Harding Loevner Global Equity Portfolio

COMMENTARY

ASSET CLASS | INTERNATIONAL EQUITY

Advisor | HLMGX | Institutional | HLMVX | Institutional Class Z | HLGZX

HARDING LOEVNER

Average Annual Returns (%)[1] (as of 09/30/21)

	Q3	YTD	1 yr	3 yr	5 yr	10 yr	Since Incpt.
HLMGX (Advisor)	-1.64	9.95	24.67	15.60	16.23	13.72	8.42[2]
HLMVX (Institutional)	-1.58	10.14	24.93	15.83	16.48	13.99	12.11[3]
HLGZX (Institutional Class Z)	-1.56	10.21	25.02	15.92	—	—	14.95[4]
MSCI All Country World Index	-1.05	11.12	27.44	12.58	13.20	11.90	—

HLMGX (Advisor) Expense Ratio (Gross/Net)[5]: 1.07%/1.07%
HLMVX (Institutional) Expense Ratio (Gross/Net)[6]: 0.88%/0.88%
HLGZX (Institutional Class Z) Expense Ratio (Gross/Net)[7]: 0.83%/0.80%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Portfolio may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 877.435.8105 or visiting hardingloevnerfunds.com.

The **Harding Loevner Global Equity Portfolio** (Advisor Class) returned -1.64% during the third quarter of 2021, compared with the -1.05% return for its benchmark, the MSCI All Country World Index (ACWI). For the 12-month period ending September 30, 2021, the Portfolio returned 24.67%, compared with the 27.44% return for the Index.

Market Review

Stock markets fell in the quarter as soaring consumer price indexes collided with the prospect of slowing growth and higher interest rates. After bottoming out in May 2020, inflation expectations have ballooned, stoked by tight labor markets, pent-up consumer demand, and pandemic-mangled supply chains. The spread of the Delta variant, despite high vaccination rates in many developed economies, dampered the pace of recovery. But even with the ongoing effects of COVID-19 and decelerating global growth expectations, central banks have begun to signal the impending end of unprecedented monetary support and, in some cases, have already acted by reducing bond buying (European Central Bank) or actually raising interest rates (Norway, Brazil, and Russia). The U.S. Federal Reserve adopted a more hawkish tone following its September meeting, suggesting it could begin to scale back its monthly bond purchases as soon as this year, while its short-term interest forecasts now indicate a liftoff for rates as early as next year. U.S. Treasury bond prices fell sharply late in the quarter, but their yields remain below levels reached in March. Oil prices marched higher, with Brent crude trading near US$80 per barrel for the first time since 2018.

Proliferating regulatory interventions and an impending debt default by Evergrande, China's second-largest property company, savaged Chinese share prices. The regulatory crackdown, which began last November with the tabling of Ant Group's IPO, expanded with the adoption of anti-monopoly legislation aimed at the country's internet giants and new rules to strengthen the data security of social media platforms. Chinese President Xi Jinping's stated goal to tackle income inequality and promote "common prosperity," including the "reasonable adjustment of excessive incomes," raised questions about the future of many firms. The turbulence in the Chinese property market coupled with mandates to curb Chinese industrial carbon emissions led to a sharp selloff in iron ore, with spot prices falling over -50% since peaking in May, and along with it the share prices of mining stocks. Meanwhile, in the U.S., a major infrastructure spending bill—which if adopted would help offset falling Chinese demand for iron ore—fell victim to political gridlock as politicians were unable to reach consensus on the scale of a companion package focused on climate change and expanding the social safety net. Partisan gamesmanship around the U.S. debt ceiling added to the general uncertainty.

[1] Returns for periods less than one year are not annualized.
[2] Since the inception of the Portfolio's Advisor Class shares on December 1, 1996.
[3] Since the inception of the Portfolio's Institutional Class shares on November 3, 2009.
[4] Since the inception of the Portfolio's Institutional Class Z shares on August 1, 2017.
[5] The Expense Ratio is as of the most recent Prospectus and is based on expenses for the fiscal year end. Harding Loevner has contractually agreed to cap the expense ratio at 1.20% through February 28, 2022. The expense ratio (without cap) is applicable to investors.
[6] The Expense Ratio is as of the most recent Prospectus and is based on expenses for the fiscal year end. Harding Loevner has contractually agreed to cap the expense ratio at 0.90% through February 28, 2022. The expense ratio (without cap) is applicable to investors.
[7] The Gross and Net Expense Ratios are as of the most recent Prospectus and are based on expenses for the fiscal year end. The Net Expense Ratio is shown net of Harding Loevner's contractual agreement through February 28, 2022. Harding Loevner's contractual agreement caps the expense ratio at 0.80%. The Net Expense Ratio is applicable to investors.

September was the worst month for stocks since March 2020. Regional performance resembled the pattern in that early stage of the pandemic, marked by the outperformance of Japan and the U.S. and underperformance of Emerging Markets (EMs). One major difference this time, however, was China significantly underperforming; Chinese stocks declined by over -18%, trailing EMs overall by 10% for the quarter. Most major currencies declined against the U.S. dollar, with the biggest falls seen in commodity-exposed currencies, including the Australian and Canadian dollars and the Brazilian real.

Sector performance was heavily influenced by the Chinese regulatory headwinds and the diverging fortunes of iron ore and oil prices. Consumer discretionary stocks slumped, hurt by roughly a 35% decline in heavyweight Alibaba's shares, along with other Chinese retailers such as Pinduoduo and Meituan. Baidu and Tencent's declines hurt returns in communication services. Materials, heavily weighted toward mining stocks, fell in conjunction with the decline in ore prices. The energy sector eked out positive gains on the back of pricier oil, while financials also gained, supported by the prospect of widening spreads as interest rates normalize.

Style effects were very mixed, with little divergence between or pattern visible in the returns of various slices of the market on quality, growth, and value metrics. However, the earlier "value rally" still affects year-to-date returns, despite being on hold since May. The cheapest quintile of stocks in terms of valuation have outperformed the most expensive by a staggering 1,400 basis points, and the MSCI ACWI Value Index—up just over 13% for the year to date—is still ahead of the nearly 10% return for the MSCI ACWI Growth.

Performance and Attribution

The Global Equity Portfolio (Advisor Class) declined -1.64% (net of fees and expenses), compared to the -1.05% decline (net of source taxes) of the MSCI All Country World Index (ACWI).

China was a principal contributor to underperformance this quarter, mostly due to our double weight versus the index. The biggest Chinese detractors included Alibaba, online gaming companies Tencent and **NetEase**, and property management company **Country Garden Services**, which all fell more than -20%.

When viewed by sector, our Chinese stocks contributed to our underperformance in consumer discretionary (Alibaba), real estate (Country Garden Services), and communication services (Tencent and NetEase). Within the latter sector, U.S.-listed social media site Pinterest also detracted. The company announced results at the end of July that showed large gains in revenue and profitability but a decline in active users, prompting questions about how much of its recent increase in sales will prove to have been pandemic-related.

While our U.S. holdings overall tracked with the benchmark (where the U.S. again led most regions), our Japanese holdings handily outpaced the market's 5% return in the region. Specialized industrial companies that dominate their niche, such as **Misumi Group**, a supplier of manufacturing components, and **Keyence**, a maker of sensor and measurement devices, were notable standouts.

For the year to date our relative performance was hurt by poor stock performance in markets outside the U.S., including Europe, Japan, and EMs. Within EMs, our Chinese holdings bolstered relative performance: taken together they declined only half as much as the Chinese market. Instead, it was our holdings in Brazil, India, and Poland that combined to drag down our relative returns in EMs. They offset strong returns from our U.S. holdings, which have significantly outperformed the U.S. market.

Perspective and Outlook

In our 2020 first quarter letter, at the early stage of the global pandemic, we marveled at the resiliency of the Chinese stock market, which we ascribed to the country's success in containing the domestic spread of the coronavirus through draconian lockdowns, whose efficacy was made possible by its authoritarian political system. Eighteen months later, a similarly authoritarian intervention has left investors reeling. While government intervention is not uncommon in China, the scale and pace of this latest crop of reforms is unprecedented. Is Xi Jinping, China's most powerful leader since Chairman Mao, revealing his allegiance to a collectivist ideology long thought to be discredited? Or is he boldly grasping the nettle of reform to redress economic imbalances and social ills before they become more entrenched and undermine the Chinese Communist Party's legitimacy?

Despite headlines conjuring memories of the CCP's gruesome past, we accept that on balance the policy changes are intended to benefit the long-term health of Chinese society and economy, especially its middle class. The message the Party is sending to business leaders across China is clear: compete on a level playing field and pay a fair wage. For instance, much of the coverage of Ant Group's canceled IPO focused on the ostensible desire of the CCP to clip the wings of its tech oligarchs. More persuasive in our view is that having observed and learned from the West's subprime debacle, Chinese financial regulators are not keen to allow loan origination to be divorced from the underlying credit risks of the loans—a source of moral hazard that would potentially destabilize a financial system still dominated by lumbering state-owned banks with weak credit cultures and poor management systems. Antitrust interventions targeting the largest e-commerce platforms echo the statements (if not yet the achievements) of many Western policymakers to improve competition by increasing the bargaining power of smaller businesses versus the giants.

Meanwhile, although the gutting of the private educational tutoring sector may seem disproportionate, it has with the stroke of a pen stigmatized one of the educational advantages of affluence while inhibiting the exam preparation arms race that many middle-class families feel has spiraled out of control. Actions taken to strengthen the data privacy protections of social media companies, tighten local ownership of Macau casinos, and rein in speculation in the high-end liquor market would not be out of place in Europe or the U.S. Not to minimize the serious consequences of these abrupt and radical reforms for private businesses; as investors we are viewing these actions mainly as problems requiring further analysis rather than as indications that China has become too unpredictable to be investable.

More troubling for China's long-term prospects, although less of an immediate danger to our Portfolio, is the looming default of Evergrande. For years, the Chinese government has promised to wean the economy from fixed asset investments in favor of consumption, with little to show for the rhetoric. Regional governments have continued to rely on a red-hot property sector to provide their funding and achieve their mandated growth targets. Alarmed by the outsized role of property development in the economy, and the associated risks to the financial system of too much property speculation, the central government pushed through a series of policies last year to force the property sector to deleverage. Evergrande's plight looks like the direct consequence of those blunt top-down mandates as the heavily indebted company started to find itself cut off from its usual credit lines. While the government may be happy to make an example of the company, the probable spillover effects to the rest of the economy will be hard to contain and likely to require yet more interventions.

Equally disturbing to us are the rolling power outages afflicting as many as 20 provinces. Dueling top-down mandates with competing objectives seem to be playing a role here. Earlier in the year, the central government renewed its commitment to "dual control," a mandate to curb carbon emissions by limiting both energy usage and the intensity (i.e., the amount of energy used per unit of GDP). That directive was issued, however, without anticipating this year's spike in industrial output, whose emissions far exceed those from less energy-intensive sectors. Now that they have met their local growth targets, regional administrators are rushing to institute power shutdowns to avoid breaching stipulated emission ceilings. Woe be to the regional leaders who fail to shrink their carbon footprint before President Xi goes before the UN Climate Change Conference in early November determined to show that China is no climate backslider. To be sure, there are other factors contributing to the power crisis—not least skyrocketing coal prices whose rise was exacerbated by China's boycott of Australian coal imports in retaliation for that country's insistence on re-opening the inquiry into the origins of the COVID-19 virus.

Nobel Prize-winning economist Friedrich Hayek would have predicted that the Chinese government would ultimately fail to manage its economy by mandate, because officials can't foresee and prevent every unintended consequence of their own actions. If China's growth slows further, more such shortcomings are likely to surface. The Chinese authorities exhibited competence at virus management, but even when their intentions are good, leaders inevitably miscalculate. When the views of authoritarians are subjected to little debate and their mandates are implemented without checks and balances, miscalculations can have outsized consequences. It's unclear to us when a greater trust in the spontaneous order spawned by private actors and market forces, however well-mitigated by regulation and taxation, will take hold in China. Likely not as soon as we had hoped.

Portfolio Highlights

The prospects for our Chinese holdings have recently dominated our internal debates and garnered a disproportionate share of client questions. In China we face a somewhat daunting paradox. Despite the disquieting regulatory changes, we are finding more high-quality growing businesses that meet our investment criteria in China than at any point in our firm's history.

In 2001 China represented less than 1% of the MSCI ACW Index and was dominated by state-owned companies with dubious management and limited growth prospects. Additionally, stocks trading in the Shanghai and Shenzhen markets (as what are known today as A-shares) were entirely off-limits to foreigners and indexes. Due to greater access for foreign investors and the increased number of predominantly private-sector, growing China-based companies listed in China, Hong Kong, and the U.S., China has grown to represent about 4% of the current index. That China's weight inside our own Portfolio is currently more than double that is a function of just how broad and deep the opportunity set has become for our approach to investing. China has been a volatile market, but over the years has provided us with superior long-term returns. For the 20 years since September 2001, our stocks in China + Hong Kong have generated annual returns net of fees 1.58 percentage points higher than the ACW Index, helping us achieve our long-term outperformance objectives. In a sign of the individual strength of the companies we have identified there, even after the tumult of the recent quarter, China has still been a positive contributor for us for the year.

Fittingly in a quarter where the China paradox was front and center, we sold Alibaba and bought Baidu. Alibaba has withstood several rounds of regulatory change in the past, but the expanded regulatory focus now puts almost every aspect of its business in the line of fire. Smaller, faster-growing competitors such as JD.com, Meituan, and Pinduoduo have been quick to adapt to the new standards while continuing to grow their market share at Alibaba's expense. Rivalry, in both its core e-commerce business and in new business areas such as community-based purchasing, it seems, will only be getting fiercer.

In contrast, Baidu undertook and is now emerging from a much-needed branching out from its original business of internet search, which has faced waves of regulatory threats and ferocious competition from other new online ad formats. Over the past several years it has invested heavily in the next long-term growth opportunities in AI, which it sees as its real core competency. After racking up over 12 million kilometers (7.5 million miles) of testing, Baidu's autonomous driving system (ADS), Apollo, is now being deployed on certain less congested designated parts of the cities. In July it introduced its robo-taxi service, Apollo Go, in Guangzhou (pop. 15 million), the fourth city where the service has launched, and it expects to roll out to 30 more cities over the next three years. Several Chinese carmakers such as Great Wall have announced plans to integrate Baidu's system into their vehicles. Baidu's AI initiatives should be viewed favorably by regulators because they align with overarching central government objectives around technology leadership and reducing carbon emissions.

Baidu's technological innovation in internet search, AI, and ADS are made possible by accelerating advancement in semiconductors, a trend of considerable significance to our Portfolio. The broad adoption of the internet of things (IoT) and fifth-generation (5G) mobile networks, the growing importance of AI and machine learning applications, and the mass uptake of electric vehicles (EVs)—all enabled by advanced semiconductors—are transforming a host of industries. Taiwan-based semiconductor manufacturer **TSMC** is so confident of sustained demand for its products that it plans to invest $100 billion over the next three years to expand its capacity and maintain its lead over its archrival **Samsung Electronics**, with whom it shares the market for bleeding-edge chips.

To keep innovating, foundries like those operated by TSMC and Samsung rely on capital equipment made by **ASML**, a Dutch company that enjoys a near-monopoly in lithography, a specialized process that allows for an increase in the density of transistors and their connections on each silicon wafer. The chips, in addition to getting denser, are also getting architecturally more complex, which presents a challenge for both chip designer and fabricator alike. Computer-aided design (CAD) software from U.S.-based Synopsys not only allows circuits to be modeled down to their most microscopic elements but also offers the capability to verify their functionality and ease of manufacturing and to optimize the performance all virtually before the design is completed. U.S.-based **Applied Materials**, a new investment this quarter, makes the equipment that helps construct thinner, taller structures on the surface of the silicon.

The proliferation of devices using chips, whether EVs, "things" in IoT, or embedded systems more generally, results in the generation of oceans of data potentially needing to be stored, processed, and analyzed. **NVIDIA**, the leading chip designer well known for its graphic processing units and its complementary CUDA software ecosystem, is at the forefront of the effort to provide the analytical platform needed to unlock the full potential of such specialist processors.

We sold cosmetic producer **Estée Lauder**, which we bought last March. At the time, the market reflected a dire outlook for retail demand, especially tourist-related; however, we found its Chinese business attractive and admired its agility across social media and other digital channels. As the stock has appreciated, the resulting valuation now leaves no room for error, such as a potential shift of Chinese consumers' tastes away from U.S. brands.

A new holding is U.S.-based **CoStar**, the dominant player in information services for the commercial real estate industry and online classified ads for commercial property. Its data and analytics business, which has over 90% market share in the U.S., mines a proprietary database of commercial real estate that spans office, industrial, retail, multi-family, and land. Its online marketplace business, with over 50% market share, owns valuable websites including Apartments.com for apartment listings and LoopNet for business property listings. Over 80% of its revenue is recurring, as its offerings are typically integrated with the workflow of its customers: brokers, owners, developers, and property managers.

Chinese Regulatory Changes: More Context for the Vexed

By Lee Gao

There are few precedents for China's quick-fire regulatory changes, which over the past few months have transformed everything from e-commerce and education to health care and real estate.

One can only speculate on the reasons for this synchronous timing, but one possibility that stands out is the confluence of the five-year policy and leadership cycles in China. This is the first year of the 2021-25 Five-Year Plan, but more importantly, it is the final full year before the top 200 or so members of the Central Committee of the Communist Party of China are selected at its National Congress in October 2022. It bears remembering that those politicians are similar to counterparts elsewhere in facing challenges that have diverted them from other priorities. They spent the first two years of their terms coping with escalating U.S.-China trade tensions, and just when "normal order" loomed after the signing of the Phase One trade agreement, COVID-19 hijacked everyone's lives. Only recently have they gotten a chance to work on much-delayed goals.

As policymakers picked up where they had left off, they found themselves facing stakes heightened by the pandemic: stagnating incomes, weak consumer confidence, and a growing demographic crisis as birthrates continue to decline. These challenges may have accentuated their top priorities, ones that have been repeatedly highlighted in official policy statements over the last few years: innovation, rule of law, culture, the environment, and social harmony.

The fact is that ever since Deng Xiaoping initiated the initial series of capitalist overhauls in the 1980s, China has undergone multiple periods of reform. These changes cut a wide swath across economic activity and drastically curtailed certain targeted sectors. They were painful in their time, creating mass unemployment and fueling social discontent. Ultimately, they laid the groundwork and helped sustain several decades of nearly uninterrupted growth.

Previous reforms were far less visible to foreign observers because they barely touched the companies widely held by global investors at the time. For example, the coordinated supply-side reforms of 2015, undertaken in part to reduce chronic pollution, shuttered roughly one-fifth of China's steel capacity (equivalent to Japan's entire steel output) in under two years. Air quality improved dramatically, while bankruptcies almost tripled as many marginal producers were killed off. But not many foreign investors owned marginal steel producers, preferring to own faster growing companies such as Alibaba and New Oriental. Likewise, the anti-corruption campaigns that began in 2013 may have ushered in a more sustainable business environment, but they were terrible for liquor makers, whose products had become popular high-priced gifts to lubricate business deals and lobbying efforts. Kweichow Moutai, producer of the fiery Chinese liquor Moutai, saw its sales growth plummet in 2014 and 2015, but the company was not nearly as widely owned externally as Tencent is today.

Much of the focus of late has been on one policy priority: common prosperity. Redolent of China's collectivist past (the term was first used by Mao in 1950), the phrase frightens some foreign investors who are unsure which companies' prosperity will be sacrificed at the altar of the commons. Yet policymakers have been clear: their focus is on growing middle-class disposable income, not "robbing the rich to help the poor," according to Han Wenxiu, executive deputy director of the General Office of the Central Financial and Economic Affairs Commission. This overt aversion to a European-style welfare model may seem contradictory for a party that still pays lip service to its Marxist roots. But the reality is that China systematically underinvested in education, health care, and other social spending—especially in rural areas—as it sought to catch up economically with more developed economies. Until now, policymakers have done little in the way of redistribution; indirect taxes, which generally serve to widen income inequality, still represent two-thirds of fiscal revenue. With China coming into its own, we should expect its practices to converge with those in more advanced economies, including some form of income and wealth redistribution.

In practice, the government's targets for common prosperity—judging from recent policies and the detailed roadmap for its first pilot program in Zhejiang, the richest province in China and home to Alibaba—are education, health care, and housing. In these pivotal areas, structural impediments have exacerbated inequalities over time, producing a set of challenges that would be very familiar, for example, to residents of California. One of the more draconian national policy shifts, which recently consigned much of the private after-school tutoring business to the non-profit sector, does not go as far as South Korea's complete ban of private tutoring in the 1980s. In each country, the reforms were designed to ease the burden on parents who spend up to thousands of dollars each month coaching their children on how to pass exams. (To put this cost in perspective, the Chinese city with the highest average annual per capita disposable income in 2020 was Shanghai at $11,000.) Likewise, China's recent online regulations covering antitrust, data security, and the safety of minors are similar to the concerns of consumer advocates everywhere.

To my mind, these regulations are reminiscent of the U.S. Progressive Era of the late 19th and early 20th centuries, epitomized by Theodore Roosevelt's Square Deal. It was not an easy time to invest and was marked by muscular antitrust interventions, the inception of a progressive income tax, and the appearance of the first federal consumer and environmental protections. Certain industries faced a permanently higher level of regulation with which they had been unfamiliar. But many companies thrived, and the reforms arguably laid the foundation for a century of growth that shaped the American economy into the largest in the world today, home to the largest number of globally competitive companies.

Structural changes of this magnitude will inevitably shake up competitive forces, buffeting the outlook for growth and strength of free cash flow generation for many businesses—but not all of them in negative ways. If China's reforms succeed in improving middle-class disposable income while opening more opportunities for more people and still ensuring that the country remains a meritocracy, the government will have set the stage for more sustainable end demand for many industries. It's a tall order, but one notable advantage enjoyed by Chinese policymakers today is the benefit of a century of hindsight observing which policies worked—and which did not—in the countries that have tried them.

The views expressed represent the opinions of Harding Loevner LP as of September 30, 2021, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Top Ten Holdings (%) [8] (as of 09/30/21)

Holding	% of Net Assets
First Republic Bank	3.61
Alphabet	3.37
SVB Financial Group	3.19
Amazon.com	2.93
John Deere	2.61
WuXi Biologics Cayman	2.41
Facebook	2.36
Microsoft	2.22
Illumina	2.22
PayPal	2.06
TOTAL %	26.97

Disclosure

The Portfolio's investment objectives, risks, charges, and expenses must be read and considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company. They may be obtained by calling toll-free 877.435.8105, or visiting hardingloevnerfunds.com. Read it carefully before investing or sending money.

The Portfolio invests in foreign securities, which will involve greater volatility and political, economic, and currency risks and differences in accounting methods. It also invests in emerging markets, which involve unique risks, such as exposure to economies less diverse and mature than the U.S. or other more established foreign markets. Economic and political instability may cause larger price changes in emerging markets securities than other foreign securities. Investing in participation notes involves the same risks associated with a direct investment in the underlying security, currency, or market. The securities of smaller and medium-sized companies have historically exhibited more volatility with a lower degree of liquidity than larger companies.

The value of securities may fluctuate in response to various factors including, but not limited to, public health risks; these may be magnified if conditions and events adversely impact the global economy.

Earnings growth is not a measure of the Fund's future performance.

Diversification does not assure a profit or protect against a loss in a declining market.

Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

Market prices of investments held by the Fund may fall rapidly or unpredictably due to a variety of economic or political factors, market conditions, disasters or public health issues, or in response to events that affect particular industries or companies.

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 46 developed- and emerging-market countries. The Index is net of foreign withholding taxes on dividends. You cannot invest directly in this Index.

The MSCI All Country World Index (ACWI) Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets (DM) countries and Emerging Markets (EM) countries. Please go to msci.com for the most current list of countries represented by the index. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI All Country World Index (ACWI) Value Index captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets (DM) countries and Emerging Markets (EM) countries. Please go to msci.com for the most current list of countries represented by the index. The value investment style characteristics for index construction are defined using three variables, book value to pric, 12-month forward earnings to price and dividend yield.

The MSCI World Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets. Please go to msci.com for the most current list of countries represented by the index.

[8] Mention of a specific security should not be considered a recommendation to buy or a solicitation to sell that security. Holdings are subject to change.

Basis points (bps) refers to the unit of measure for interest rates and other financial percentages. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to express percentage changes.

All holdings and sector/region allocations are subject to review and adjustment in accordance with the Portfolio's investment strategy and may vary in the future, and should not be considered recommendations to buy or sell any security. The Portfolio is actively managed; therefore, holdings may not be current.

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