Chinese Equity

Quarterly Report | Third Quarter 2022

HARDING LOEVNER

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Composite Performance

Total Return (%) — Periods Ended September 30, 2022[1]

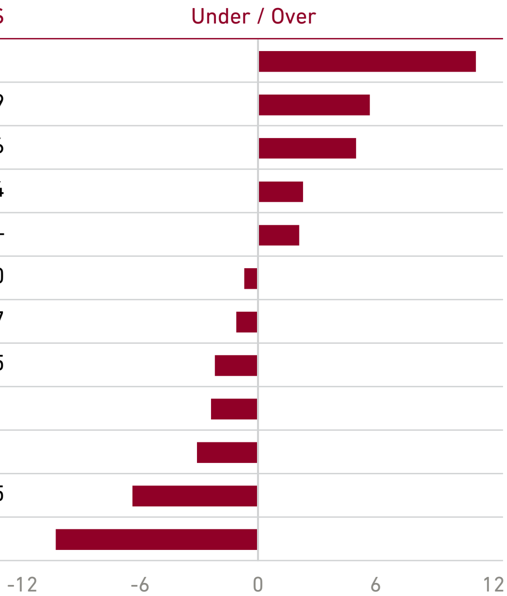
	3 Months	YTD	1 Year	Since Inception[2,3]
HL Chinese Equity (Gross of Fees)	-22.88	-35.04	-37.67	-28.61
HL Chinese Equity (Net of Fees)	-23.08	-35.50	-38.26	-29.30
MSCI China All Shares Index[3]	-20.57	-29.86	-31.63	-24.52

[1]The Composite performance returns shown are preliminary; [2]Annualized returns; [3]Inception Date: December 31, 2020; [4]The benchmark index gross of withholding taxes.

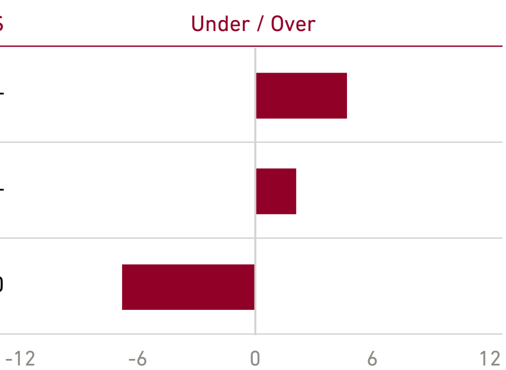
Past Performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL CE	MSCI CAS
Industrials	21.2	10.1
Health Care	12.6	6.9
Info Technology	13.6	8.6
Cons Discretionary	22.7	20.4
Cash	2.1	–
Utilities	2.3	3.0
Cons Staples	9.6	10.7
Comm Services	8.3	10.5
Real Estate	0.7	3.1
Energy	0.0	3.1
Materials	1.1	7.5
Financials	5.8	16.1



Market	HL CE	MSCI CAS
Other Emerging Markets	4.7	–
Cash	2.1	–
Mainland China + Hong Kong	93.2	100.0



Sector and geographic allocations are supplemental information only and complement the fully compliant Chinese Equity Composite GIPS Presentation. Source: Harding Loevner Chinese Equity Model; MSCI Inc. and S&P. MSCI Inc. and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

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Market Review

The MSCI China All Shares Index declined 20.6% in the third quarter, as property market woes, weakening currency, geopolitical tensions, and continued COVID restrictions dampened the outlook for economic growth.

Chinese economic data remained grim. The World Bank revised down estimates for 2022 China GDP growth to 2.8% from 5.0% in April, putting China's expected growth below that of Asia overall for the first time since 1990. The Caixin Manufacturing Purchasing Managers' Index (PMI) fell to 48.1 in September, worse than expected and below the 50 reading that indicates the economy is in contraction. And despite a rebound in activity in the second quarter as COVID lockdowns eased, the National Bureau of Statistics reported that year to date through August, industrial profits worsened to a 2.1% year-over-year decline, from a 1.1% decline through July.

China's zero-COVID policy continued to be a headwind to growth. Morgan Stanley estimated that as of early October, cities comprising about 5% of Chinese GDP remained restricted in some way. The lockdowns were at least shorter, less severe, and less disruptive to businesses than the total citywide shutdowns earlier this year.

The slump in China's property market worsened. Top developers reported that September sales fell 30% from the same time last year (following a 31% drop in August). One problem has been deteriorating confidence in developers' ability to complete their projects. The problem has been self-reinforcing, with some homebuyers ceasing to make obligatory escrow payments for homes they are buying before completion, which are part of the funding that developers count on to finish the work.

MSCI China All Shares Index Performance (USD %)

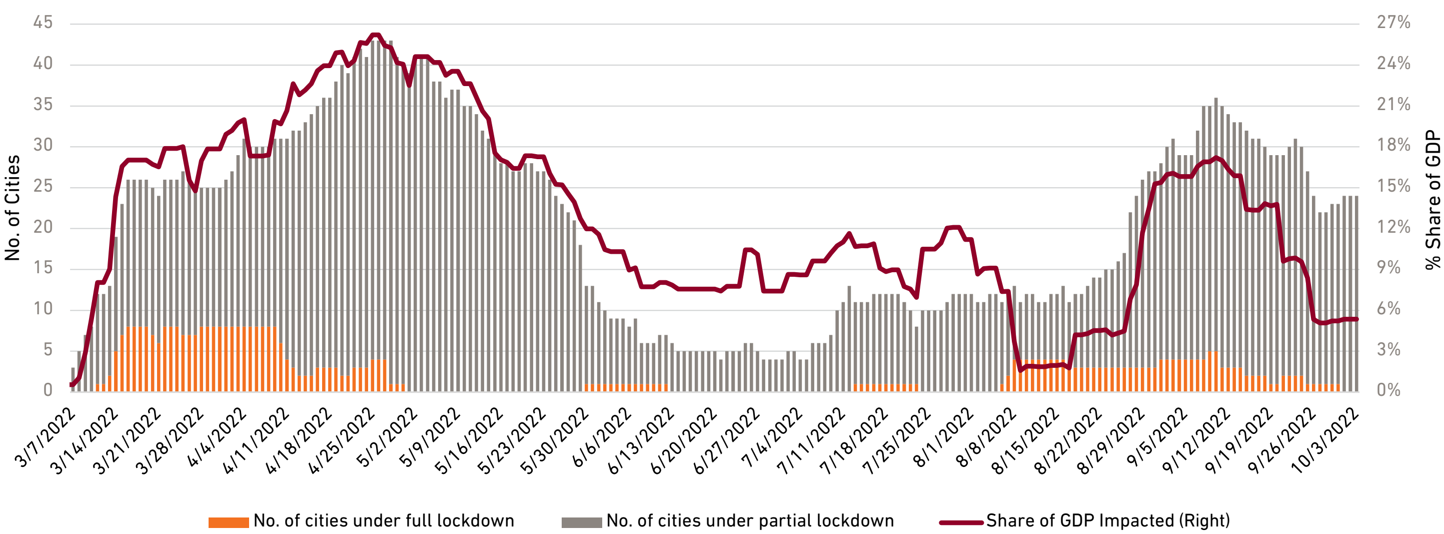
Sector	3Q 2022	Trailing 12 Months
Communication Services	-25.0	-38.0
Consumer Discretionary	-24.2	-37.2
Consumer Staples	-15.8	-16.9
Energy	4.2	19.6
Financials	-17.4	-22.0
Health Care	-23.5	-45.8
Industrials	-18.1	-25.4
Information Technology	-24.7	-40.6
Materials	-21.8	-33.3
Real Estate	-23.0	-35.9
Utilities	-13.7	-25.2

Source: FactSet (as of September 30, 2022), MSCI Inc., and S&P.

Companies held in the portfolio at the end of the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. A complete list of holdings at September 30, 2022 is available on page 9 of this report.

Last year, when China's policymakers escalated their fight against a growing property bubble by limiting credit for the country's most indebted developers, they seemed to accept (or even welcome) that some of those developers could be pushed into insolvency. Now that the failure of Evergrande and a handful of others to meet their bond obligations has shaken confidence in less-leveraged developers, policymakers have turned their focus to keeping the damage from spreading. In August, the government began guaranteeing the bonds of a handful of better-capitalized but still embattled private developers (a similar playbook to the US Treasury Department's Troubled Assets Relief Program

Economic Impact of China's Zero-COVID Lockdowns



Source: Morgan Stanley.

during the global financial crisis). That curbed fears of systemic meltdown before one recipient, Hong Kong–listed CIFI, defaulted on another of its loans in late September, triggering more bond market jitters.

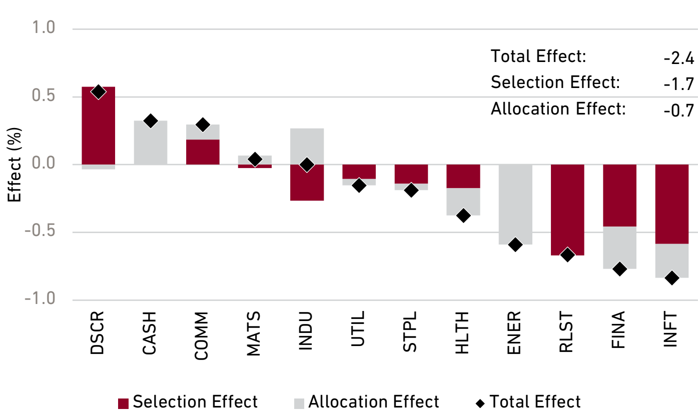
Currency depreciation has sapped the effectiveness of monetary policies intended to reduce threats to growth. In 2022, the US Federal Reserve has led many of the world's central banks in raising interest rates to combat inflation, pushing the US dollar to record highs against other major currencies. The People's Bank of China, on the other hand, has continued to ease rates. This divergence in policies has hurt the renminbi (RMB), which fell 5.8% against the dollar in the quarter and 11% for the year, raising the cost of imports, including vital inputs like crude oil and iron ore. RMB depreciation should help Chinese exporters. However, after significant growth in Chinese consumer spending over the past half-dozen years, as of 2021 exports account for only 20% of the Chinese economy. That is a higher percentage than for the US (11%) but less than half that of the European Union (50%), and not high enough to offset the drag on the economy from the higher cost of imported goods.

US industrial policies had a more direct effect on Chinese shares. The Biden administration announced new policies designed to encourage the reshoring of critical supply chains and to support US competitiveness in strategically important fields such as fusion energy and artificial intelligence. While the immediate impact of the policies on supply chains could be limited, shares of Chinese electric vehicle (EV), solar, and biotech manufacturing companies were among the quarter's weakest performers. Post-quarter end, the administration issued another set of policies that further limit China's access to advanced semiconductors and chip-making equipment.

Third Quarter 2022 Performance Attribution

Sector

Chinese Equity Composite vs. MSCI China All Shares Index



Source: FactSet; Harding Loevner Chinese Equity Composite; MSCI Inc. and S&P. The total effect shown here may differ from the variance of the Composite performance and benchmark performance shown on the first page of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS Presentation.

The measures, designed to hamstring China's defense and surveillance industries, could have far-ranging implications throughout the global chip supply chain.

In a more constructive US-China development, there has been progress in resolving the American depository receipt (ADR) delisting drama festering since 2020. (See "Silver Linings Playbook: An Update on the Chinese Company Delisting Saga.") In August, US and Chinese negotiators reached an agreement to allow US inspectors to review audit papers of US-listed Chinese companies. Soon after the joint announcement, teams of inspectors were dispatched to Hong Kong to inspect a first group of selected companies, raising hopes that a compromise can be reached before mid-2023, when the delisting of US-listed Chinese firms is set to commence.

Performance and Attribution

The Harding Loevner Chinese Equity Composite fell 22.9% gross of fees in the third quarter, more than the 20.6% decline in the MSCI China All Shares Index.

Some of our biggest detractors were in Health Care, where contract research organization **WuXi AppTec** and contract developer and manufacturer **WuXi Biologics** fell following the Biden administration's announcement of support for biomanufacturing in the US, the biggest market for the two firms. The amount of support pledged—US$1 billion across five years, or less than WuXi Biologics' capital expenditure in 2021—is relatively modest, especially given the shortage of biomanufacturing globally. It also comes as both companies are developing their own US-based capacity, aligning their locations more closely with that of their clients.

Health Care also produced our best performer, **CSPC Pharmaceutical**, one of our few companies to post a positive return during the quarter. The company reported phase 1 efficacy results for its mRNA COVID-19 vaccine that compare favorably to those of the mRNA vaccine produced by BioNTech and marketed by Pfizer.

In absolute and relative terms, **Country Garden Services** (CG Services) in the Real Estate sector was our biggest underperformer. Amid the ongoing turmoil in the property sector, CG Services' sister company (and China's largest developer), Country Garden Holdings (CG Holdings), was among the real estate companies to face concerns about its financial strength and warrant government backstopping of its bonds during the quarter. Any material change in the viability of CG Holdings would impact the ability of CG Services to increase the number of communities to which it provides property management services, most of which historically have been developed by CG Holdings.

Consumer Discretionary was among the largest detractors from our absolute performance, as China's zero-COVID policies continued to weigh on consumer sentiment. However, on a relative basis, Consumer Discretionary was our strongest sector. We outperformed the Index by continuing to avoid lossmaking, early-stage companies such as EV maker XPeng in favor of companies with superior industry structures and bargaining power. One of these is **Zhejiang Shuanghuan Driveline**, a leading producer of high-precision gears for Tesla and most of the Chinese market.

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Our sectors that underperformed the least were Utilities and Consumer Staples, which saw relatively stable demand in a difficult environment.

Perspective and Outlook

China's rising global competitiveness is a double-edged sword. The more successful China's industrial leaders are at gaining global market share, the more likely they are to become targets of rival countries and companies. The impact of such actions on our holdings is apt to be fluid but serves as a good reminder of the importance of portfolio diversification. Since our portfolio's inception, we have sought to balance our exposure to Chinese manufacturing with positions in high-quality consumer companies that are domestically oriented. One area of focus has been food and beverage, where companies with strong brands and distribution are taking advantage of rising incomes that allow consumers to act on preferences beyond low price, such as perceived luxury, higher quality, or potential health benefits.

> Moutai is such a status symbol that it is used to elevate everything from state banquets and high-flying business dinners to a first meeting with prospective in-laws. One of our China specialists recalls that her grandfather stored his prized bottles of Moutai *baijiu* under the bed with the other family treasures.

Chinese citizens have generally enjoyed rising incomes for the past four decades. Investments by the government in infrastructure, education, and the seeding of domestic industries and supply chains enabled large-scale urbanization and, eventually, a skilled labor force that could command higher incomes, leading to better living standards. Based on one measure,[1] the middle class in China has gone from 3% of the population in 2000 to more than 50% (700 million) today. With higher income comes more *disposable* income to spend on cars, better housing and appliances, electronics, and fashion accessories as well as food and drink.

Western luxury brands were early beneficiaries of this trend, as their recognition in China became a form of cachet. Still, for millions of Chinese, there is a long-standing, homegrown signifier of taste and class. **Kweichow Moutai** (Moutai) is the market leader in *baijiu*, a colorless spirit made by fermenting red sorghum and wheat. The company is partially owned by the local government in central China's Guizhou province and has been operating in some form since the Han dynasty, circa 135 CE. Though its products are an acquired taste, Moutai is such a status symbol that it is used to elevate everything from state banquets[2] and high-flying business dinners to a first meeting with prospective in-laws. One of our China specialists recalls that her grandfather stored his prized bottles of Moutai *baijiu* under the bed with the other family treasures.

Moutai has a 50% market share of the ultra-premium *baijiu* segment, and its products are priced accordingly: Half-liter bottles of "Flying Fairy[3]," its finest version, cost over US$400. The exorbitant price tag and conspicuous association with luxury have turned it into a kind of currency, implicated in incidents of bribery involving Communist party officials, and periodically targeted as part of government anti-corruption reforms. Together with the government's recent "common prosperity" agenda to reduce income disparities, this has raised the specter of a political or even social backlash. This past May, the Central Commission for Discipline posted a cartoon on its website skewering "the extravagance in the wine cup." We didn't make much of it at the time, but since then the government has meted out disciplinary actions over the *baijiu* overindulgences of some officials, and further curbs on officials' drinking are possible. On the other hand, we note that when the same analyst recently traveled to China for the first time in two years, she observed more examples of conspicuous consumption than ever before. Moreover, even if Chinese demand for luxury goods were to slacken broadly, sales of Moutai may not follow suit for the simple reason that supply is extremely limited—circumscribed by a lengthy (five-year) production cycle and a highly manual quality control process, which relies on proprietary techniques and the acuity of the master blender's sense of taste.

Perhaps so as not to trigger government ire, the factory price of Moutai is kept far below what the consumer will pay, equating to a huge retail markup on the product that the company never sees. To capture more of that revenue, in May Moutai launched a

[1] From the "ChinaPower Project," The Center for Strategic and International Studies (December 2021), which defines the bounds of "middle class" as individuals spending between $10 and $50 per day.

[2] In 1974, US Secretary of State Henry Kissinger told Deng Xiaoping, "I think if we drink enough Moutai we can solve anything."

[3] Or *feitian* in Chinese—probably more accurately translated as an apsara, a Hindu and Buddhist spirit.

proprietary e-commerce app called iMoutai, which cuts out the middlemen, allowing the company to charge the manufacturer's suggested retail price and keep the entire amount. Recent company results suggest the direct approach is working: First-half revenues rose 17%, and direct-to-consumer sales now account for 36% of total company sales, all without a politically sensitive retail price increase.

Although a US$2 bottle of soy sauce would seem to have little in common with a US$400 bottle of booze, **Foshan Haitian** is an example of how the rising levels of discernment of Chinese consumers influence even the most humble categories. There is a curious pattern to the development of soy sauce market leadership across Asia. Markets start out fragmented, until one brand starts to develop a reputation for high quality at a reasonable price. It starts to gain popularity, at which point scale advantages lead to greater market share. It happened in Japan, where Kikkoman enjoys 34% share, and in South Korea, where Sempio has over 60%. Haitian's leading market share in China has risen more than a third since 2017 but is still only around 20%. We see Haitian's current trajectory on the "soy sauce curve" as a significant growth opportunity.

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The company is introducing new varieties that go beyond plain and low sodium to include flavors like extra savory, "no additions," and a children's version, as well as expanding into complementary products such as vinegar, cooking wine, and premixed hot pot bases. With the prices for China-based seasonings half those of leading brands in other countries, there's room for margin expansion, especially now that Haitian has emerged as the price setter. Recently, the company raised prices by up to 7% to pass on higher costs for soybeans, packaging, and transport, and its rivals followed suit.

In recent weeks, Haitian became the subject of an online kerfuffle when some bloggers and social media users pointed out that several of its products sold in China contain additives while its overseas products don't. Haitian sells a wide variety of products in China and elsewhere, some with additives tailored, for instance, to the Chinese taste for higher MSG and some without—important context missing from the initial takedown. Still, the flap underscored the degree to which higher incomes are allowing Chinese consumers to focus more on the health ramifications of their buying decisions. Even if it means paying slightly higher prices, Chinese consumers are increasingly seeking out more nutritious and high-quality food options. And strong companies are looking to take a larger slice of this higher-value pie.

Dairy is one such category, which is ironic considering that studies suggest more than 80% of Chinese are lactose intolerant. Despite their digestive susceptibilities, the Chinese have bought into the health benefits of milk, and the country is now the second-largest market for dairy-based products globally[4] after the US.

Yili is a company based in Inner Mongolia whose breakfast milk, yogurt, popsicles, and chocolate-covered ice cream bars became a favorite of northern Chinese schoolchildren in the 1990s before becoming more widely distributed throughout mainland China. The company was one of the few domestic dairy producers to emerge unscathed from an infant milk formula scandal in the late 2000s. The incident, in which thousands of infants fell ill due to an industrial resin used by unscrupulous producers to boost the milk protein content of their product, ultimately led to stricter government standards for the entire domestic dairy industry. It also created an opening for Yili, which had no connection to the scandal and expanded its capacity in infant milk formula, which was higher-margin than its other products, gradually winning over customers who had fled to multinational brands. Today, China's infant milk formula segment is no longer dominated by multinationals, and Yili (with the acquisition of Ausnutria last year) is closing in on another local, Feihe, for the number-one market share.

More recently, Yili has used its distribution prowess and brand equity as a springboard into other higher-value products. Once disdained in China, cheese has lower lactose content than milk, making it easier on sensitive Chinese tummies. Affluent Chinese parents are now using Yili's single-serving cheese bars as a healthy snack food. The company has gained four points of overall dairy market share and is now the second-largest cheese maker in China, after Shanghai-based Milkground.

Snacks, of course, aren't just for kids, especially not in China. The country's indigenous snack industry produces a vast array of packaged foodstuffs—shrimp chips, dried beef mini bites, fried sweet-and-savory cat ear–shaped crackers, crunchy cookie morsels made to look like tiny pork buns, any number of biscuits, jerky, fruit rolls, and vegetable-flavored sticks. Structurally, the industry is a nightmare, fragmented among hundreds of regional players, each with its own small but devoted following.

Salted, fried sunflower seeds are so popular they are almost their own snack category. Traditionally, these seeds were most often sold unpackaged from large bins in mom-and-pop street stalls. However, in 2001, **ChaCha** invented an industrialized production method and a more healthful boiling preparation process, and quickly gobbled up market share. ChaCha now controls 45% of the Chinese retail sunflower seed market, and with 1,000 distributors and over 400,000 points of sale, its brightly colored packages have become some of the most-recognized food items in China. It has also used its brand recognition to gain China's second-largest (15%) market share in packaged nuts, which have been gaining popularity as an even more nutritious snack.

[4] "China's Dairy Market: How a Population Known for Lactose Intolerance Became the World's Largest Dairy Importer," DaxueConsulting (January 2022).

Portfolio Highlights

China's parcel delivery industry is enormous, directly benefiting from the rising share of China's shopping that is moving online. This past quarter, when market volatility created an attractive entry point, we established a new position in ZTO Express, China's e-commerce delivery market leader. In China, e-commerce has already reached around 30% of total retail sales and comprises 6% of GDP. While China's express delivery market is already the largest in the world on an absolute basis, the market is still quite fragmented among a handful of top carriers. ZTO currently has about 23% market share in express delivery, the highest among the peer group. In addition to continued growth of the overall industry, the company expects it can achieve additional share gains thanks to better infrastructure and the ability to resume operations quickly following lockdowns.

ZTO invested earlier than its peers to build an efficient logistics infrastructure. This led to an immense delivery network covering over 98% of China's county-level cities that even now handles a daily parcel volume greater than UPS and FedEx combined. The company has been able to generate industry-leading profit margins by continually reducing its per-parcel costs through fleet upgrades and the successful consolidation and automation of its sorting centers. Unlike its peers, it, not third parties, owns and operates most of its sorting hubs, which means it can implement improvements more easily.

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.

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Chinese Equity Holdings (as of September 30, 2022)

Communication Services	Market	End Wt. (%)
Baidu (Internet products and services)	Mainland China	1.6
NetEase (Gaming and internet services)	Mainland China	2.0
Tencent (Internet and IT services)	Mainland China	4.7
Consumer Discretionary		
Alibaba (E-commerce retailer)	Mainland China	3.5
ANTA Sports (Athletic footwear and apparel retailer)	Mainland China	1.9
China Tourism Group Duty Free (Duty free services)	Mainland China	3.2
Fuyao Glass (Automotive glass manufacturer)	Mainland China	1.2
Haier Smart Home (Consumer appliances mfr.)	Mainland China	1.2
JD.com (E-commerce retailer)	Mainland China	3.1
Li-Ning (Athletic footwear and apparel retailer)	Mainland China	1.1
Midea Group (Consumer appliances manufacturer)	Mainland China	2.6
Shenzhou International (Textile manufacturer)	Mainland China	1.9
Shuanghuan Driveline (Mechanical equipment mfr.)	Mainland China	1.3
Trip.com Group (Online travel services)	Mainland China	1.8
Consumer Staples		
Budweiser APAC (Alcoholic beverages manufacturer)	Hong Kong	1.2
ChaCha (Foods manufacturer)	Mainland China	1.0
Foshan Haitian (Condiments manufacturer)	Mainland China	1.2
Moutai (Alcoholic beverages manufacturer)	Mainland China	2.5
Wuliangye Yibin (Alcoholic beverages manufacturer)	Mainland China	1.2
Yili (Dairy products manufacturer)	Mainland China	2.4
Energy		
No Holdings		
Financials		
AIA Group (Insurance provider)	Hong Kong	3.7
Hong Kong Exchanges (Clearing house and exchange)	Hong Kong	2.1
Health Care		
CSPC Pharmaceutical Group (Pharma manufacturer)	Mainland China	2.4
Haier Biomedical (Biomedical storage manufacturer)	Mainland China	1.1
Jiangsu Hengrui Medicine (Pharma manufacturer)	Mainland China	1.3
Tigermed (Clinical development services)	Mainland China	1.9
WuXi AppTec (Biopharma manufacturer)	Mainland China	2.8
WuXi Biologics (Biopharma manufacturer)	Mainland China	3.1
Industrials		
AirTAC (Pneumatic-equipment manufacturer)	Taiwan	3.1
CATL (Battery systems manufacturer)	Mainland China	2.4
Haitian International (Injection-molding machines mfr.)	Mainland China	1.9
Hongfa (Power relay manufacturer)	Mainland China	1.0
Inovance (Industrial controls manufacturer)	Mainland China	2.5
Meyer Optoelectronic (Optical machine manufacturer)	Mainland China	2.2
Sanhua Intelligent Controls (HVAC and R parts mfr.)	Mainland China	2.8
SF Holding (Delivery services)	Mainland China	1.7
Techtronic Industries (Power tools manufacturer)	Hong Kong	2.5
ZTO Express (Express delivery services)	Mainland China	1.1

Information Technology	Market	End Wt. (%)
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	0.8
LONGi (Solar energy equipment manufacturer)	Mainland China	2.5
Sangfor (IT security services)	Mainland China	0.7
Silergy (Electronics chips manufacturer)	Taiwan	1.6
StarPower (Semiconductor manufacturer)	Mainland China	1.9
Sunny Optical (Optical components manufacturer)	Mainland China	1.6
TravelSky (Aviation IT services)	Mainland China	3.0
Yonyou (Enterprise software developer)	Mainland China	1.5
Materials		
Sinocera (Nanoceramics manufacturer)	Mainland China	1.1
Real Estate		
Country Garden Services (Residential property mgr.)	Mainland China	0.7
Utilities		
ENN Energy (Gas pipeline operator)	Mainland China	2.3
Cash		2.1

Model Portfolio holdings are supplemental information only and complement the fully compliant Chinese Equity Composite GIPS Presentation. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

3Q22 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL CE	Avg. Weight MSCI CAS	Effect
CSPC Pharmaceutical Group	HLTH	2.1	0.3	0.35
Meyer Optoelectronic	INDU	1.9	–	0.32
Techtronic Industries	INDU	2.5	–	0.30
BYD*	DSCR	–	1.5	0.20
Sanhua Intelligent Controls	INDU	3.2	–	0.19

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL CE	Avg. Weight MSCI CAS	Effect
Sanhua Intelligent Controls	INDU	2.9	<0.1	0.84
NetEase	COMM	2.5	1.0	0.31
Shuanghuan Driveline	DSCR	0.7	–	0.29
Alibaba	DSCR	3.8	5.5	0.29
TravelSky	INFT	2.6	<0.1	0.27

3Q22 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL CE	Avg. Weight MSCI CAS	Effect
Country Garden Services	RLST	0.9	0.1	-0.63
WuXi AppTec	HLTH	3.2	0.4	-0.42
Sunny Optical	INFT	1.9	0.3	-0.36
WuXi Biologics	HLTH	3.7	0.9	-0.33
AirTAC	INDU	3.4	–	-0.33

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL CE	Avg. Weight MSCI CAS	Effect
WuXi Biologics	HLTH	3.7	0.9	-1.34
WuXi AppTec	HLTH	3.6	0.5	-0.97
Silergy	INFT	2.9	–	-0.93
Country Garden Services	RLST	1.5	0.2	-0.91
Shenzhou International	DSCR	2.6	0.3	-0.82

*Company was not held in the portfolio; its absence had an impact on the portfolio's return relative to the Index.

Portfolio Characteristics

Quality and Growth	HL CE	MSCI CAS
Profit Margin[1] (%)	15.6	13.4
Return on Assets[1] (%)	10.2	5.5
Return on Equity[1] (%)	20.6	13.7
Debt/Equity Ratio[1] (%)	25.2	49.0
Std. Dev. of 5 Year ROE[1] (%)	4.0	4.0
Sales Growth[1,2] (%)	22.5	22.1
Earnings Growth[1,2] (%)	21.9	18.7
Cash Flow Growth[1,2] (%)	17.5	14.9
Dividend Growth[1,2] (%)	14.6	16.7

Valuation and Size	HL CE	MSCI CAS
Price/Earnings[3]	22.3	9.6
Price/Cash Flow[3]	18.4	9.6
Price/Book[3]	3.1	1.8
Dividend Yield[4] (%)	1.3	2.8
Size		
Wtd. Median Mkt. Cap. (US $B)	25.8	27.9
Wtd. Avg. Mkt. Cap. (US $B)	59.4	77.2

[1]Weighted median; [2]Trailing five years, annualized; [3]Three-year average; [3]Weighted harmonic mean; [4]Weighted mean. Source FactSet (Run Date: October 5, 2022, based on the latest available data in FactSet on this date.); Harding Loevner Chinese Equity Model, based on the underlying holdings; MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
ChaCha	Mainland China	STPL
ZTO Express	Mainland China	INDU

Positions Sold	Market	Sector
There were no completed sales this quarter.		

The portfolio is actively managed therefore holdings identified above do not represent all of the securities held in the portfolio and holdings may not be current. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the tables above; and (2) a list showing the weight and relative contribution of all holdings during the quarter. Past performance does not guarantee future results. In the tables above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall relative performance over the period. Contributors and detractors exclude cash and securities in the Composite not held in the Model Portfolio. Quarterly data is not annualized. Portfolio contributors and detractors and characteristics are supplemental information only and complement the fully compliant Chinese Equity Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

Chinese Equity Composite Performance (as of September 30, 2022)

	HL Chinese Equity Gross (%)	HL Chinese Equity Net (%)	MSCI China All Shares Index[1] (%)	HL Chinese Equity 3-yr. Std. Deviation[2] (%)	MSCI China All Shares Index 3-yr. Std. Deviation[2] (%)	Internal Dispersion[3] (%)	No. of Accounts	Composite Assets ($M)	Firm Assets ($M)
2022 YTD[4]	-35.04	-35.50	-29.86	+	+	N.A.[5]	1	3	44,705
2021	-14.59	-15.42	-12.80	+	+	N.M.[6]	1	4	75,084

[1]Benchmark index; [2]Variability of the Composite, gross of fees, and the index returns over the preceding 36-month period, annualized; [3]Asset-weighted standard deviation (gross of fees); [4]The 2022 YTD performance returns and assets shown are preliminary; [5]N.A.–Internal dispersion less than a 12-month period; [6]N.M.–Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year; +Less than 36 months of return data.

The Chinese Equity Composite contains fully discretionary, fee-paying accounts investing in equity and equity-equivalent securities of companies domiciled predominately in China and Hong Kong and cash reserves and is measured against the MSCI China All Shares USD Total Return Index (Gross) for comparison purposes. Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI China All Shares 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.

Harding Loevner LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Harding Loevner has been independently verified for the period November 1, 1989 through June 30, 2022. The verification report is available upon request.

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. Verification does not provide assurance on the accuracy of any specific performance report. 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.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. Additional information is available upon request. Past performance does not guarantee future results. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The US dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The standard fee schedule generally applied to separate Chinese Equity accounts is 1.05% annually of the market value for the first $20 million; 0.75% for the next $80 million; 0.70% for the next $100 million; above $200 million upon request. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The Chinese Equity Composite was created on December 31, 2020 and the performance inception date is January 1, 2021.

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