

Davenport Asset Management presents:

Virtual Investor Summit Series

International Equities are Down, but are They Out?

November 17, 2022

DAVENPORT 1863
ASSET MANAGEMENT 

Davenport & Company LLC Member NYSE-FINRA-SIPC

Introduction

Agenda

1. The Current International Market
2. Why Invest in International Markets
3. How Harding Loevner is Investing Now
4. Q&A

Presenters



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Harding Loevner



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Important Disclosures:

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International Perspectives

Davenport

November 17, 2022

Uncertain Environment

Embracing uncertainty

Macroeconomic Concerns

- Inflation / Recession / Stagflation
- Strong US Dollar

Evolving Geopolitical Environment

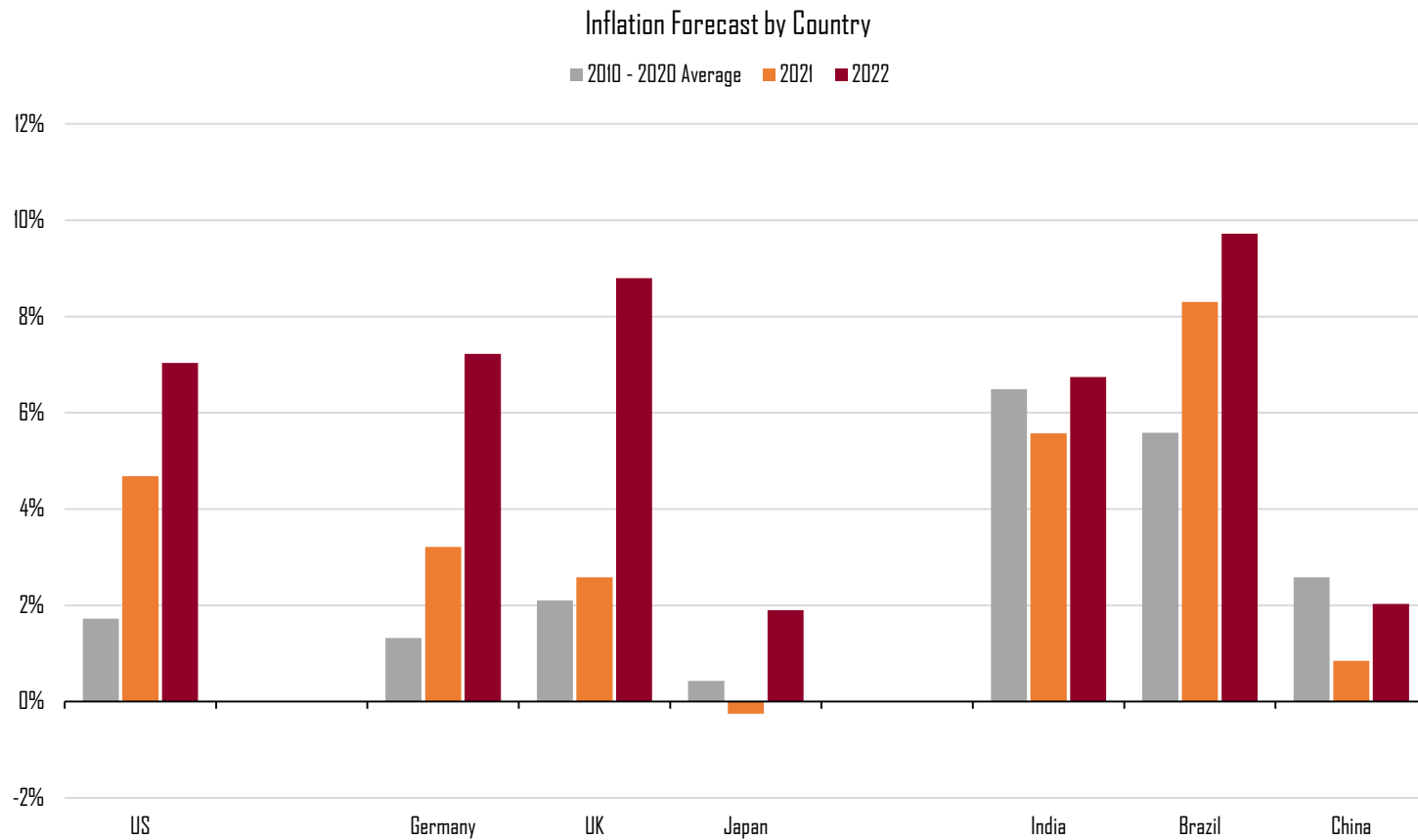
- China / Russia
- Supply Chain – Near-Shoring
- Changing US Policy
 - CHIPS and Science Act
 - Inflation Reduction Act (Clean Energy)
 - Biotech

Uncertainty and Volatility Creating Opportunities

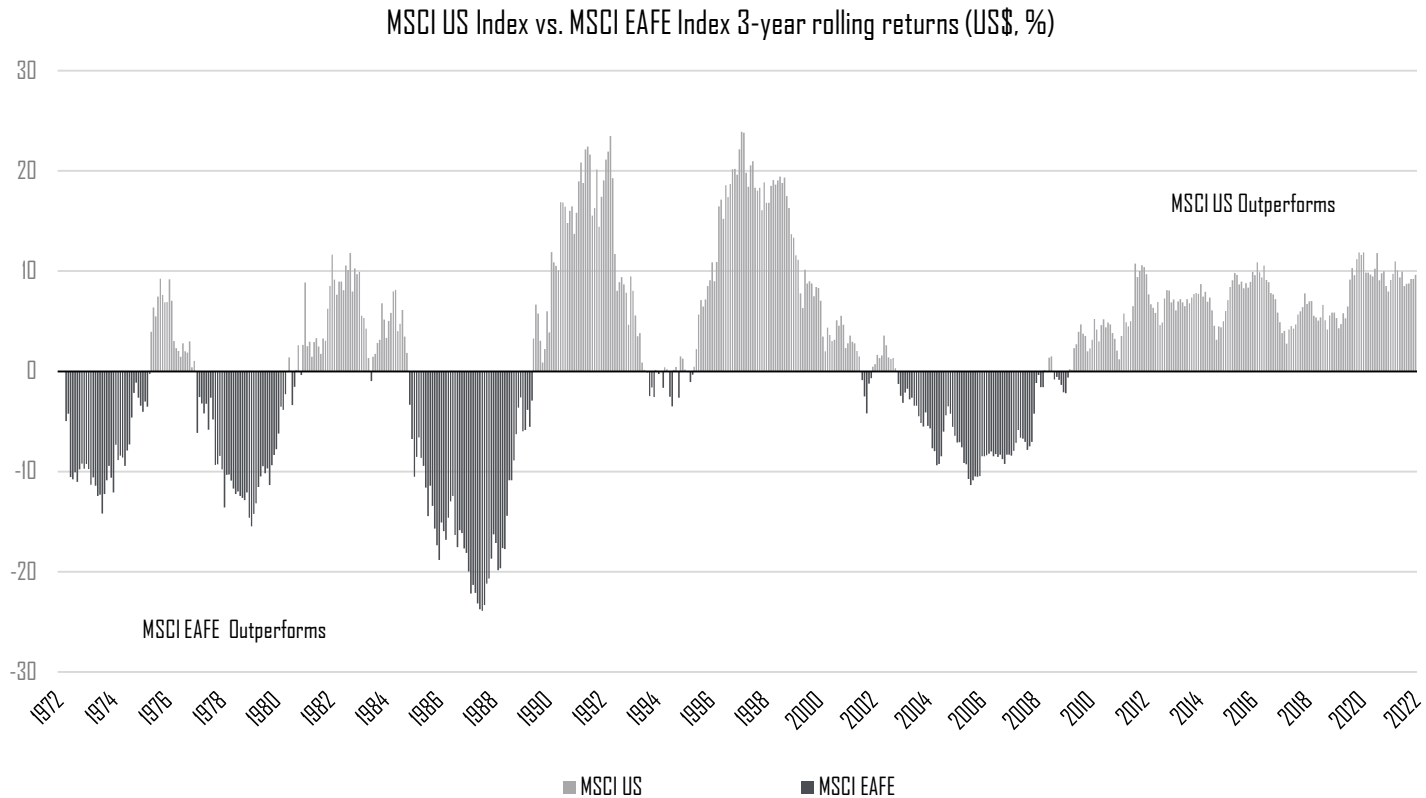


Inflation and Interest Rates: Not Uniform Across the World

Innovative quality businesses can pass on cost inflation to end consumer

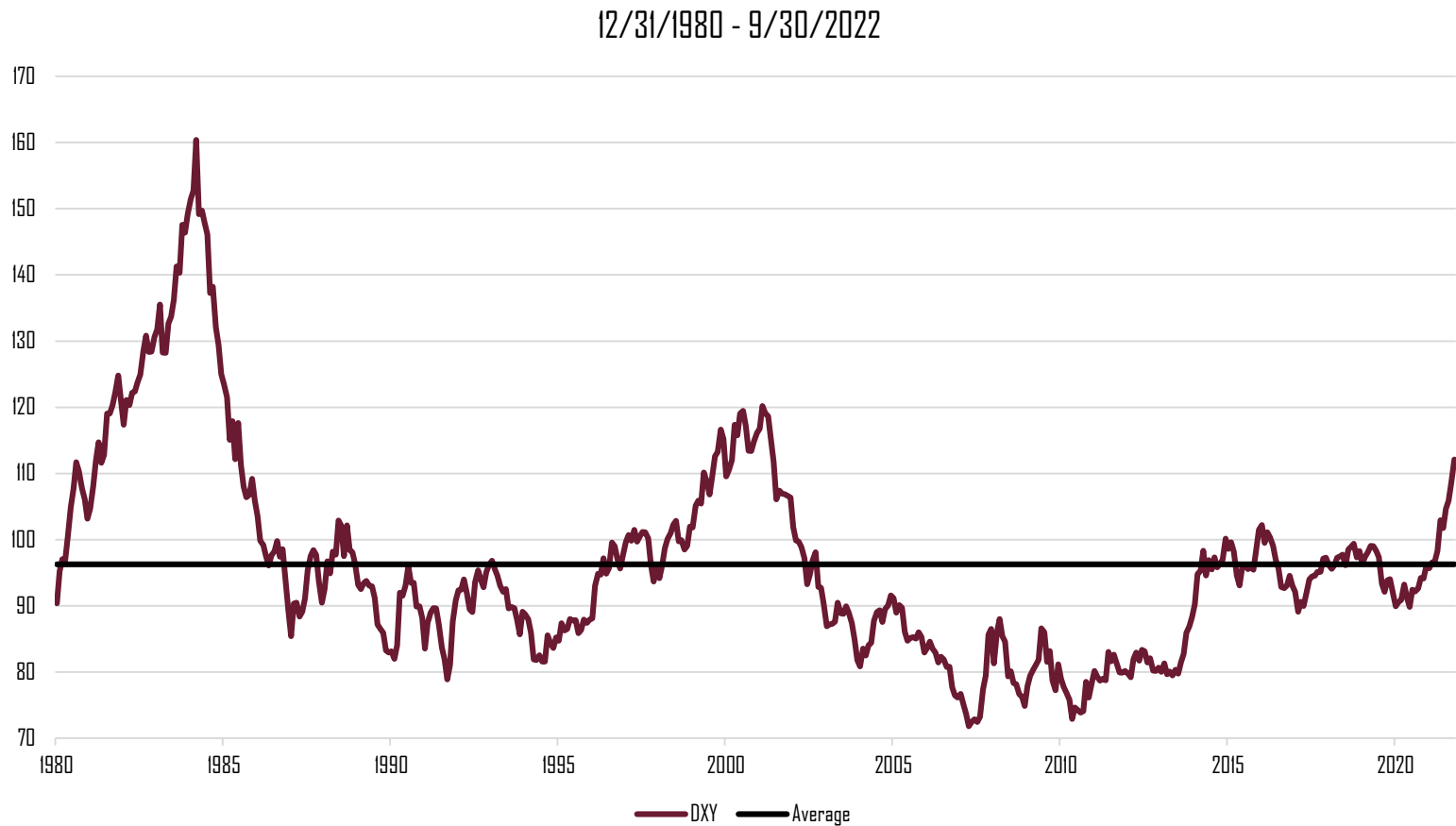


Relative Index Performance



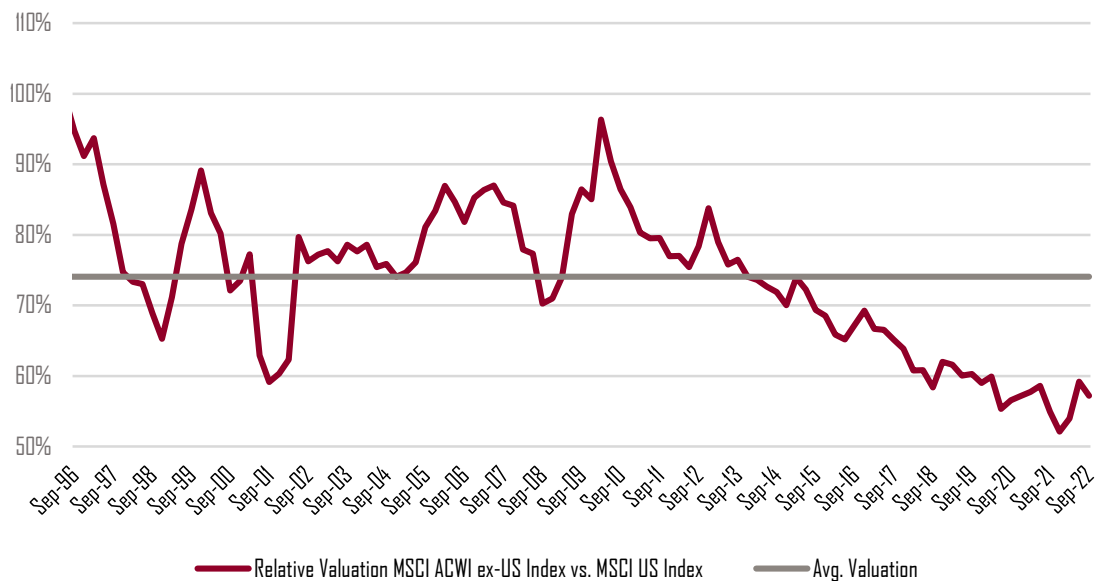
Strengthening US Dollar

DXY Index Since 1980



International vs. US Relative Valuation

MSCI ACWI ex-US vs. MSCI US Relative Valuation
(Equal-weighted composite of relative P/E, P/B, and P/CF multiples. ACWI ex-US vs. US)

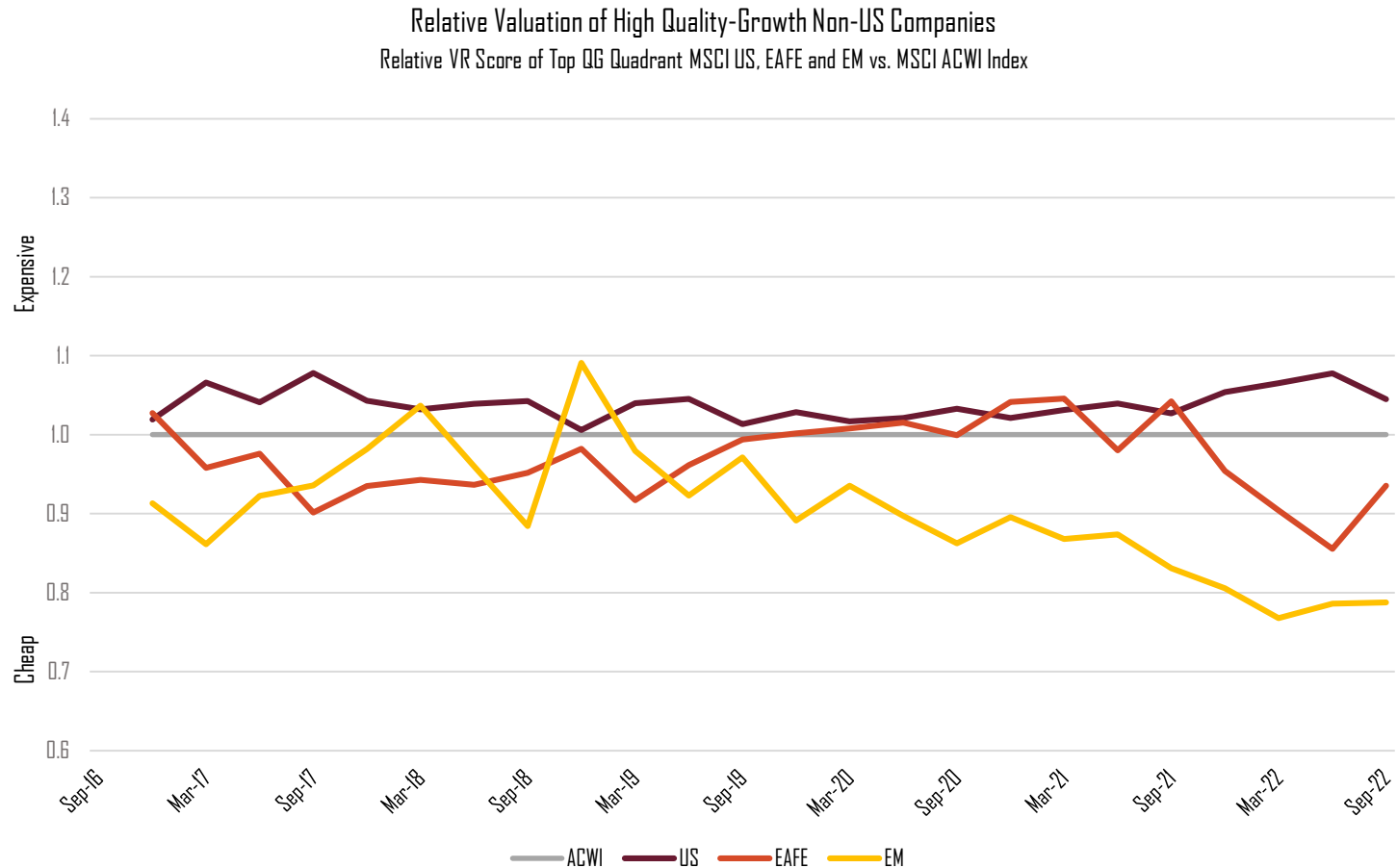


Valuation as of September 30, 2022
(Based on most recent annual data)

	P/E	P/B	P/CF
ACWI ex-US	11.1	1.6	7.5
US	18.3	3.6	13.0
Europe	12.7	1.6	7.8
Japan	13.7	1.2	7.7
EM	11.5	1.5	7.7

Valuation of Superior Quality-Growth Stocks – Relative to MSCI ACWI

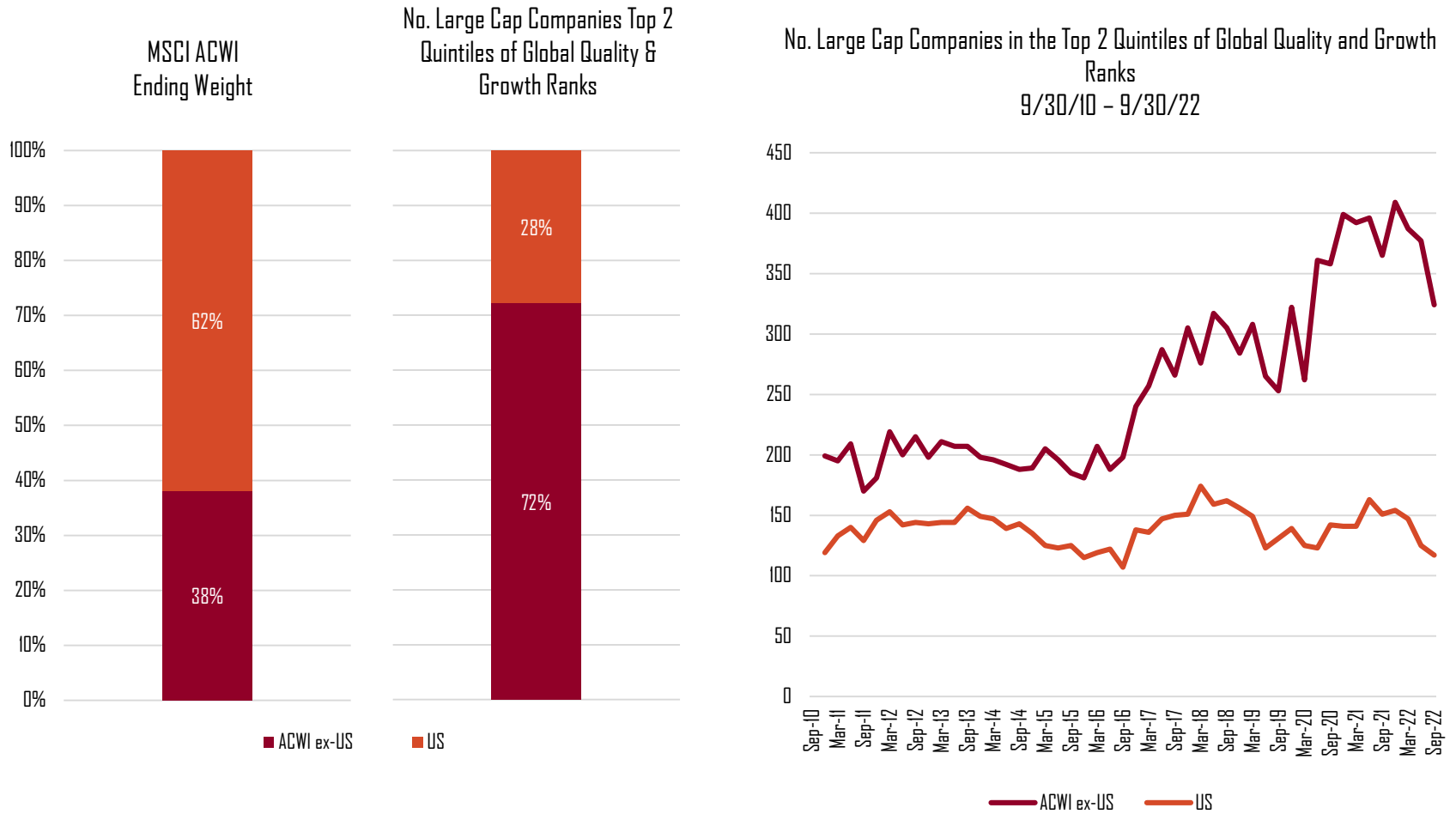
Quality-Growth stocks outside of the US have de-rated significantly over the past 4 years



Top QG quadrant is defined as companies with a QR score > 0.5 and a GR score > 0.5. VR Score based on weighted average.
Source: HOLT, FactSet; Data as of September 30, 2022

Non-US Companies: Rising Share of Global High-Quality, Growth Universe

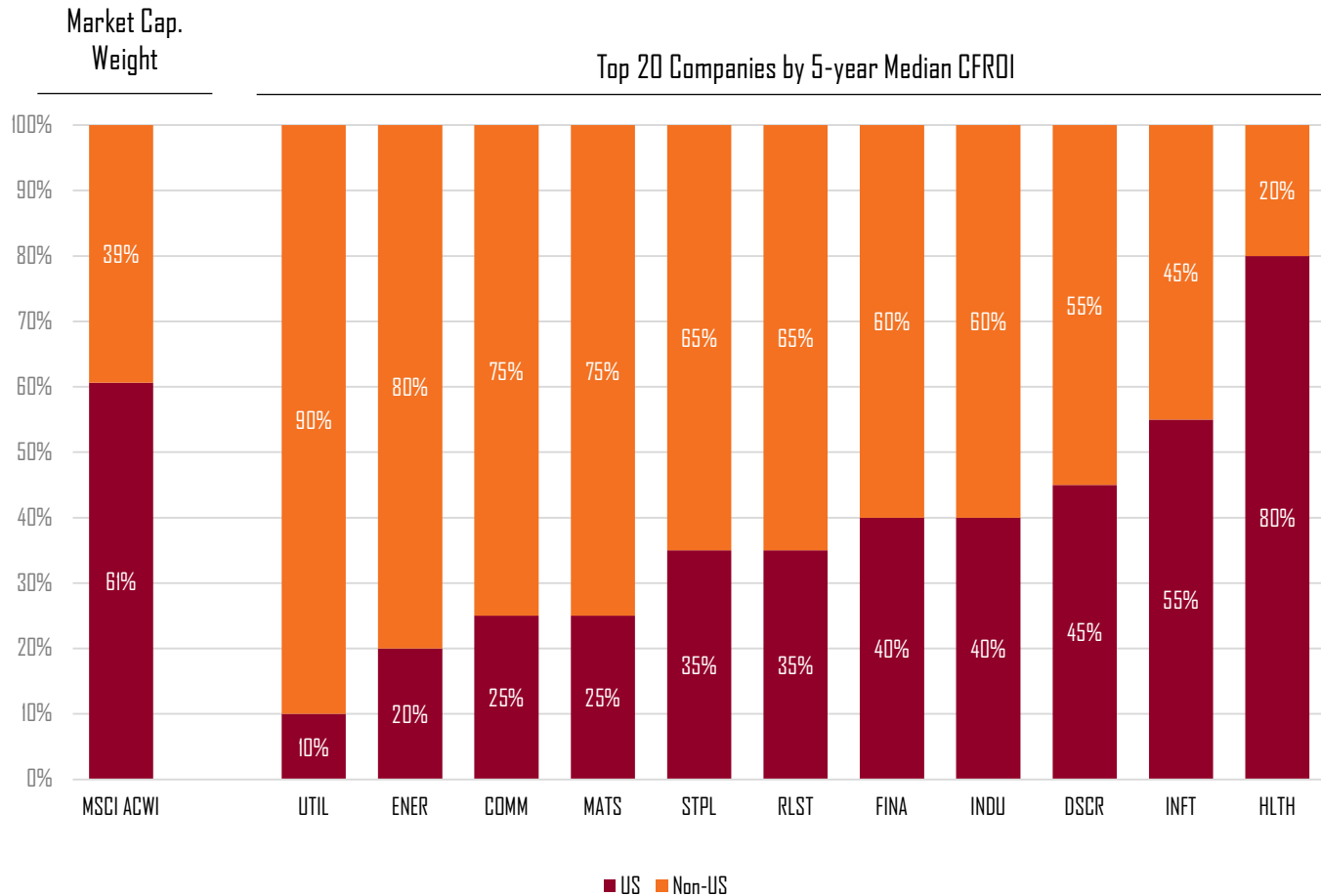
Growth industries particularly in Emerging Markets are driving this trend



Source: FactSet, HOLT, MSCI Inc. Data as of September 30, 2022. Large cap is defined as a market cap above \$5 billion.

Highly Profitable Businesses Exist Outside of the US

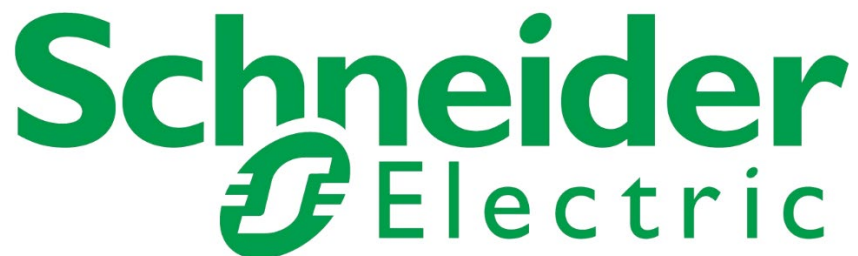
Examining the 20 most profitable companies in each sector globally reveals that the many are located outside the US



Companies with market cap >\$1 billion as of June 30, 2022. Profitability is based on 5-year median CFROI. Weights Data as of June 30, 2022. Source: FactSet, MSCI Inc.; Harding Loevner, HOLT database. Please read the disclosures, which are an integral part of this presentation.

Stock Example: Schneider Electric

France, Industrial



A global leader in energy management and industrial automation.

Secular trends underpin above average growth in both segments of its business.

Increased customer focus on energy efficiency is driving higher demand for Schneider's equipment, services and solutions.

Slowdown in globalization is accelerating long-term transition to increased automation of manufacturing.



The information provided in this presentation should not be considered a recommendation to purchase or sell a particular security. The portfolio is actively managed therefore securities shown may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

Stock Example: XP Inc.

Brazil, Financials



XP is a technology-driven financial services platform in Brazil.

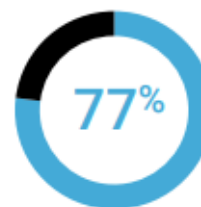
Well-positioned to benefit from secular growth of financial services in Brazil and to capture share from incumbent banks.

XP's tech-enabled, open platform enables independent financial advisors (IFAs) to tailor solutions for affluent customers.

Expanding into related financials verticals to capture new customer and a greater share of share of wallet with current customers.



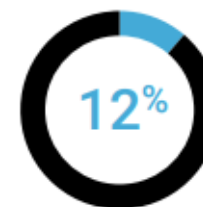
RETAIL



of total gross revenue
(LTM 2Q22)



INSTITUTIONAL



of total gross revenue
(LTM 2Q22)



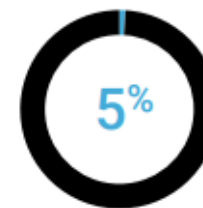
ISSUER SERVICES



of total gross revenue
(LTM 2Q22)



DIGITAL CONTENT & OTHER



of total gross revenue
(LTM 2Q22)

Questions and Contact Information



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Appendix

We invest in high-quality, growing companies identified through fundamental research with a long-term, global perspective.

1989

Firm founded

\$52B

AUM

18

Strategies

406

Client Accounts

118 Employees

37 partners

20 Nationalities

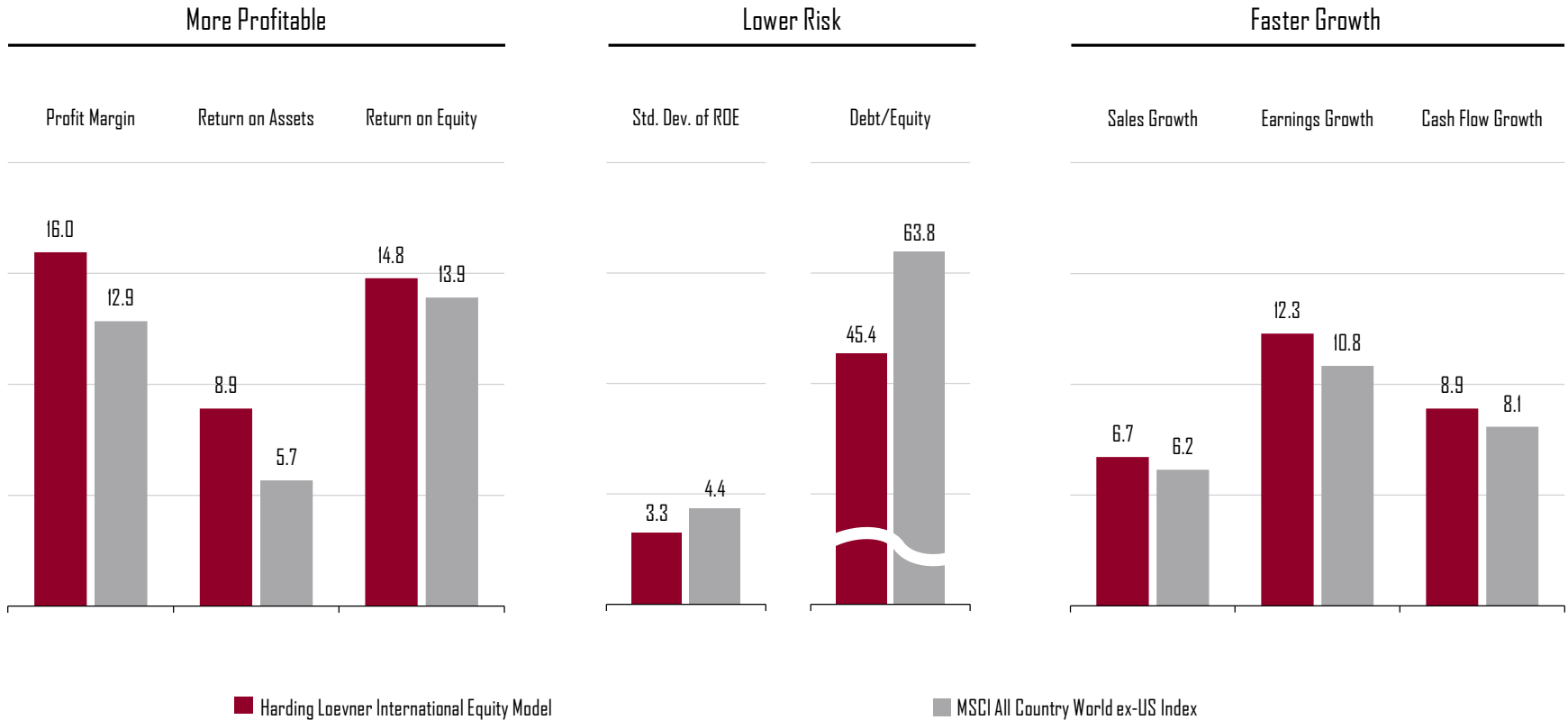
58 languages

30 Analysts

Organized by global sector

Quality and Growth Investment Philosophy

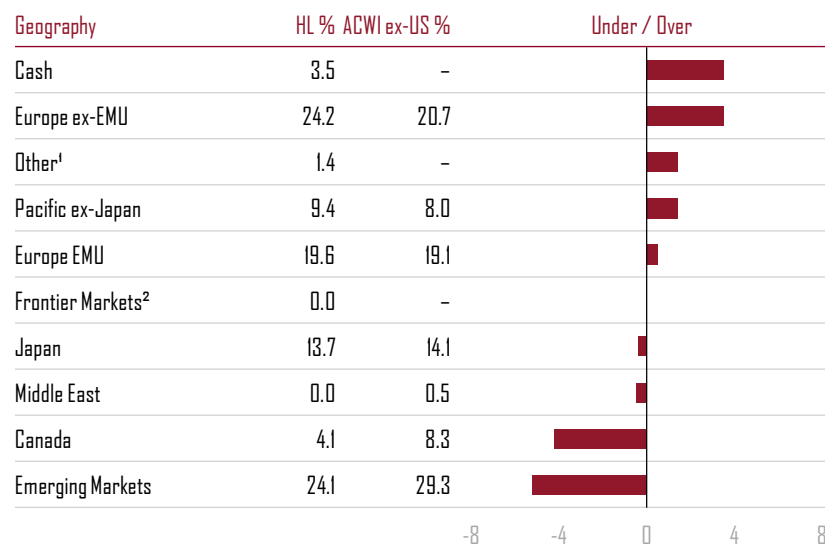
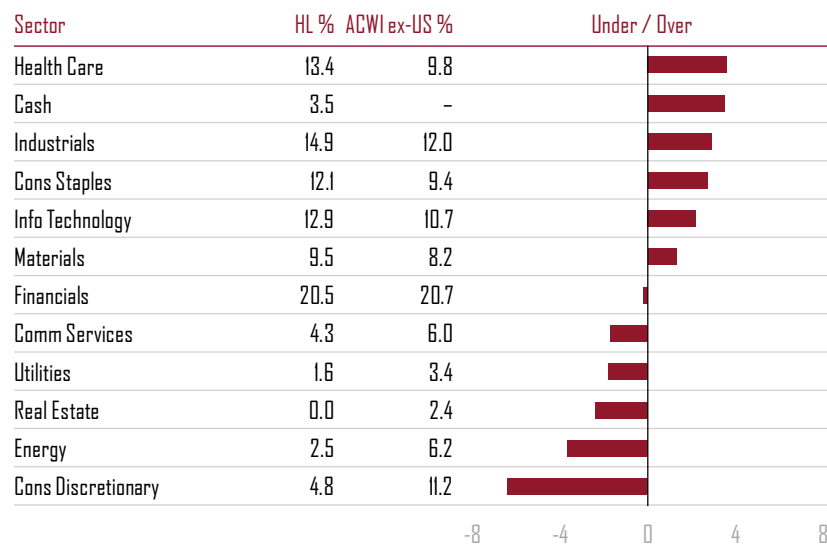
We build diversified portfolios of high-quality, growing companies



Source: MSCI Inc., FactSet. Data as of September 30, 2022. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are percentages presented as weighted medians. Please read the disclosures on the last page, which are an integral part of this presentation.

Portfolio Positioning

As of September 30, 2022



Ten Largest Holdings – Total Weight: 29.5%

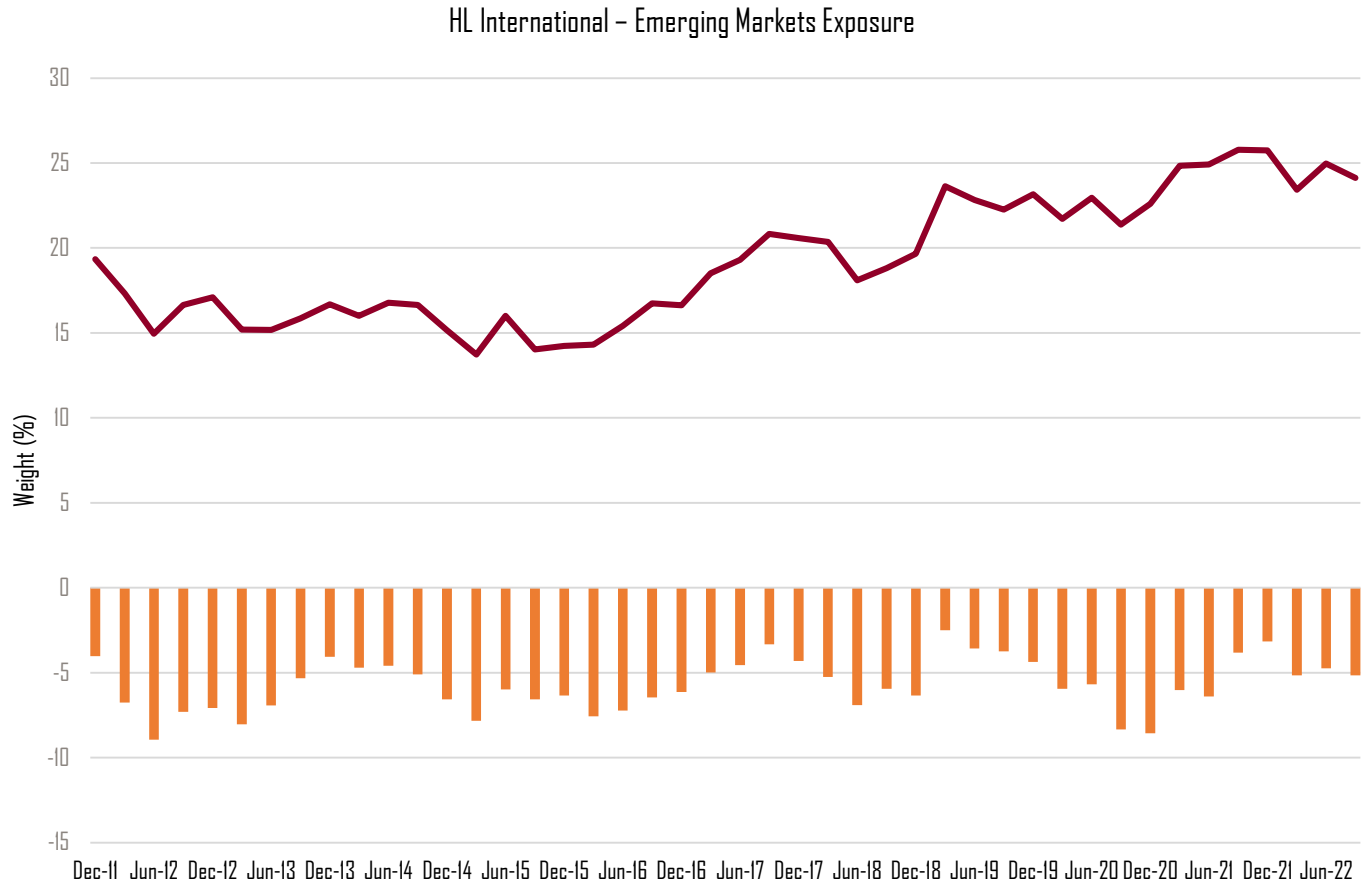
Company	Market	Sector	Wt. (%)
L'Oréal	France	Cons Staples	3.5
Roche	Switzerland	Health Care	3.4
DBS Group	Singapore	Financials	3.4
Samsung Electronics	South Korea	Info Technology	3.1
Atlas Copco	Sweden	Industrials	3.0

Company	Market	Sector	Wt. (%)
AIA Group	Hong Kong	Financials	2.8
BHP	Australia	Materials	2.8
ICICI Bank	India	Financials	2.5
Schneider Electric	France	Industrials	2.5
Tencent	China	Comm Services	2.5

85% Active Share

¹Includes companies classified in countries outside the Index; ²Includes countries with less-developed markets outside the Index.
Source: Harding Loevner International Equity Model; MSCI Inc. and S&P. Sector and region end weights, holdings, and active share are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

Emerging Markets and Mainland China + Hong Kong Exposure

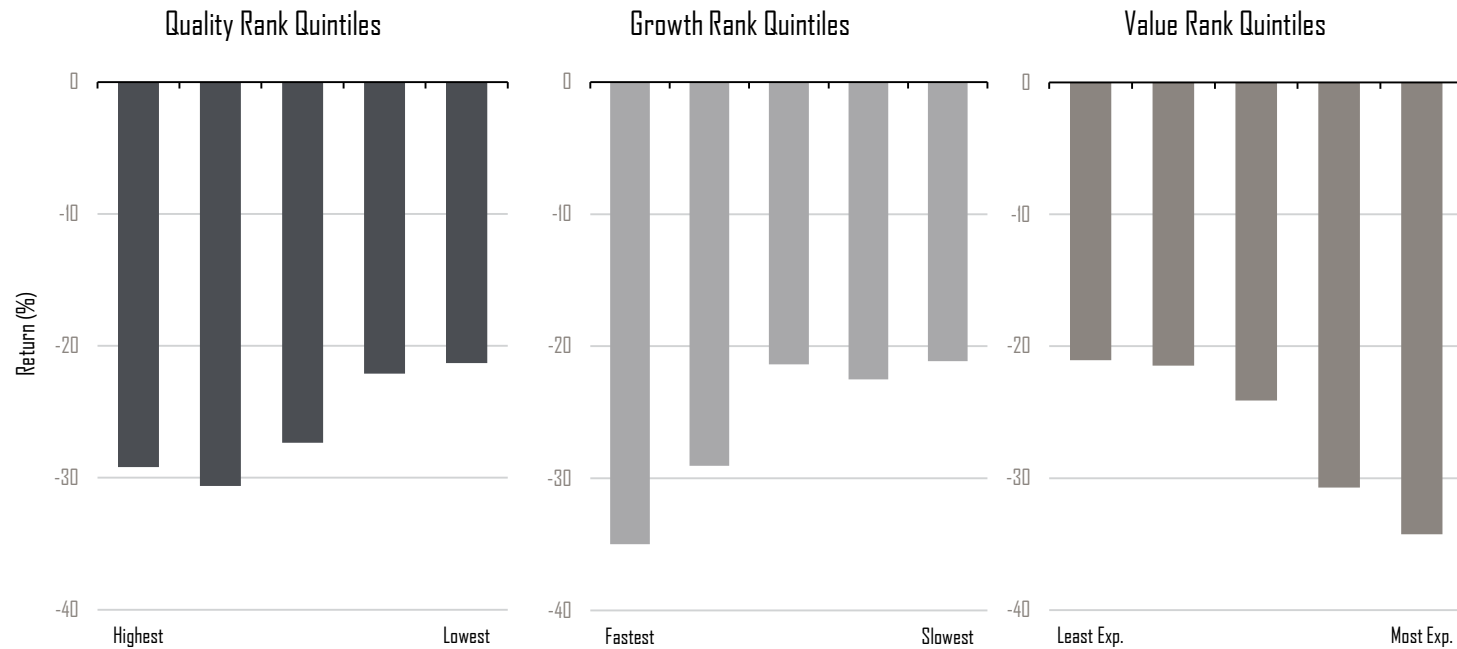


Source: FactSet, MSCI, Inc., Harding Loevner. Data as of September 30, 2022. "Emerging Markets Exposure" includes, for the period shown, any securities currently or formerly held in the International composite listed in the following countries: Mainland China, Taiwan, South Korea, India, Brazil, Russia, Saudi Arabia, South Africa, Mexico, Thailand, Indonesia, Malaysia, United Arab Emirates, Qatar, Poland, Philippines, Kuwait, Chile, Turkey, Hungary, Greece, Peru, Colombia, Czech Republic, or Egypt.

MSCI ACWI ex-US Index Total Returns by Quality, Growth, and Value Rank

Higher quality, faster growing, expensive companies underperformed have underperformed YTD

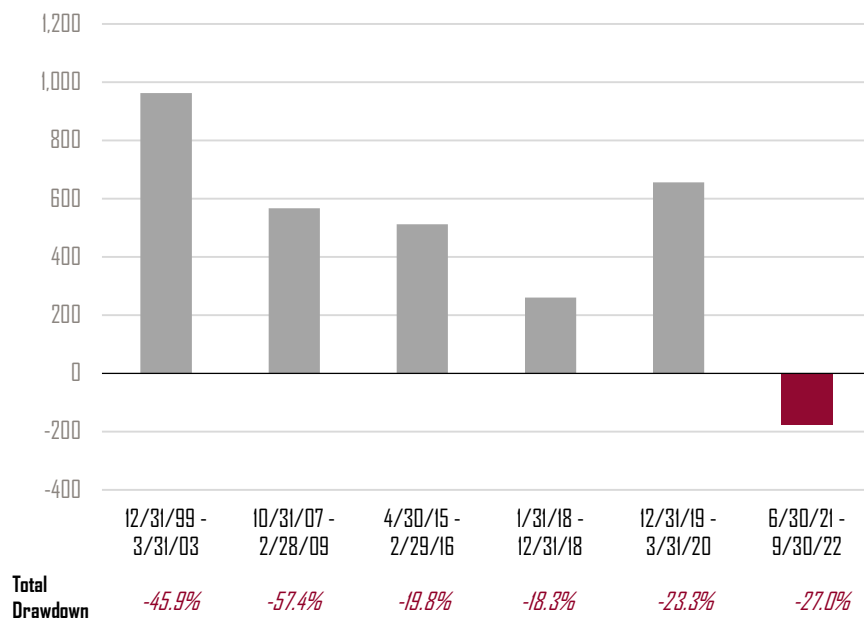
MSCI ACWI ex-US Index YTD 2022 Total Returns by Quality, Growth, and Value Rank



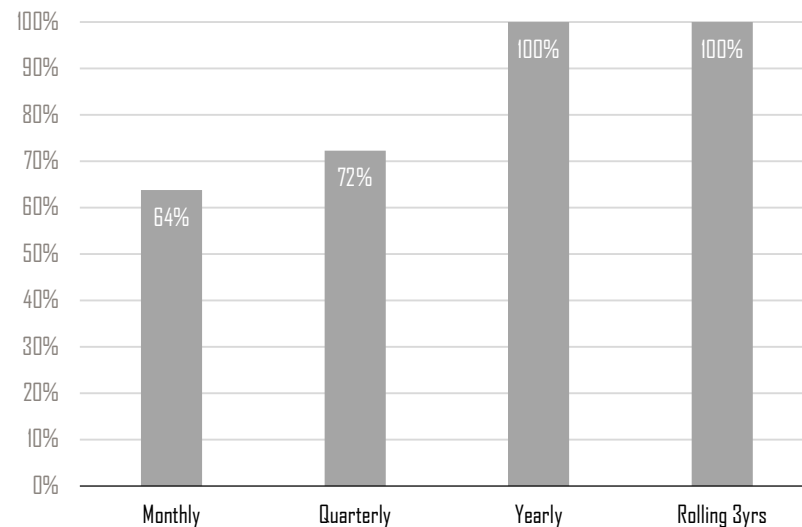
Quality Typically Defends During Extended Market Declines

Quality has not provided significant protection in international equity markets in YTD 2022

Quality Outperformance During Drawdowns (bps)
MSCI ACWI ex-US Index (Total Returns, not annualized)



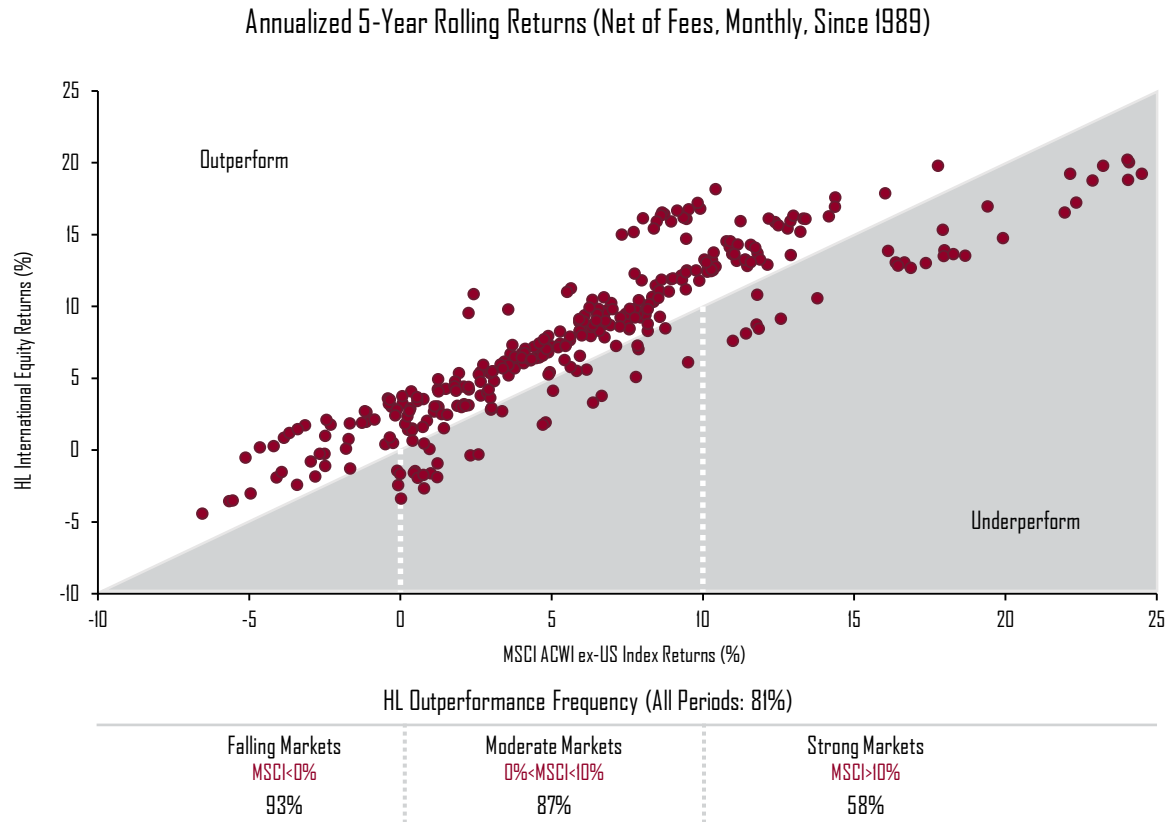
% of Down Market Periods Where Quality Outperformed
MSCI ACWI ex-US Index Since 12/31/1998



Left - Chart shows outperformance of the MSCI ACWI ex-US Quality Index during drawdown periods where the MSCI ACWI ex-US Index underperformed by 15% or more since the beginning of 1999. Right - Chart shows the frequency of the MSCI ACWI ex-US Quality index's frequency of outperformance in each of the left histogram's cited time periods. Source: Bloomberg, MSCI Inc.; Data as of September 30, 2022. Past performance does not guarantee future results.

Consistent Results for Our Clients

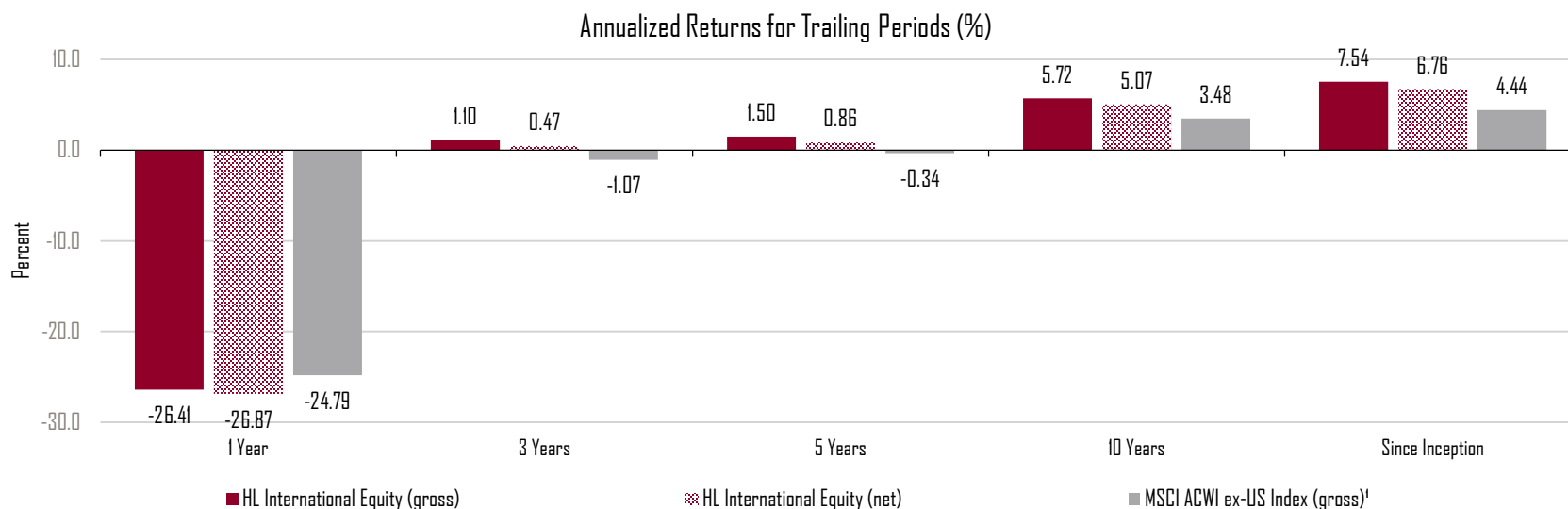
Our decision-making has produced a distinctive pattern of performance



Performance data quoted represents past performance; **past performance does not guarantee future results. Invested capital is at risk of loss.** Performance is since inception; inception date: December 31, 1989. Data as of September 30, 2022. Source: Geneva, Harding Loevner Global Equity Composite, MSCI Inc. Information shown here is supplemental and complements the GIPS Presentation. Please read the disclosures on the last page, which are an integral part of this presentation.

Composite Performance

As of September 30, 2022



	HL Intl.	MSCI ACWI ex-US
Alpha (%)	1.92	-
Beta	0.98	-
R-Squared	0.92	-
Standard Deviation (%)	16.51	16.25

	HL Intl.	MSCI ACWI ex-US
Information Ratio	0.40	-
Sharpe Ratio	0.02	-0.09
Up/Down Capture (%)	105/97	-

¹The benchmark index, gross of withholding taxes. The 3-year, 5-year, 10-year, and since inception returns are annualized. Inception date of the International Equity Composite: December 31, 1989. Investment statistics shown are derived from trailing five years' monthly returns. Composite performance shown is preliminary. For comparison purposes the Composite return is measured against the MSCI All Country World ex-US Total Return Index (Gross). Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through June 30, 2022. 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. The International Equity Composite has had a performance examination for the periods January 1, 1990 through June 30, 2022. The verification and performance examination reports are available upon request. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the International Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit www.hardingloevner.com. The firm maintains a complete list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds, which are available upon request. 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. Statistics are supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. Please read the disclosures, which are an integral part of this presentation.

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All International Equity client accounts are based on the Harding Loevner International Equity Model, and are managed in strict accordance with this model. No deviation from the Harding Loevner International Equity Model is permissible except to accommodate unique, agreed-upon client guidelines or restrictions.

Investing in stocks entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards.

Quality & Growth Characteristics, Investment Statistics, Benchmark Returns, Performance Attribution, Portfolio Exposures and Portfolio Transactions are shown as supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation, which is available on request.

Alpha: a measure of risk-adjusted return. *Beta*: a measure of the portfolio's sensitivity to the market. *R-Squared*: a measure of how well a portfolio tracks the market. *Standard Deviation*: the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Information Ratio*: a measure of risk-adjusted return calculated by dividing the portfolio active return (i.e., portfolio returns minus benchmark return) by the standard deviation of the active return. *Sharpe Ratio*: the return over the risk free rate per unit of risk. *Up/Down Capture*: a measure of the manager's performance in up/down markets relative to the market itself. *Profit Margin*: relationship of net profits to net sales. *Return on Assets*: net income for past 12 months divided by total assets. *Return on Equity*: the net income divided by total common equity outstanding, expressed as a percent. *Debt/Equity Ratio*: total long-term debt divided by total shareholder's equity. *Sales Per Share*: the total revenue earned per share over a 12-month period, net of returns, allowances, and discounts. *Earnings Per Share*: portion of a company's profit allocated to each outstanding share of common stock. *Cash Flow*: a measure of the cash generating capability of a company calculated by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. *Turnover*: calculated by dividing the lesser of Purchases or Sales by Average Capital. *Active Share*: the proportion of holdings by weight that differ from holdings of the benchmark index.

The MSCI All Country World ex-US Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the US. The Index consists of 46 developed and emerging market countries. You cannot invest directly in this index.

All performance and data shown are in US dollar terms, unless otherwise noted.

Harding Loevner's Quality, Growth, and Value rankings are proprietary measures determined using objective data. Quality rankings are based on the stability, trend, and level of profitability, as well as balance sheet strength. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected changes in earnings and profitability. Value rankings are based on several valuation measures, including price ratios.

The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is preliminary and obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

Source (Benchmark Performance, Performance Attribution, Contributors and Detractors): FactSet, Harding Loevner International Equity Composite; MSCI Inc.

Source (Portfolio Positioning, Portfolio Transactions, Portfolio Allocation Comparison, Quality & Growth Characteristics [Run date: October 5, 2022, based on the latest available data in FactSet on this date.]): FactSet; Harding Loevner International Equity Model; MSCI Inc.

Source (Investment Statistics): eVestment Alliance; Harding Loevner International Equity Composite, based on composite returns.

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