

Harding Loevner International Eq Inv HLMNX

Still strong overall.

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	7.81	-0.11
2020	20.00	-5.48
2019	24.81	-3.02
2018	-14.30	-0.23
2017	29.44	-1.44

Data through 7-31-21

7-12-21 | by William Samuel Rocco

Harding Loevner International Equity still enjoys significant personnel and other advantages over its competition, and all three of its share classes retain their Morningstar Analyst Ratings of Silver.

This strategy's management team remains better than the foreign-large-growth norm after modifications to one of the co-lead manager's responsibilities and the arrival of an additional comanager. Ferrill Roll gave up his co-lead manager role on Bronze-rated Harding Loevner Global Equity HLMGX and completed the transition from co-CIO to sole CIO at the end of 2020 (as Harding Loevner previously announced would occur). But he continues to serve as a co-lead manager of this strategy and is skilled and seasoned. Andrew West, who continues to serve as the other co-lead manager, is experienced and talented. Comanagers Bryan Lloyd and Patrick Todd remain in those roles and are well credentialed. Babatunde Ojo joined the team as a comanager

early this year and is well credentialed himself. And the five managers have a strong set of 36 international-stock specialists to draw on for support.

This strategy's managers continue to employ the same sensible quality-oriented growth strategy as they always have. Specifically, the managers 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 other standards; they're comfortable if their stock selection leads to significant country and sector overweightings; and they pay ample attention to price and other risks. This process, which has a nice mix of upside potential and downside protection, gives this strategy an ongoing edge, and it has earned appealing long-term risk-adjusted results as Silver-rated Harding Loevner Emerging Markets HLEMX as well as at Harding Loevner Global Equity.

The managers have delivered good risk-adjusted results with the family's quality-growth discipline here all things considered, and this strategy remains an attractive source of exposure to foreign large-caps.

Process Pillar High | William Samuel Rocco 04/12/2021

This strategy uses the same quality-oriented and risk-conscious growth strategy as its Harding Loevner 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 those of the average fund in the foreign large-growth Morningstar Category and the MSCI ACWI ex USA Growth Index (the category benchmark), while its average

market cap is often bigger than both. The managers also move at a measured pace.

But the strategy isn't reserved in every respect. The managers search far and wide for stocks that meet their standards, readily invest in emerging markets, regularly allow their stock selection to result in reasonably distinctive country and sector weightings, and build a reasonably compact portfolio of roughly 50-60 stocks.

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 HLEMX.

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 MSCI ACWI ex USA Growth Index (the category benchmark). It had an average market cap of \$83.2 billion as of Dec. 31, 2020, versus \$55.9 billion for the average peer and \$57.9 billion for the category index.

The managers' commitment to quality-growth stocks continues to lead to distinctive country weightings. They've found several names that meet their growth and other standards in Germany, including chipmaker Infineon Technologies IFNNY, software developer SAP SAP, and insurer Allianz ALIZF (which are top-15 holdings). This strategy has 12.0% of its assets in Germany versus 6.7% for its average peer and 4.3% for the index. It also has less exposure to China than its typical rival and the benchmark.

The managers continue to allow their stock selection to result in atypical sector weightings as well. They've invested in many technology and financial services names besides Infineon Technologies, SAP and Allianz. Thus, this strategy has 24.6% of its assets in the technology sector and 16.5% of its assets in the financial-services sector, versus 20.1% and 12.1% for its average peer and 20.3% and 7.8% for the index, respectively. It also has less exposure to the consumer-cyclical and communication-services sectors than its typical rival and the benchmark.

Performance Pillar | William Samuel

Rocco 04/12/2021

This foreign large-growth strategy employs a relatively moderate, quality-oriented process. Therefore, it makes sense to compare this strategy's performance to that of the MSCI ACWI ex USA Index (which is its prospectus benchmark) as well as to that of the MSCI ACWI ex USA Growth Index (which is the category benchmark) and that of the typical member of the foreign large-growth Morningstar Category.

Growth stocks have markedly outperformed during most of the past decade, and this strategy's one-, three-, five-, and 10-year returns are mixed. Its older Institutional share class gained 50.5% during the 12 months ended March 31, 2021, versus 49.4% for the MSCI ACWI ex USA, 49.4% for the MSCI ACWI ex USA Growth, and 54.2% 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 significantly worse than those of the MSCI ACWI ex USA Growth and its typical rival. Its five-year risk-adjusted return is modestly worse than those of the MSCI ACWI ex USA Growth and its average peer; its 10-year risk adjusted return is better than that of the MSCI ACWI ex USA Growth and modestly worse than 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 04/12/2021

As expected, Ferrill Roll gave up his co-lead manager role on Bronze-rated Harding Loevner Global Equity HLMGX when he completed the transition from co-CIO to sole CIO at the end of 2020 but remains a co-lead manager on this strategy. Roll, who became a manager on this strategy in 2004 and a co-lead manager in 2011, is skilled and seasoned. Andrew West remains in place as the other co-lead manager on this strategy. West, who spent eight years as an analyst and six years as a comanager on this strategy before assuming his current role in 2019, is experienced and talented.

Comanagers Bryan Lloyd and Patrick Todd remain in place and are well credentialed. Lloyd--who has worked on the strategy since 2011 and became a 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 16 years of experience. Babatunde Ojo, who joined the team as a comanager early this year, also has a good resume. He has served as a co-lead manager of Bronze-rated Harding Loevner Emerging Markets HLFMX since 2016 and has 27 years of experience.

The five managers have a strong set of 36 international-stock specialists to draw on for support; and all of them follow the same quality-growth process.

For all these reasons, this strategy retains 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 04/12/2021

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-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 (%)¹ (as of 06/30/21)

	Inception	Q2	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incpt
HLMNX (Investor)	09/30/05	5.34	6.12	33.69	11.08	12.35	7.51	7.51
HLMIX (Institutional)	05/11/94	5.41	6.30	34.10	11.43	12.71	7.87	6.99
HLIZX (Institutional Class Z)	07/17/17	5.41	6.34	34.21	11.50	-	-	10.77
Benchmark	-	5.48	9.16	35.72	9.38	11.08	5.45	-

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

Top ten holdings (%)²

Holding	% of Net Assets
Infineon Technologies	3.93
Samsung Electronics	3.76
TSMC	3.68
Atlas Copco	3.47
L'Oreal	3.42
AIA Group	3.02
Adyen	3.00
BHP ADR	2.87
Roche	2.78
Schneider Electric SE	2.47
TOTAL %	32.40

¹ Returns for periods less than one year are not annualized.

² 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.

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 & frontier 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 & frontier markets securities than other foreign securities. Investing in participation notes involve the same risks associated with a direct investment in the underlying security, currency or market.

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.

Any sectors, industries, or securities discussed should not be perceived as investment recommendations. Any securities discussed may no longer be held in the Fund's portfolio. It should not be assumed that any of the securities transactions discussed were or will prove to be profitable, or that the investment recommendations we make in the future will be profitable.

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 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.

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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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.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For passive funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will be able to deliver a higher alpha net of fees than the lesser of the relevant Morningstar category median or 0. The level of the rating relates to the level of expected net alpha relative to Morningstar category peers for passive funds. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will deliver a weighted pillar score above a predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months.

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