

## Performance (% Total Return)

Periods ended May 31, 2021 <sup>1</sup>	1 Month	YTD	Since Inception <sup>2</sup>
HL Chinese Equity (Gross)	1.11	3.89	3.89
HL Chinese Equity (Net)	1.03	3.48	3.48
MSCI China All Shares Index <sup>3,4</sup>	2.81	3.62	3.62

## Portfolio Positioning (% Weight)

Sector	HL CE	MSCI CAS	(Under) / Over
Industrials	17.6	8.0	9.6
Health Care	16.3	9.4	6.9
Cons Discretionary	28.8	23.7	5.1
Info Technology	10.6	8.5	2.1
Cash	1.3	-	1.3
Comm Services	13.8	13.2	0.6
Utilities	1.6	1.9	-0.3
Energy	0.0	1.4	-1.4
Cons Staples	6.1	9.6	-3.5
Real Estate	0.0	3.5	-3.5
Materials	0.0	5.0	-5.0
Financials	3.9	15.8	-11.9

## Investment Perspectives

### Market

Chinese equities continued to recover from their first-quarter stumble, with the cyclical Materials, Energy, Financials, and Industrials sectors all outperforming. In response to census figures showing China's population aging as the fertility rate declines, the government made a significant change: it approved a national three-child policy, up from the current quota of two. The policy's success will largely hinge on other trends such as rising mobility, the affordability of having children, and access to high-quality education for all families who want it. How the combination of forces plays out has broad implications for longer-term investment opportunities in China, ranging from robotics to adult diapers, and raises questions about future productivity and GDP growth.

### Portfolio

In an effort to reduce schoolchildren's stress, lower household expenditures on after-school tutoring, and combat fraud, Chinese regulators began framing new rules aimed at private tutoring businesses. This has led to increased volatility of tutoring company stocks, including **New Oriental**. The company has a strong brand reputation in China, especially among families of high schoolers seeking admission to the country's overcrowded higher-education system. As social pressures have mounted, though, overzealous upstarts entered the market, and regulators have now intervened. According to the latest reports, tutoring could be banned during holidays, which could have a significant lasting impact on New Oriental's earnings. We are monitoring the evolving situation closely.

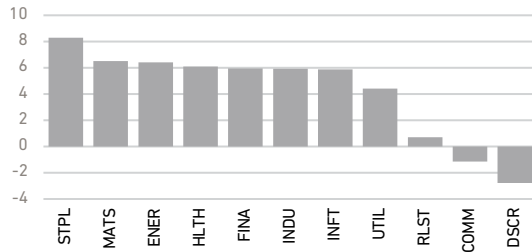
## Top Ten Holdings

Company	Market	Sector
Alibaba	Mainland China	Cons Discretionary
Tencent	Mainland China	Comm Services
China Tourism Group Duty Free	Mainland China	Cons Discretionary
WuXi Biologics	Mainland China	Health Care
WuXi AppTec	Mainland China	Health Care
Techtronic Industries	Hong Kong	Industrials
AirTAC	Taiwan	Industrials
Wuliangye Yibin	Mainland China	Cons Staples
AIA Group	Hong Kong	Financials
Sunny Optical	Mainland China	Info Technology

Market	HL CE	MSCI CAS	(Under) / Over
Other Emerging Markets <sup>5</sup>	6.2	-	6.2
Cash	1.3	-	1.3
Mainland China + Hong Kong	92.5	100.0	-7.5

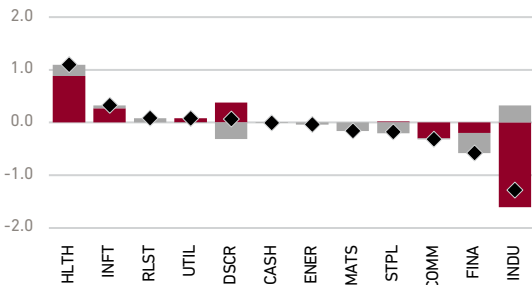
## Benchmark Performance | May

Total Return by Sector (%)



## Portfolio Attribution | May

Effect (%)	Selection	Allocation	Total
Sector	-0.5	-0.4	-0.9



- Industrials stocks hurt performance, dragged down in part by pneumatic equipment manufacturer **AirTAC**, whose strong growth prior to May slowed due to supply chain disruptions from a rise in COVID-19 cases in Guangdong province.
- Consumer Discretionary stock selection was hurt, as tighter tutoring regulations had a spillover effect on industry leader New Oriental.
- Health Care holdings helped relative returns, led by **CSPC Pharmaceutical Group**, as growth of its oncology products and an expanding hospital customer base drove strong first quarter earnings.

## Top Five Contributors/Detractors (%) | May

Contributors	Market	Sector	Index Weight	Effect
Silergy	Taiwan	INFT	-	0.54
CSPC Pharmaceutical Group	Mainland China	HLTH	0.2	0.47
Shenzhou International	Mainland China	DSCR	0.4	0.27
WuXi Biologics	Mainland China	HLTH	1.0	0.27
Hangzhou Tigermed Consulting	Mainland China	HLTH	0.1	0.26

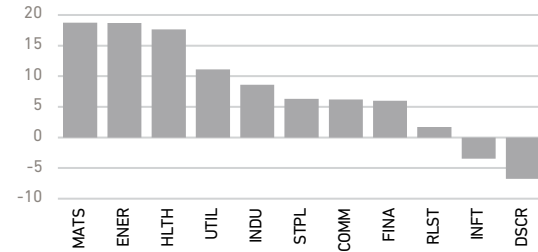
Detractors	Market	Sector	Index Weight	Effect
AirTAC	Taiwan	INDU	-	-0.72
Haitian International	Mainland China	INDU	0.1	-0.58
Autohome	Mainland China	COMM	0.1	-0.48
New Oriental	Mainland China	DSCR	0.5	-0.39
Kweichow Moutai*	Mainland China	STPL	2.5	-0.24

\*Company was not held in the portfolio; its absence had a significant impact on the portfolio's return relative to the index.

Index weight is the average weight of the security in the index over the MTD and YTD periods. Please read the disclosures on the last page, which are an integral part of this presentation.

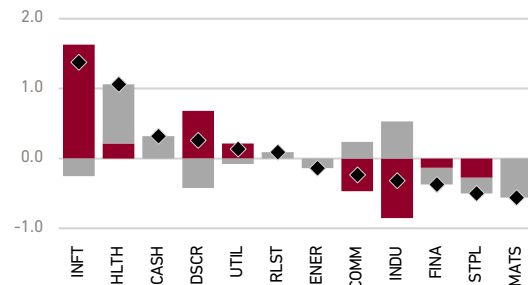
## Benchmark Performance | YTD

Total Return by Sector (%)



## Portfolio Attribution | YTD

Effect (%)	Selection	Allocation	Total
Sector	1.0	0.1	1.1



- Silergy**, a niche supplier of power management chips, was a key contributor in Information Technology. Its earnings have grown with robust demand from industrial customers, while the global chip shortage enabled Silergy to gain a bigger foothold in the automotive supply chain.
- Our lack of holdings in Materials and Energy hurt as those sectors climbed with rising commodity prices.
- Lagging returns in Communication Services were partly due to online advertising platform **Autohome**, which has been buffeted by weak auto demand and rising competition.

## Top Five Contributors/Detractors (%) | YTD

Contributors	Market	Sector	Index Weight	Effect
Silergy	Taiwan	INFT	-	0.80
CSPC Pharmaceutical Group	Mainland China	HLTH	0.2	0.80
Techtronic Industries	Hong Kong	INDU	-	0.57
Pinduoduo*	Mainland China	DSCR	1.3	0.48
Shenzhou International	Mainland China	DSCR	0.4	0.47

Detractors	Market	Sector	Index Weight	Effect
Tencent	Mainland China	COMM	9.9	-1.58
Alibaba	Mainland China	DSCR	9.5	-1.22
SF Holding	Mainland China	INDU	0.3	-1.01
Autohome	Mainland China	COMM	0.1	-0.93
Shanghai International Airport	Mainland China	INDU	0.1	-0.71

## Endnotes

(1) The May 2021 Composite performance shown is preliminary (2) Inception date: December 31, 2020 (3) The benchmark index (4) Gross of withholding taxes (5) Includes countries listed in emerging markets, excluding Mainland China and Hong Kong.

## Sources

Benchmark Performance: FactSet; MSCI Inc. and S&P.

Sector Attribution: FactSet; Harding Loevner Chinese Equity Composite; MSCI Inc. and S&P.

Sector/Geographic Positioning and Top Ten Holdings: FactSet; Harding Loevner Chinese Equity Model; MSCI Inc. and S&P.

## Disclosures

Past performance does not guarantee future results. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

For comparison purposes the Composite return is measured against the MSCI China All Shares 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 December 31, 2020. 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 verification 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 Chinese Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://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.

The MSCI Chinese All Shares Total Return Index is a free float-adjusted market capitalization index that is designed to measure large and mid-cap China share classes listed in Hong Kong, Shanghai, Shenzhen, and outside of China. You cannot invest directly in this index.

Companies held in the portfolio during the month appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the securities identified has been or will be profitable. The portfolio holdings identified above do not represent all of the securities held in the portfolio. To request a complete list of holdings since inception, please contact Harding Loevner. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and relative contribution to return of all holdings during the month.

Portfolio holdings, portfolio attribution, contributors and detractors, and sector/geographic portfolio positioning are supplemental information only and complement a fully compliant Chinese Equity Composite GIPS Presentation, which is available upon request. The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is 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.

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