

# Harding Loevner International Eq Inv HLMNX

An appealing source of core foreign exposure.

## Morningstar's Take HLMNX

**Morningstar Rating** ★★★

**Morningstar Analyst Rating** Silver

### Morningstar Pillars

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

### Role In Portfolio

Core

### Fund Performance

Year	Total Return (%)	+/- Category
YTD	0.32	0.03
2020	20.00	-5.48
2019	24.81	-3.02
2018	-14.30	-0.23
2017	29.44	-1.44

Data through 2-28-21

8-31-20 | by William Samuel Rocco

Harding Loevner International Equity continues to benefit from a strong management team as well as an attractive and proven process, and all three of its share classes merit Morningstar Analyst Ratings of Silver.

This strategy remains in good hands after some modifications. Ferrill Roll will give up his co-lead manager role on Bronze-rated Harding Loevner Global Equity HLMGX when he completes the transition from co-CIO to sole CIO at the end of 2020, but he'll continue to serve as the co-lead manager of this strategy, and he is quite skilled and seasoned. Andrew West, who continues to serve as the other co-lead manager, is experienced and talented as well. Comanagers Bryan Lloyd and Patrick Todd remain in those roles and are well-credentialed. Although Scott Crawshaw gave up his comanager position on this strategy in early 2020, he remains a co-lead manager on Silver-rated Harding Loevner Emerging Markets HLEMEX

and a comanager on Harding Loevner Global Equity, so he remains an important resource for the managers of this strategy. And the managers have a strong set of 32 international-stock specialists to draw on for support.

This strategy employs the same appealing quality-growth process that Harding Loevner Emerging Markets and other Harding Loevner offerings have used to earn good long-term risk-adjusted returns. In particular, Roll and West, along with their comanagers, insist that their picks have significant competitive advantages, healthy balance sheets, and other fundamental strengths, as well as robust growth rates. They regularly allow their stock selection to lead to atypical sector and country weightings. And they pay ample attention to price and other risks and move at a measured pace while doing so. This approach has an appealing mix of upside potential and downside protection, and it provides this strategy with an ongoing edge.

The managers have earned appealing risk-adjusted results with the family's quality-growth discipline over time all things considered, and this strategy remains a good core-foreign vehicle for the long haul.

### Process Pillar High | William Samuel Rocco 08/31/2020

This strategy uses the same quality-oriented and risk-conscious growth strategy as its siblings. In particular its managers focus on firms with healthy balance sheets, clear competitive advantages, and strong growth rates, along with other positive attributes. They pay ample attention to valuations and risk controls, and they focus further up the market-cap ladder than most peers. The strategy's price multiples tend to be similar to or lower than the group norms while its average market cap tends to be bigger. The managers also move at a measured pace, especially since they decided to be more patient with their picks starting in late 2004.

But the strategy isn't relatively reserved in every respect. The managers search far and wide for stocks that meet their standards, readily delve into emerging markets, and invest in 50-60 stocks while most peers holds roughly 90-100 issues.

While this strategy is moderate overall, it's also distinctive enough to give it a solid chance of outperforming. It also has worked well at other offerings in Harding Loevner's all-international roster of funds, including Silver-rated Harding Loevner Emerging Markets HLEMEX (where Scott Crawshaw serves as a co-lead manager).

For all these reasons, this strategy earns a High Process Pillar rating.

This strategy continues to focus further up the market-cap ladder than the typical foreign large-growth offering and the MSCI All Country World Index ex USA. It had an average market cap of \$66.7 billion as of June 30, 2020, versus \$50.2 billion for its average peer and \$51.1 billion for the index.

The managers' commitment to quality-growth stocks continues to lead to atypical sector weightings. Taiwan Semiconductor Manufacturing TSM, SAP SAP (a German software developer), Infineon Technologies IFNYY (a German chipmaker) and Adyen ADYEN (a Dutch payment-software provider) are top-15 holdings, and there are four other computer-related stocks in the portfolio. This strategy has a 21.7% weighting in the tech sector overall versus 16.8% for the average foreign large-growth fund and 11.9% for the MSCI ACWI ex USA Growth. Conversely, the managers have found relatively few stocks that meet their criteria in the consumer cyclical and communication services sectors.

The managers continue to allow their stock selection to lead to distinctive country weightings.

They've invested in four German firms besides SAP and Infineon Technologies—including top-25 holdings Allianz ALV, Symrise SY1, and Adidas DS—so this strategy has 12.8% of its assets in Germany versus 8.2% for its average peer and 4.3% for the index. It also has more exposure to Switzerland than its typical rival and the index.

**Performance Pillar** | William Samuel

Rocco 08/31/2020

This strategy employs a relatively moderate growth process, so it makes sense to compare its performance to that of the MSCI ACWI ex USA as well as that of the MSCI ACWI ex USA Growth and that of the typical member of the foreign large-growth Morningstar Category.

Growth stocks have markedly outperformed over the past decade, and this strategy's one-, three-, five-, and 10-year returns are quite mixed. Its older Institutional share class gained 11.1% during the year ended July 31 versus 0.7% for the MSCI ACWI ex USA, 13.2% for the MSCI ACWI ex USA Growth, and 13.8% for its average peer. Its three-, five-, and 10-year risk-adjusted returns are much better than those of the MSCI ACWI ex USA. Its three-year risk-adjusted returns are worse than those of the MSCI ACWI ex USA Growth and its typical rival. Its five-year risk-adjusted return is similar to that of the MSCI ACWI ex USA Growth and better than that of its average peer; its 10-year risk adjusted return is better than that of the MSCI ACWI ex USA Growth and similar to that of its typical rival.

However, thanks to the managers' skillful execution, this strategy's 15-year risk-adjusted returns are significantly better than those of both indexes and the category average.

**People Pillar** Above Average | William Samuel

Rocco 08/31/2020

Although Ferrill Roll will give up his co-lead manager role on Bronze-rated Harding Loevner Global Equity HLMGX when he completes the transition from co-CIO to sole CIO at the end of 2020, he'll continue to serve as the co-lead manager of this strategy. Roll, who has been a manager on this strategy since 2004 and became a co-lead manager in 2011, is quite skilled and

seasoned. Andrew West continues to serve as the other co-lead manager. West, who worked on this strategy for eight years as an analyst and six years as a comanager before assuming his current role in 2019, is experienced and talented as well.

Comanagers Bryan Lloyd and Patrick Todd remain in those roles and are well-credentialed. Lloyd—who has worked on the strategy since 2011 and became comanager in 2014—has 24 years of experience, while Todd—who has worked on the strategy since 2012 and became a comanager in 2017—has 15 years of experience. Although Scott Crawshaw gave up his comanager position on this fund in early 2020, he remains a manager on two of this strategy's siblings, so he remains an important resource for the managers of this strategy.

Roll, West, Lloyd, and Todd have a strong set of 32 international-stock specialists to draw on for support; and all of them follow the same quality-growth process.

For all these reasons, this fund retains an Above Average People rating,

**Parent Pillar** Above Average | William Samuel

Rocco 07/24/2019

Harding Loevner, which is majority-owned by AMG, is a well-established and -staffed firm that specializes in international-equity funds. Daniel Harding and David Loevner ran global accounts before they founded the company in 1989, and co-CIO Simon Hallett and co-CIO and portfolio manager Ferrill Roll had ample foreign investing experience when they joined the firm in the early 1990s.

The firm launched five international-stock funds for U.S. investors between 1994 and 2008 before opening three more during the past few years. (It also has several international-equity separately managed accounts for U.S. investors and UCITs for overseas investors.) All use the same quality-growth strategy. That approach is sound and risk-conscious, and it has earned strong risk-adjusted results overall. Harding Loevner, which has roughly \$70 billion in assets, has done an excellent job of hiring and retaining investment professionals as it

has grown and aged. Indeed, there are 38 individuals on its investment team, and the team has an attractive mix of very seasoned veterans who have been with the firm for decades, experienced investors who have been with the company for many years, and more-recent arrivals who have between a few months and a couple of decades of experience.

Harding Loevner has so-so fees. But manager ownership is solid, and it treats its fundholders well, so it merits a Positive Parent rating.

**Price Pillar** | William Samuel Rocco 08/31/2020

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-costliest quintile. That's poor, but based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we still think this share class will be able to overcome its high fees and deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Silver.

**Average annual returns (%)<sup>1</sup> (as of 03/31/21)**

	Inception	Q1	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incpt
HLMNX (Investor)	09/30/05	0.74	0.74	50.00	8.66	11.81	7.16	7.28
HLMIX (Institutional)	05/11/94	0.84	0.84	50.49	9.01	12.17	7.52	6.85
HLIZX (Institutional Class Z)	07/17/17	0.88	0.88	50.54	9.10	-	-	9.96
Benchmark	-	3.49	3.49	49.41	6.51	9.76	4.93	-

**Expense Ratios (gross/net):** Investor 1.13% / 1.13%, Institutional 0.81% / 0.81%, Institutional Class Z 0.73% / 0.73%

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

Holding	% of Net Assets
Infineon Technologies	4.40
Samsung Electronics	4.02
TSMC	3.81
Atlas Copco	3.65
AIA Group	3.13
L'Oreal	3.11
Adyen	2.91
BHP ADR	2.89
Tencent	2.65
Allianz	2.54
TOTAL %	33.11

<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.

## 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 ex-USA Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI All Country World ex-USA Index consists of 22 developed and 24 emerging market country indices. Please go to [msci.com](http://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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