers to model the aerodynamic flow over spacecraft in flight and simulate the atmospheres of other planets. Over the past 15 years, advances in computer hardware and software, including artificial intelligence (AI), have brought simulation modeling to bear on more earth-bound safety, design, and management problems in health care, manufacturing, construction, and other industries. Cloud computing services like those from Amazon and Microsoft have made available the massive amounts of computing power needed for these simulations to businesses that wouldn't have been able to afford such tools in the past. The cloud computing giants have also paired that processing power with analytics, visualization, and sensor-data technology, creating nearly turnkey platforms that have led to an explosion of specialized software offerings that can model and predict events in the real world.

**The new simulation tools put significant additional computing power into the hands of those who have been providing such software for years, allowing them to leverage their proprietary data to build better models and expand their market opportunity without the ongoing costs of updates to in-house computing systems.**

The ready availability of these tools lowers the barriers to entry for small companies looking to start building simulation software. But these tools also put significant additional computing power into the hands of those who have been providing such software for years, allowing them to leverage their proprietary data to build better models and expand their market opportunity without the ongoing costs of updates to in-house computing systems. On balance, we believe that the positive impact of cheaper computing power on companies with experience and proprietary knowledge far outweighs the negative impact of increased competition.

**Simulations Plus** offers modeling and simulation software for pharmaceutical and biotech companies for use throughout the drug development cycle. Its flagship software, GastroPlus, was first introduced in 1998. It allows drug researchers to evaluate potential toxicity, a critical first step in drug development that is traditionally performed through animal testing. The earliest versions of GastroPlus simulated the ways in which a drug is metabolized in the liver (liver damage is the main reason drugs are pulled from the market), but Simulation Plus has been able to use enhanced computing power to help understand how compounds are also absorbed in other parts of the body, including the brain, heart, and lungs. In addition to absorption, the latest GastroPlus software can visualize a drug's pharmacokinetics (how the drug moves into, through, and out of the body) and its pharmacodynamics (how or whether a drug binds to a receptor within a cell, what happens when it does, and how it interacts

with other drugs or body chemistry). These new capabilities are used in a variety of simulations, such as for predicting the effect of a drug on a specific, hard-to-test population such as pregnant women or infants. GastroPlus has been used in all phases of drug development by major American and European companies, including Eli Lilly, Pfizer, and Roche.

Simulations Plus also provides consulting services to assist clients in use of its software and, increasingly, in the use of simulation and modeling in the US regulatory approval process. Helping drug companies save time and money at various stages of exploration and development is one thing; getting regulators to sign off on simulated results without also verifying in human models requires another leap of faith in the technology that is only now being bridged. While European regulators are still developing guidelines for such "model informed drug development" (MIDD), the US Food and Drug Administration (FDA) launched a pilot program in 2018 to encourage the industry to use some forms of computer modeling and simulation as an alternative to animal and human testing in their approval submissions. Simulations Plus has participated in several research collaborations with the FDA over the course of the pilot program and has retained intellectual property rights to all the data it has developed. These projects have contributed to both the company's proprietary data sets and to a growing reputation for expertise in the use of computer simulation in the drug approval process.

Michigan-based **Altair Engineering** was founded in 1985 to provide structural simulation and modeling to the automotive industry, beginning with software that simulated the effects of a car crash. Now, Altair's HyperWorks suite of software is used extensively by automakers throughout the design and engineering process, including for elimination of noise and vibration, understanding fluid dynamics, and thermal management. Carmakers use the software to design components that are lighter and more aerodynamic to respond to tightening regulatory standards for gas mileage and carbon emissions, and in electric vehicle (EV) design where lighter-weight parts are even more critical (for extending battery range) and noise reduction is even more of an issue (in the absence of engine noise to mask sounds). HyperWorks users can compare the performance level of different design features and identify the most optimal. It also offers a toolset for durability analysis including an embedded materials library to predict fatigue life under a range of conditions. Similar types of engineering challenges occur in other industries, and Altair works with many of them, including aerospace, heavy equipment, industrial machinery, rail, and marine companies.

Altair's core competitive advantage lies in its "solvers," software modules that use differential equations to solve physics problems. The company has utilized data from decades' worth of crash tests to improve its core structural optimization solver, Optistruct. Altair has also been quietly investing in the underlying software tools needed to harness the power of AI, enabling customers to optimize the performance of simulation analysis regardless of whether they are accessing the cloud through Microsoft, Amazon, Oracle,

or any of the above in combination with the customer's in-house hardware. This gives customers flexibility to take advantage of the increased power of the cloud while still amortizing their past investments. Recently, Altair acquired DataWatch, known for its live-streaming analytics capabilities, in anticipation of what management sees as the growing opportunity to continuously enhance its simulations with more real-time data from sensors embedded in its customers' deployed products—an approach known as "digital twins."

The construction industry is not highly digitized beyond the initial design stage, but the German company **Nemetschek** has used improved AI tools available in the cloud to explore opportunities that go well beyond that. Nemetschek's Vectorworks software provides computer-aided design models, augmented with timelines and scheduling features, to help design and contractor teams better understand the sequence of a project. Nemetschek's Nevaris adds cost management, acquiring real-time data to manage project expenses and prevent cost overruns. When a change is made at any point in the process, the model, budget, and schedule are all updated to reflect the change.

**Nemetschek management has invested in achieving their strategic goal of developing what they call "true bi-directional feedback" that will allow the digital twin to make changes in its physical counterpart.**

Nemetschek's newest products, under the brand Spacewell, include building management operations. Spacewell uses AI to create a digital twin of the building, a model wherein changes in the physical world, captured through extensive sensors, are reflected. Company management has invested in acquisitions and R&D in data analytics to help achieve their strategic goal of developing what they call "true bi-directional feedback" that will allow the digital twin to make changes in its physical counterpart—for example, by detecting changes in room occupancy and automatically adjusting heating or air conditioning systems to improve efficiency, or by immediately detecting an issue with elevator maintenance and helping to guide the repairs. By the same token, data collected onsite such as resource utilization can also be used in the opposite direction to improve building design, a topic of particular interest to enterprises contemplating the future of work post-pandemic.

## Portfolio Highlights

We recently increased the portfolio's weight in the US, mostly in reaction to the recent sharp price decline in many of the country's small cap stocks. The portfolio is still underweight the US relative to the benchmark, reflecting the still-expensive valuation of US small cap stocks generally compared to their international peers, but we are finding more US opportunities. Simulation software is one area of focus; another, more broad area is Health Care.

There are many early-stage growth companies in the biotech industry, each facing a low probability of success; we are not capable of picking the minority of potential winners among them. We look for durable long-term growth opportunities among equipment and processing companies that supply and serve the biotech industry—the picks and shovel makers to those companies on the frontlines of Health Care's "golden age of innovation."<sup>1</sup> The pharmaceutical industry's growing number of clinical trials means a growing number of companies use Simulations Plus's software to help them prioritize the drug candidates most likely to succeed. Another supplier is Repligen, a leading manufacturer of advanced bioprocessing equipment used to make biologic drugs. "Biologics" refers to a broad category of treatments isolated from natural sources—human, animal, or microorganism—as opposed to being synthesized from chemical compounds. Biologic products range from insulin and traditional hormonal supplements to cutting-edge gene and cellular therapies to manmade antibodies designed to supplement the body's own immune system in tackling cancer, autoimmune, and other diseases. The more advanced the technology, the more likely it is to use Repligen's chromatography and filtration products.

We have also found opportunities in medical device manufacturers. An example is **Abiomed**, a pioneer of cardiovascular surgical equipment, whose pumps are critical to the surgical treatment of heart disease. Like Simulations Plus, the company is applying AI algorithms to its unique trove of patient data to glean additional insights. Abiomed recently developed Impella Connect, a HIPAA-compliant, cloud-based remote-monitoring platform, which can offer physicians predictions, such as a patient's expected arterial pressure or the probability a patient will recover native heart function. This product can help Abiomed become an even more important supplier to cardiologists, extending the company's potential duration of growth.

<sup>1</sup>This was the phrase used by Francis deSouza, CEO of the gene sequencing giant Illumina, as part of his opening remarks at the company's May 2021 SPARK conference; other tech and biotech leaders have made similar claims.

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## Global Small Companies Holdings (as of December 31, 2021)

Communication Services	Market	End Wt. (%)	Health Care	Market	End Wt. (%)																																																																																																																																													
<b>Bengo4.com</b> (Lawyer and accountant listings services)	Japan	0.2	<b>Abcam</b> (Life science services)	UK	1.8																																																																																																																																													
<b>Cable One</b> (Cable operator)	US	0.8	<b>Abiomed</b> (Medical device manufacturer)	US	1.3																																																																																																																																													
<b>Cheil Worldwide</b> (Marketing and advertising services)	South Korea	0.3	<b>Ambu</b> (Medical device manufacturer)	Denmark	0.3																																																																																																																																													
<b>Domain</b> (Online property listings operator)	Australia	1.1	<b>Dechra</b> (Veterinary pharma manufacturer)	UK	2.1																																																																																																																																													
<b>Kakaku.com</b> (E-commerce retailer)	Japan	0.3	<b>Diasorin</b> (Reagent kits developer)	Italy	0.9																																																																																																																																													
<b>Megacable</b> (Cable operator)	Mexico	0.8	<b>Elanco</b> (Animal health care products)	US	0.3																																																																																																																																													
<b>Paradox Interactive</b> (Video game publisher)	Sweden	0.4	<b>EMIS Group</b> (Health care software developer)	UK	1.1																																																																																																																																													
<b>Rightmove</b> (Online property listings operator)	UK	0.7	<b>LeMaitre Vascular</b> (Medical device manufacturer)	US	0.9																																																																																																																																													
<b>Sarana Menara Nusantara</b> (Telecom tower operator)	Indonesia	0.5	<b>Neurocrine Biosciences</b> (Biopharmaceutical mfr.)	US	1.6																																																																																																																																													
<b>TIME dotCom Berhad</b> (Telecom services)	Malaysia	0.6	<b>Repligen</b> (Biopharma equipment supplier)	US	1.2																																																																																																																																													
<b>YouGov</b> (Market research and data analytics services)	UK	1.0	<b>Santen Pharmaceutical</b> (Pharma manufacturer)	Japan	0.8																																																																																																																																													
<b>Consumer Discretionary</b>																																																																																																																																																		
<b>BorgWarner</b> (Automotive parts manufacturer)	US	1.8	<b>Simulations Plus</b> (Simulation software developer)	US	1.6																																																																																																																																													
<b>Eclat Textile</b> (Technology-based textile manufacturer)	Taiwan	0.5	<b>Square Pharmaceuticals</b> (Pharma manufacturer)	Bangladesh	0.6																																																																																																																																													
<b>Five Below</b> (Discount consumer products retailer)	US	1.1	<b>STRATEC</b> (Life science products manufacturer)	Germany	0.8																																																																																																																																													
<b>Malibu Boats</b> (Boat manufacturer)	US	1.7	<b>Industrials</b>																																																																																																																																															
<b>Ollie's Bargain Outlet</b> (Discount cons. products retailer)	US	1.2	<b>Planet Fitness</b> (Fitness centers operator)	US	1.6	<b>AAON</b> (HVAC manufacturer)	US	0.8	<b>Rinnai</b> (Consumer appliances manufacturer)	Japan	0.4	<b>Alfa Laval</b> (Industrial equipment manufacturer)	Sweden	0.4	<b>Stanley Electric</b> (Automotive lighting manufacturer)	Japan	0.3	<b>Allegion</b> (Security equipment manufacturer)	US	0.5	<b>Thule Group</b> (Lifestyle consumer products manufacturer)	Sweden	1.1	<b>Bossard</b> (Industrial components supplier)	Switzerland	1.0	<b>Consumer Staples</b>						<b>Agthia</b> (Foods and beverages manufacturer)	UAE	0.2	<b>Clarkson</b> (Shipping services)	UK	0.3	<b>Ariake</b> (Natural seasonings manufacturer)	Japan	0.9	<b>Diploma</b> (Specialized technical services)	UK	1.6	<b>Cosmos Pharmaceutical</b> (Drugstores operator)	Japan	1.2	<b>EnerSys</b> (Industrial-battery manufacturer)	US	2.0	<b>Kernel</b> (Foods and agricultural products manufacturer)	Ukraine	0.4	<b>Exponent</b> (Engineering and scientific consultant)	US	1.8	<b>MGP Ingredients</b> (Alcoholic beverage ingredients mfr.)	US	1.6	<b>Haitian International</b> (Injection-molding machines mfr.)	China	0.4	<b>Pigeon</b> (Consumer products manufacturer)	Japan	1.0	<b>Healthcare Services</b> (Housekeeping and dining services)	US	1.2	<b>Reynolds</b> (Consumer products manufacturer)	US	1.7	<b>HEICO</b> (Aerospace parts manufacturer)	US	1.1	<b>Robinsons Retail</b> (Foods and consumer products retailer)	Philippines	1.0	<b>LISI</b> (Industrial components manufacturer)	France	0.8	<b>Sugi Holdings</b> (Drugstores operator)	Japan	0.8	<b>MISUMI Group</b> (Machinery-parts supplier)	Japan	1.2	<b>Energy</b>						<b>Helmerich &amp; Payne</b> (Oil driller)	US	0.3	<b>MonotaRO</b> (Factory materials supplier)	Japan	0.4				<b>Nihon M&amp;A Center Inc.</b> (Financial advisory)	Japan	0.5				<b>Rational</b> (Commercial kitchen equipment manufacturer)	Germany	1.0				<b>Senior</b> (Aerospace and auto parts manufacturer)	UK	1.6				<b>Sensata Technologies</b> (Industrial sensors manufacturer)	US	0.4				<b>SMS</b> (Health care employment services)	Japan	0.7				<b>Spirax-Sarco</b> (Industrial components manufacturer)	UK	0.6				<b>TOMRA</b> (Industrial sensors manufacturer)	Norway	0.5				<b>UT Group</b> (Manufacturing staffing services)	Japan	1.4
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<b>Reynolds</b> (Consumer products manufacturer)	US	1.7	<b>HEICO</b> (Aerospace parts manufacturer)	US	1.1																																																																																																																																													
<b>Robinsons Retail</b> (Foods and consumer products retailer)	Philippines	1.0	<b>LISI</b> (Industrial components manufacturer)	France	0.8																																																																																																																																													
<b>Sugi Holdings</b> (Drugstores operator)	Japan	0.8	<b>MISUMI Group</b> (Machinery-parts supplier)	Japan	1.2																																																																																																																																													
<b>Energy</b>																																																																																																																																																		
<b>Helmerich &amp; Payne</b> (Oil driller)	US	0.3	<b>MonotaRO</b> (Factory materials supplier)	Japan	0.4																																																																																																																																													
			<b>Nihon M&amp;A Center Inc.</b> (Financial advisory)	Japan	0.5																																																																																																																																													
			<b>Rational</b> (Commercial kitchen equipment manufacturer)	Germany	1.0																																																																																																																																													
			<b>Senior</b> (Aerospace and auto parts manufacturer)	UK	1.6																																																																																																																																													
			<b>Sensata Technologies</b> (Industrial sensors manufacturer)	US	0.4																																																																																																																																													
			<b>SMS</b> (Health care employment services)	Japan	0.7																																																																																																																																													
			<b>Spirax-Sarco</b> (Industrial components manufacturer)	UK	0.6																																																																																																																																													
			<b>TOMRA</b> (Industrial sensors manufacturer)	Norway	0.5																																																																																																																																													
			<b>UT Group</b> (Manufacturing staffing services)	Japan	1.4																																																																																																																																													

Model Portfolio holdings are supplemental information only and complement the fully compliant Global Small Companies Equity 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.

<b>Information Technology</b>	Market	End Wt. (%)	<b>Financials</b>	Market	End Wt. (%)
<b>Advantech</b> (Industrial PCs manufacturer)	Taiwan	0.9	<b>Bank of Georgia</b> (Commercial bank)	UK	0.8
<b>Altair Engineering</b> (Industrial design software developer)	US	2.4	<b>Bankinter</b> (Commercial Bank)	Spain	0.9
<b>Alten</b> (Technology consultant and engineer)	France	1.3	<b>BTPN Syariah</b> (Commercial bank)	Indonesia	0.9
<b>AppFolio</b> (Real estate information services)	US	1.0	<b>Discovery Holdings</b> (Insurance provider)	South Africa	0.7
<b>Bechtle</b> (IT services and IT products reseller)	Germany	1.4	<b>FinecoBank</b> (Banking and financial services)	Italy	0.5
<b>Cognex</b> (Machine vision systems manufacturer)	US	1.0	<b>Lakeland Financial</b> (Commercial bank)	US	1.8
<b>Cyberark</b> (Cybersecurity software developer)	Israel	1.6	<b>Lazard</b> (Financial advisory)	US	0.5
<b>Globant</b> (Software developer)	US	0.8	<b>Linea Directa</b> (Insurance provider)	Spain	0.3
<b>Guidewire Software</b> (Insurance software developer)	US	1.0	<b>Max Financial</b> (Financial services and insurance provider)	India	1.6
<b>Infomart</b> (Restaurant supply chain operator)	Japan	0.5	<b>Rathbones</b> (Wealth manager)	UK	0.5
<b>IPG Photonics</b> (Lasers and amplifiers manufacturer)	US	1.0	<b>RGA</b> (Reinsurance provider)	US	1.4
<b>Kinaxis</b> (Supply chain software developer)	Canada	1.1	<b>Siauliu Bankas</b> (Commercial bank)	Lithuania	1.0
<b>LEM Holdings</b> (Electrical components manufacturer)	Switzerland	1.2	<b>Signature Bank</b> (Commercial bank)	US	1.5
<b>Nemetschek</b> (Engineering software developer)	Germany	1.2	<b>Stock Yards</b> (Commercial Bank)	US	1.8
<b>Rakus</b> (IT employment and cloud services )	Japan	0.7	<b>Materials</b>		
<b>Reply</b> (IT consultant)	Italy	1.2	<b>Fuchs Petrolub</b> (Lubricants manufacturer)	Germany	0.8
<b>Silergy</b> (Electronics chips manufacturer)	Taiwan	0.5	<b>Hoa Phat Group</b> (Steel producer)	Vietnam	0.7
<b>SimCorp</b> (Asset management software provider)	Denmark	1.1	<b>JCU</b> (Industrial coating manufacturer)	Japan	0.8
<b>Temenos Group</b> (Banking software developer)	Switzerland	0.4	<b>Real Estate</b>		
<b>Vaisala</b> (Atmospheric measuring devices manufacturer)	Finland	1.0	<b>No Holdings</b>		
			<b>Utilities</b>		
			<b>Rubis</b> (Liquid chemical storage and distribution)	France	0.5
			<b>Cash</b>		0.7

#### 4Q21 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight			Effect
		HL GSC	ACWI SC		
Vaisala	INFT	1.3	–	0.41	
TOMRA	INDU	1.5	0.1	0.40	
Signature Bank	FINA	2.7	0.2	0.39	
Alten	INFT	2.1	<0.1	0.38	
YouGov	COMM	1.5	–	0.35	

#### Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight			Effect
		HL GSC	ACWI SC		
Signature Bank	FINA	2.3	0.1	1.73	
Reply	INFT	1.7	<0.1	0.76	
Thule Group	DSCR	1.8	0.1	0.67	
Alten	INFT	1.9	<0.1	0.64	
Silergy	INFT	0.9	–	0.60	

#### 4Q21 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight			Effect
		HL GSC	ACWI SC		
Healthcare Services	INDU	1.4	<0.1	-0.50	
Protolabs	INDU	1.1	<0.1	-0.31	
Senior	INDU	1.7	<0.1	-0.31	
Rakus	INFT	0.9	<0.1	-0.26	
Cosmos Pharmaceutical	STPL	1.4	–	-0.24	

#### Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight			Effect
		HL GSC	ACWI SC		
Protolabs	INDU	1.5	<0.1	-1.86	
Healthcare Services	INDU	1.4	<0.1	-0.94	
Ollie's Bargain Outlet	DSCR	1.1	0.1	-0.83	
SimCorp	INFT	1.3	0.1	-0.61	
Vitasoy	STPL	0.8	<0.1	0.64	

#### Portfolio Characteristics

Quality and Growth	HL GSC	ACWI SC
Profit Margin <sup>1</sup> (%)	11.1	6.1
Return on Assets <sup>1</sup> (%)	7.5	3.6
Return on Equity <sup>1</sup> (%)	14.0	7.9
Debt/Equity Ratio <sup>1</sup> (%)	23.2	58.3
Std. Dev. of 5 Year ROE <sup>1</sup> (%)	4.1	5.1
Sales Growth <sup>1,2</sup> (%)	9.2	5.7
Earnings Growth <sup>1,2</sup> (%)	9.9	8.1
Cash Flow Growth <sup>1,2</sup> (%)	11.4	8.2
Dividend Growth <sup>1,2</sup> (%)	8.7	5.2
Size and Turnover		
Wtd. Median Mkt. Cap. (US \$B)	5.4	3.7
Wtd. Avg. Mkt. Cap. (US \$B)	6.1	4.5
Turnover <sup>3</sup> (Annual %)	23.2	–

Risk and Valuation	HL GSC	ACWI SC
Alpha <sup>2</sup> (%)	0.88	–
Beta <sup>2</sup>	0.72	–
R-Squared <sup>2</sup>	0.51	–
Active Share <sup>3</sup> (%)	98.2	–
Standard Deviation <sup>2</sup> (%)	9.75	9.61
Sharpe Ratio <sup>2</sup>	1.28	1.72
Tracking Error <sup>2</sup> (%)	7.35	–
Information Ratio <sup>2</sup>	-0.55	–
Up/Down Capture <sup>2</sup>	70/69	–
Price/Earnings <sup>4</sup>	26.9	15.3
Price/Cash Flow <sup>4</sup>	20.1	10.1
Price/Book <sup>4</sup>	3.5	2.0
Dividend Yield <sup>5</sup> (%)	1.1	1.6

<sup>1</sup>Weighted median; <sup>2</sup>Trailing one year; <sup>3</sup>Three-year average; <sup>4</sup>Weighted harmonic mean; <sup>5</sup>Weighted mean. Source (Risk characteristics): eVestment Alliance (eA); Harding Loevner Global Small Companies Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: January 4, 2022, based on the latest available data in FactSet on this date.); Harding Loevner Global Small Companies Model, based on the underlying holdings; MSCI Inc.

#### Completed Portfolio Transactions

Positions Established	Market	Sector
AAON	US	INDU
AppFolio	US	INFT
Lakeland Financial	US	FINA
MGP Ingredients	US	STPL
Reynolds	US	STPL
Simulations Plus	US	HLTH

Positions Sold	Market	Sector
ABC-Mart	Japan	DSCR
Protolabs	US	INDU
TeamViewer	Germany	INFT
Ülker	Turkey	STPL
Vitasoy	Hong Kong	STPL

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## Global Small Companies Composite Performance (as of December 31, 2021)

	HL Global Small Cos. Gross (%)	HL Global Small Cos. Net (%)	MSCI ACWI Small Cap Index <sup>1</sup> (%)	HL Global Small Cos. 3-yr. Std. Deviation <sup>2</sup> (%)	MSCI ACWI Small Index 3-yr. Std. Deviation <sup>2</sup> (%)	Internal Dispersion <sup>3</sup> (%)	No. of Accounts	Composite Assets (\$M)	Firm Assets (M)
2021 <sup>4</sup>	12.53	11.52	16.54	18.58	21.27	N.M. <sup>5</sup>	1	2	75,084
2020	29.24	28.09	16.83	+	+	N.M.	1	2	74,496
2019	30.99	29.82	25.23	+ + +	+ + +	N.M.	1	1	64,306

<sup>1</sup>Benchmark Index; <sup>2</sup>Variability of the Composite, gross of fees, and the Index returns over the preceding 36-month period, annualized; <sup>3</sup>Asset-weighted standard deviation (gross of fees); <sup>4</sup>The 2021 performance returns and assets shown are preliminary; <sup>5</sup>N.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 Global Small Companies Composite contains fully discretionary, fee-paying accounts investing primarily in US and 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, and is measured against the MSCI All Country World Small Cap 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 Small Cap Index is a free float-adjusted market capitalization index that is designed to measure small cap developed and emerging market equity performance. The index consists of 50 developed and emerging market countries, and is comprised of companies that fall within a market capitalization range of USD 143-32,955 million (as of December 31, 2021). You cannot invest directly in this Index.

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, 2021.

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. 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.

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. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are 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 investments, calculating performance, and preparing GIPS Reports 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 Global Small Companies Equity accounts is 1.00% annually of the market value up to \$20 million; 0.80% of amounts above \$20 million. 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 Global Small Companies Composite was created on December 31, 2018 and the performance inception date is January 1, 2019.



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