

# Harding Loevner Global Equity Inst HLMVX

Still appealing.

## Morningstar's Take HLMVX

**Morningstar Rating** ★★★

**Morningstar Analyst Rating** Bronze

### Morningstar Pillars

Process	Above Average
Performance	—
People	Above Average
Parent	Above Average
Price	—

### Role In Portfolio

Core

### Fund Performance

Year	Total Return (%)	+/- Category
YTD	12.79	1.66
2020	29.79	-2.88
2019	29.01	-1.39
2018	-10.37	-2.59
2017	32.15	1.93

Data through 7-31-21

8-09-21 | by William Samuel Rocco

Harding Loevner Global Equity's management team remains better than the norm after the expected departure of a long-time co-lead manager, and its other strengths remain intact. All its share classes retain their Morningstar Analyst Ratings of Bronze.

Ferrill Roll completed the transition from co-CIO to sole CIO and gave up his co-lead manager role on this strategy at the end of 2020 after 20 years on the team. Roll is a talented investor, but Harding Loevner announced his departure six months in advance and his transition off the team was smooth. The strategy remains in good hands. Longtime co-lead manager Peter Baughan joined the team in 2003 and has nearly four decades of investment experience. Jingyi Li, who was promoted to co-lead manager at the end of 2020 after roughly two years as comanager, has 23 years of investment experience and has had success running paper versions of this and other strategies at Harding Loevner. Comanagers

Christopher Mack, Richard Schmidt, and Scott Crawshaw, who joined the team between 2014 and 2018, remain in those roles and have good resumes themselves. And the managers have a strong set of 36 foreign-stock specialists to draw on for support.

The managers are continuing to employ the same sound quality-growth process as always has been in place here. In particular, they insist that their picks have significant competitive advantages, healthy balance sheets, and other fundamental strengths as well as robust growth rates. They readily consider emerging-markets stocks that meet their standards, they're comfortable if their stock selection leads to significant country and sector overweightings, and they pay ample attention to risks. This process, which has a nice mix of upside potential and downside protection, gives this strategy an ongoing edge, and it has earned attractive long-term risk-adjusted results at other Harding Loevner strategies.

This strategy has posted mixed results in recent years, but it has earned good risk-adjusted returns over time, and it remains an appealing source of global-equity exposure.

**Process Pillar** Above Average | William Samuel Rocco 08/09/2021

This process has an appealing mix of bolder and tamer traits and is fairly distinctive overall. It has worked well at other offerings in Harding Loevner's all-international roster. Thus, it earns an Above Average Process rating.

As with all Harding Loevner offerings, each co-lead manager runs half the portfolio independently of the other and employs the firm's quality-oriented and risk-conscious growth strategy. In particular, the two co-lead managers focus on firms that have healthy balance sheets, clear competitive advantages, and strong growth rates. They pay

ample attention to risk controls. This strategy's price multiples, quality metrics, and growth rates tend to be higher than those of the world large-stock growth Morningstar Category norms and the MSCI All Country World Index Growth. The managers trade at a measured pace.

The strategy isn't reserved in every respect. The managers readily consider emerging-markets names that meet their standards and are comfortable allowing security selection to lead to atypical country and sector weights. The strategy is often light on more-cyclical sectors and heavy on steady-growth sectors because the managers tend to find relatively few quality growers in the former and lots of names that meet their standards in the latter. The strategy normally owns around 60-70 stocks, while most of its peers own roughly 80-120.

This strategy's June 30, 2021 makes clear the managers are as willing as ever to allow their stock selection to lead to distinctive sector and country weights. The U.S. gene-sequencing leader Illumina ILMN and the Chinese drug maker Wuxi Biologics are top-10 holdings, and there are 14 other healthcare positions in the portfolio. All told, this strategy has a 22.2% weighting in healthcare versus 13.0% for the average world large-stock growth fund and 10.7% for the MSCI ACWI Growth. The strategy also has a relatively hefty stake in the financial-services sector. The managers have found relatively few stocks that meet their quality and other criteria in the consumer-cyclical and technology sectors, and the strategy has significantly less exposure to both sectors than its typical rival and the index.

Illumina is one of nine U.S. stocks among the portfolio's top 10, and the strategy has a 65.2% weight in the United States versus 56.0% for its average peer and 59.7% for the index. It also has a relatively hefty stake in China.

The strategy has an average market cap of \$110.5 billion versus \$137.7 billion for its typical rival and \$165.7 billion for the benchmark. And its average debt level is considerably lower than that of the average peer and index, while its average net margin is significantly higher than those of its typical peer and the index.

**Performance Pillar** | William Samuel Rocco 08/09/2021

This strategy has posted mixed results in recent years. It has fared pretty well in 2021, as several of its U.S. holdings have thrived. Its older Institutional share class gained 12.8% for the year to date through July, while the average category peer and the MSCI ACWI Growth category benchmark returned 11.1% and 11.9%, respectively. But this strategy lagged well behind its typical rival and the index in 2018, 2019, and 2020, as its underweightings in the U.S. and the tech sector--and some disappointing picks in those areas--really hurt. Because of its struggles in those years, its three- and five-year risk-adjusted returns are subpar.

However, this strategy often outperformed prior to 2018, and it has posted competitive risk-adjusted returns over the past decade and superior risk-adjusted returns over the past 15 years and over co-lead manager Peter Baughan's 18.5-year tenure. Indeed, from the time he joined the management team in February 2003 through July 31, 2021, its Institutional share class earned a Morningstar Risk-Adjusted Return of 7.9% versus risk-adjusted returns of 7.2% for both the average world large-stock growth category peer and the MSCI ACWI Growth. The fact that the strategy has suffered relatively modest volatility over the short, medium, and long runs is another plus.

**People Pillar** Above Average | William Samuel Rocco 08/09/2021

Ferrill Roll completed the transition from co-CIO to sole CIO and gave up his co-lead manager role on this strategy at the end of 2020. (He remains a co-lead manager of Harding Loevner International Equity HLMIX.) Roll spent 20 years on the team here and is a skilled investor, so he will be missed. But his departure was announced in mid-2020 and his transition off the team was smooth. Longtime co-lead manager Peter Baughan remains in place

and has terrific credentials, including 18.5 years of experience on this strategy's management team and 38 years of investment experience. While Jingyi Li, who was promoted to co-lead manager at the end of 2020 after roughly two years as comanager, is not as seasoned as Roll, he has 23 years of investment experience and has been successful running paper versions of this and other strategies at Harding Loevner. Comanagers Christopher Mack, Richard Schmidt, and Scott Crawshaw, who joined the team between 2014 and 2018, remain in place and are well-credentialed. Mack has 17 years of experience, while Schmidt also serves as a comanager on Harding Loevner Emerging Markets HLEM and has 35 years of experience. Crawshaw also serves as a co-lead manager on Harding Loevner Emerging Markets and has 26 years of experience. The team remains sizable, seasoned, and strong, and the strategy earns an Above Average People rating.

**Parent Pillar** Above Average | William Samuel Rocco 07/12/2021

Harding Loevner's commitment to its international-equity roots, devotion to its growth process, and strong investment team lead to a Parent rating of Above Average.

The firm was founded by global-investing experts in 1989. It opened one foreign large-growth fund, one world-stock fund, and one diversified emerging-markets fund in the 1990s. It expanded its lineup in a measured manner in the 2000s while continuing to focus exclusively on international-equity strategies. For example, it opened a China-region fund in 2020 after years of investing in China stocks in its other funds and seeing steady increases in that opportunity set. The firm has 10 funds, and all of them use the same sound, quality-growth process.

Harding Loevner, which is majority-owned by AMG and had \$84 billion in assets as of March 2021, has done a great job of hiring, integrating, and retaining talented investment professionals over time. The firm has 41 investment professionals; the team has a strong culture; and the managers and analysts are quite seasoned and skilled overall. (All four Harding Loevner funds with Morningstar Analyst Ratings have Above Average People ratings.) There have been very few departures from

the team in recent years, and the firm's practice of having two co-lead managers on all its funds--plus multiple comanagers on its large offerings--eases retirements and other manager transitions.

**Price Pillar** | William Samuel Rocco 08/09/2021

It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Bronze.

**Average annual returns (%)<sup>1</sup> (as of 06/30/21)**

	Inception	Q2	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incpt
HLMGX (Advisor)	12/01/96	10.28	11.78	38.75	17.30	18.00	11.90	8.59
HLMVX (Institutional)	11/03/09	10.34	11.91	39.00	17.54	18.25	12.17	12.54
HLGZX (Institutional Class Z)	08/01/17	10.36	11.96	39.11	17.61	-	-	16.45
Benchmark	-	7.39	12.30	39.26	14.57	14.61	9.90	-

**Expense Ratios (gross/net):** Advisor Class 1.07% / 1.07%, Institutional Class 0.88% / 0.88%, Institutional Class Z 0.83% / 0.80%

**Top Ten holdings (%)<sup>2</sup>**

Holding	% of Net Assets
Alphabet	3.51
First Republic Bank	3.47
SVB Financial Group	3.20
Illumina	3.05
Amazon.com	3.04
PayPal	2.77
Facebook	2.63
John Deere	2.49
Microsoft	2.11
Wuxi Biologics Cayman	2.08
TOTAL %	28.35

<sup>1</sup> Returns for periods less than one year are not annualized.

<sup>2</sup> 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.

*The performance data shown represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the 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. For performance information through the most recent month end please call 800.835.3879 or visit our website at [amgfunds.com](http://amgfunds.com).*

## Disclosure

***Investors should carefully consider the fund's investment objectives, risks, charges, and expenses before investing. For this and other information, please call 800.835.3879 or download a free prospectus. Read it carefully before investing or sending money.***

***Past performance is no guarantee of future results.***

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The MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Please go to [msci.com](https://www.msci.com) for most current list of countries represented by the index.

Unlike the Fund, indices are unmanaged, are not available for investment and do not incur expenses.

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The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research. For actively managed strategies, people and process each receive a 45% weighting in their analysis, while parent receives a 10% weighting. For passive strategies, process receives an 80% weighting, while people and parent each receive a 10% weighting. For both active and passive strategies, performance has no explicit weight as it is incorporated into the analysis of people and process; price at the share-class level (where applicable) is directly subtracted from an expected gross alpha estimate derived from the analysis of the other pillars. The impact of the weighted pillar scores for people, process and parent on the final Analyst Rating is further modified by a measure of the dispersion of historical alphas among relevant peers. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, the modification by alpha dispersion is not used.

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