Chinese Equity

Quarterly Report | Year End 2022

HARDING LOEVNER

What's Inside

Market Review →
Markets in China rose sharply in the quarter, as the country's leadership quickly reversed two policies dragging on economic growth and consumer confidence this year—COVID controls and real estate tightening.

Performance and Attribution →
Sources of relative return by sector.

Perspective and Outlook →
China's domestic software industry is growing rapidly, supported by government initiatives. Several of our holdings should benefit as Chinese companies increasingly prioritize the use of homegrown software over the products offered by global players.

Portfolio Highlights →
Market volatility allowed us to initiate and add to positions in several companies whose future growth prospects will benefit from increased mobility.

Portfolio Holdings →
Information about the companies held in the portfolio.

Portfolio Facts →
Contributors, detractors, characteristics, and completed transactions.

Get More Online

Insights →
View other reports.

Composite Performance

Total Return (%) — Periods Ended December 31, 2022[1]

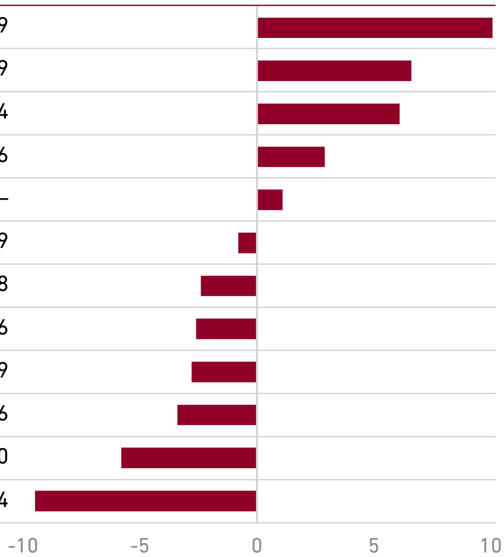
	3 Months	1 Year	Since Inception[2,3]
HL Chinese Equity (Gross of Fees)	15.11	-25.22	-20.09
HL Chinese Equity (Net of Fees)	14.84	-25.93	-20.85
MSCI China All Shares Index[4]	9.12	-23.47	-18.31

[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.

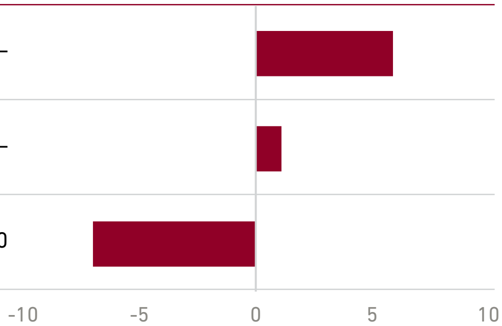
Past Performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL CE	MSCI CAS	Under / Over
Industrials	20.5	9.9	
Info Technology	15.5	8.9	
Health Care	13.5	7.4	
Cons Discretionary	23.5	20.6	
Cash	1.1	–	
Utilities	2.1	2.9	
Real Estate	0.4	2.8	
Energy	0.0	2.6	
Cons Staples	7.1	9.9	
Comm Services	8.2	11.6	
Materials	1.2	7.0	
Financials	6.9	16.4	



Market	HL CE	MSCI CAS	Under / Over
Other Emerging Markets	5.9	–	
Cash	1.1	–	
Mainland China + Hong Kong	93.0	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.

Market Review

The MSCI China All Shares Index rose 9.1% in the fourth quarter, with a strong finish overcoming a challenging start to the quarter. In October, the ruling party's National Congress confirmed five-year terms for what emerged as the most factionally aligned executive team in nearly half a century. The extent of the move away from collective leadership and toward a senior team made up entirely of President Xi's allies spooked many investors, causing the Index to drop 14% in October.

But later in the quarter, the new team pursued its primary mandate of growth by reversing two policies that had been dragging down economic growth and consumer confidence—real estate tightening and COVID controls—while also taking steps to repair relationships with peers in other countries. Markets rallied sharply in response.

In November, policymakers significantly reversed the unprecedented tightening on real estate financing and purchases that had driven many large privately owned Chinese developers into distress since late 2021. Over the span of a few weeks, they eased access to credit and equity markets, expanded the list of surviving private developers whose bond issuances would be publicly insured, directed large state-owned banks to lend to the sector, and empowered cities to loosen restrictions on purchases by non-residents. Shares of privately owned property developers, management companies, and related companies more than doubled on the news, after having fallen by more than half earlier in the year.

Around the same time, policymakers began to phase out the zero-COVID policy that had been in place for nearly all of the pandemic, first by shortening quarantine periods and then by renewing a large-scale vaccination campaign in mid-November. However, as lockdowns became more widespread to "flatten the curve" for the winter without a clear end in sight, public expressions of displeasure spread across multiple cities.

MSCI China All Shares Index Performance (USD %)

Sector	4Q 2022	Trailing 12 Months
Communication Services	21.7	-24.0
Consumer Discretionary	10.2	-23.9
Consumer Staples	2.1	-20.4
Energy	-6.5	22.8
Financials	11.8	-13.4
Health Care	18.6	-26.5
Industrials	6.0	-24.4
Information Technology	7.7	-38.8
Materials	1.1	-28.3
Real Estate	3.5	-25.8
Utilities	4.3	-23.2

Source: FactSet (as of December 31, 2022), MSCI Inc. and S&P.

Within a week, the central government abruptly accelerated the pace of reopening, abolishing the nationwide system of travel restrictions, centralized quarantine requirements, compulsory mass testing, and lockdowns. Across many cities, digital health passes—which Chinese people were accustomed to scanning several times a day to enter public places—became irrelevant overnight. Effective January 2023, authorities also rescinded border restrictions, easing quarantine requirements for travelers entering China as well as restrictions on non-essential travel outside of China. As the speed and extent of the reopening became clear, consumer-driven companies outperformed, especially those depending on travel and in-person activities, as investors looked beyond the near-term disruption of what is likely to become the largest wave of COVID infections in China to date.

The domestic reopening coincided with a return to in-person diplomacy, as President Xi met leaders from several major trading partners, including the United States and Germany, for the first time in more than three years. Across the Taiwan Strait, the opposition Chinese Nationalist Party (KMT) won decisive victories in local elections, and its potential candidate for the presidency in 2024 widened his lead in polls, raising the possibility of a less fraught cross-strait relationship after well-noted tensions earlier in the year. Equity markets in Taiwan, home to many mainland-focused companies such as **AirTAC**, rallied in response.

As the speed and extent of the reopening became clear, consumer-driven companies outperformed, especially those depending on travel and in-person activities, as investors looked beyond the near-term disruption of what is likely to become the largest wave of COVID infections in China to date.

China's increasing openness extended to the regulatory front. After completing over a month of field audits in Hong Kong, the US Public Company Accounting Oversight Board (PCAOB) confirmed that it had received unrestricted access to information from Chinese auditors for the first time. That access resolved the dispute between US and Chinese regulators that had festered for more than a decade and culminated in threats of delisting Chinese companies from US exchanges over the past two years. Chinese companies can now remain listed on US exchanges as long as full audit access continues, reducing another uncertainty for global investors.

Performance and Attribution

The Harding Loevner Chinese Equity Composite returned 15.1% gross of fees in the fourth quarter, ahead of the 9.1% return of

Companies held in the portfolio at the end of the year 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. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at December 31, 2022 is available on page 6 of this report.

the MSCI China All Shares Index. Good relative performance in the fourth quarter resulted primarily from stock selection, with a modest boost from sector allocation. The portfolio outperformed its index despite acute style headwinds: low-quality, slower-growth, inexpensive companies strongly outperformed high-quality, faster-growing, more-expensive firms, as the sharp rise in onshore bond yields (and discount rates) caused by rising inflation expectations diminished the relative appeal of companies with long-duration growth.

The biggest relative contribution came from Industrials, where automation companies AirTAC, **Haitian International**, and **Inovance** rose. Within Consumer Discretionary, online travel business **Trip.com Group** staged its sharpest recovery since the onset of the pandemic in anticipation of an end to travel restrictions. Apparel manufacturer **Shenzhou International** and domestic sportswear company **ANTA Sports** outperformed as well. In Financials, life insurer **AIA Group** rallied on hopes of better consumer confidence and the expected early-January reopening of the border between Hong Kong and Mainland China, its two biggest markets.

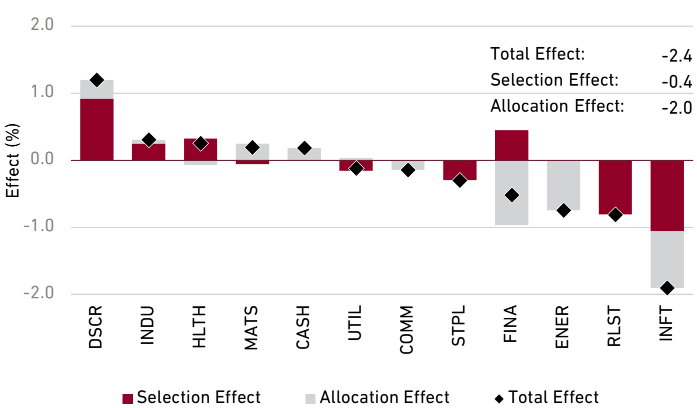
Communication Services detracted the most from our quarterly performance, both due to stock selection and our underweight in this sector. Our largest holding, **Tencent**, whose new games received the company's first regulatory approvals in 18 months, rallied on prospects of a recovery in advertising spending and a more stable regulatory environment as authorities shifted back to pro-growth policies. However, many low-quality industry peers that we don't own benefited even more from the same tailwinds, as well as from the PCAOB's confirmation of audit access.

For the full year, the composite declined 25.2% gross of fees, while the Index fell 23.5%. Style factors were a significant headwind for our portfolio: shares of the fastest-growing companies underperformed those of the slowest-growth firms

Trailing 12 Months 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.

by nearly 1,400 basis points (bps), and expensive companies lagged cheaper companies by a whopping 2,800 bps. Of the relative performance shortfall this year, 80% was driven by sector allocation, primarily due to the portfolio's overweight to Information Technology (IT), which sharply underperformed, and its underweight to Financials, which outperformed. Stock selection was also slightly negative. The portfolio's stock selection and overweight in Consumer Discretionary contributed the most to relative performance, led again by Trip.com Group, which was our third-biggest contributor to relative returns across the portfolio after **TravelSky** (a travel technology business in IT) and AIA Group in Financials. Conversely, Information Technology detracted the most, led by semiconductor designer **Silergy** and smartphone component supplier **Sunny Optical**, our worst performers across the portfolio, as their industry demand cycles weakened more than their market share gains could offset. We believe that as demand recovers, both companies will be able to compete from stronger positions as they extend their product ranges and specifications.

Style factors were a significant headwind for our portfolio: shares of the fastest-growing companies underperformed those of the slowest-growth firms by nearly 1,400 bps, and expensive companies lagged cheaper companies by a whopping 2,800 bps.

Perspective and Outlook

Like most companies around the world, Chinese companies rely on software created by Western developers, such as Microsoft's ubiquitous Windows operating system and Oracle's Database. However, in the future, China would like to rely less on foreign software and technology so that there is reduced risk of losing access to it. The potential risk is not without precedent: some Chinese companies are currently restricted in accessing critical semiconductor chips required for manufacturing. More recently, chip design software has become subject to US export control rules.

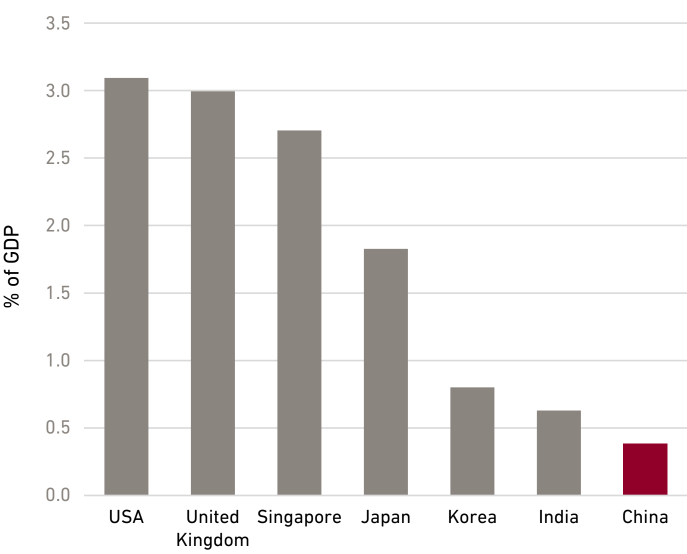
The government's desire to kick-start its domestic software capabilities has been national policy since 2016, prior to the 2018 US-China trade war. The national initiative, known as *xinchuang*, encourages innovation in information technology so that foreign-made infrastructure may be replaced with reliable domestic suppliers. To achieve this goal, the government formed the Information Technology Application Innovation Working Committee (ITAI) to set industry standards, vet and approve local suppliers, and train workers in sensitive areas ranging from cloud computing to semiconductors. By invitation, more than 1,800 domestic technology-related companies have been added to the ITAI committee since its establishment.

Though *xinchuang* has been in place for more than five years, Chinese firms have been slow to switch to homegrown software products due to the lack of an official mandate from the government, reluctance to incur the added costs, and probably some desire to avoid the operational hiccups that would likely occur when switching from global standards to less-tested solutions. Therefore, to accelerate domestic software development and encourage firms to swap, the government has stepped up its efforts. At the Party Congress meeting in October, policymakers reiterated the importance of technology independence and innovation for national security. At the local level, authorities have provided financial support for small- and mid-size technology enterprises, including promoting pilot projects and tax breaks and favorable financing.

> The government's desire to kick-start its domestic software capabilities has been national policy since 2016, prior to the 2018 US-China trade war. The national initiative, known as *xinchuang*, encourages innovation in information technology so that foreign-made infrastructure may be replaced with reliable domestic suppliers.

Currently, China's total software and IT services spending as a percentage of GDP is only 0.4%, far below the US average of 3.1% and even the spending in other emerging markets such as India. We believe the focus on software and the supportive policy measures being adopted should help narrow the spending gap between China and the rest of the world, creating new opportunities for several of our portfolio companies.

Total Software Spending as a % of GDP, as of 2021



Source: Morgan Stanley, IDC.

Yonyou is the largest domestic enterprise resource planning (ERP) software provider in China with around 20% market share. ERP software is a critical tool that helps companies coordinate the daily flow of data across many departments—including procurement, project management, risk management, human resources, compliance, and supply chain activities—on one platform. Yonyou's primary rivals are global players like Oracle and SAP, whose products are designed to handle complex and large-scale operations. Yonyou's products are of comparable caliber, but the company provides modules that are designed for Chinese users' needs, such as integration with China's tax codes.

Existing ERP software users are often reluctant to switch to another complex system after they have become comfortable and familiar with their current platform; Yonyou's business has traditionally come from customers that had not previously used ERP software. However, Yonyou thinks that future demand will come from users who will be compelled to switch to homegrown Chinese software. Overall, Yonyou estimates that the ERP market opportunity that could open up by replacing SAP and Oracle in China would be more than 100 billion yuan.

A recent addition to the portfolio is **Friendess**, which makes control systems that guide lasers as they cut and weld materials during automated manufacturing processes. The company has a more than 80% share in China, its primary market, in low-power laser controls and a more than 20% share in high-power laser controls. While Friendess manufactures some hardware, the company's value lies in its software business. It provides its key buyers—laser system integrators such as those serving furniture manufacturers—a common interface and language to control the different laser systems they must use. We expect that Friendess will continue to gain share in the laser controls market as it supplies more of its industry-standard software and associated hardware to its key buyers, making it easier for them to focus on their core competency: sales and customization. The company should also benefit generally from growing laser and industrial automation adoption in China.

Finally, **Sangfor** is an industry leader in cybersecurity. Unlike ERP and laser controls, China's cybersecurity market localized early due to the government's focus on data privacy and is already dominated by domestic players. Over the past 20 years, Sangfor's business has morphed from a single-product company specializing in both hardware and software for virtual private networks, or VPNs, to a cybersecurity platform. This transition was cemented by Sangfor's development of a key product line called the hyper-converged infrastructure (HCI), a type of private cloud server.[1]

Private cloud is more popular in China than in the rest of the world because early Chinese cloud adopters such as government bodies, state-owned enterprises, and financial institutions were data-sensitive entities that preferred to keep their data off public networks. While recent earnings have been stunted by customers' reluctance to spend on IT projects in a slower-growth environment, IT spending that supports the transition to private

[1] HCI combines storage, computing, and networking into a single server (instead of conventionally having three separate pieces of hardware), and the IT infrastructure can be created by connecting several of such server units. The platform is easily accessible and easy to use, and provides strong data security.

cloud should rebound as the economic environment improves. The company recently preannounced its fourth-quarter results and indicated that earnings appear to have troughed.

Portfolio Highlights

Earlier in 2022, as valuations for high-quality stocks became more attractive, we established a position in **Sinocera**, which we added to in the fourth quarter. Sinocera is China's dominant maker of nano-size ceramics. These are mostly used in multilayer ceramic capacitors (MLCCs), tiny devices that help draw and hold power in circuits. (As an example, a smartphone uses hundreds of MLCCs, while electric vehicles use more than a thousand.) Sinocera supplies nearly 90% of the ceramic powder used to make MLCCs in mainland China. The company's scale, along with a more efficient synthesis process, allows Sinocera to produce ceramics at a much lower cost than competitors, providing a distinct competitive advantage. With the number of products using MLCCs becoming more widespread—such as power-intensive data center servers, industrial automation equipment, and EVs—demand for ceramic power is expected to be very strong over the next decade.

Sinocera is the portfolio's only holding in the Materials sector. While we have previously eschewed investments in companies whose earnings may be sensitive to underlying commodities, nano-ceramics have higher technological barriers to entry and fewer substitutes than other specialty chemicals. That leads to a more concentrated market with more favorable bargaining power over buyers and fewer competitive threats. In our view, the appealing industry structure, along with Sinocera's scale and low-cost position, should reduce the effect that fluctuating commodity prices might have on its profitability.

We added to our position in one other holding in the quarter and re-established a position in another company, both of which we expect to benefit from the relaxation of COVID policies. While the rapid repeal of China's zero-COVID policy led to a near-term spike in domestic COVID cases, it has also led to investment opportunities in companies that stand to benefit from increased mobility.

Trip.com Group, China's leading online travel agency, enjoys close to 50% market share in China's online travel booking market. The company's vast scale is its primary competitive advantage: it has over 50,000 travel partners globally across hotels, airlines, and attractions. As mobility accelerates, Trip.com should be a key beneficiary of increasing bookings for hotels and airlines, both for domestic and international trips. Although company revenues are still more than 30% below pre-COVID levels, revenues have started to recover quickly, and we think normalization of travel in China will disproportionately benefit Trip.com compared with smaller or offline peers and likely lead to increased market share. One of Trip.com's strengths is international travel, which dropped to close to zero during the pandemic. As this rebounds, margins should expand as international take rates are much higher, and market share should rise as rivals like Meituan do not make many cross-border bookings. Also, Trip.com should be able to carry out more offline business development activities such as signing up hotels to list rooms on the site, which should broaden platform offerings and provide even more reasons for users to book travel using its services.

> One of Trip.com's strengths is international travel, which dropped to close to zero during the pandemic. As this rebounds, margins should expand as international take rates are much higher, and market share should rise as rivals like Meituan do not make many cross-border bookings.

We also bought back **Ping An Insurance**, a well-run nationwide insurer, due to its compelling valuation. We exited the position in early 2022 because we were concerned about the rapidly deteriorating financial strength of China's real estate development companies and the resultant risk to Ping An from exposure through its bank and insurance funds. At the same time, the company's large-scale reform of its sales force, intended to raise agent quality and recruiting standards, was still in its middle innings. In 2022, following our exit, COVID-related restrictions weakened the growth outlook by limiting the ability of salespeople to meet in person with prospective customers, which skewed sales toward lower-margin savings products and away from higher-margin protection products whose intricacies can require more detailed explanations. Now that Ping An has re-trained its salesforce in an aim to be more productive, and with mobility restrictions lifting this year, we expect Ping An's business mix to revert over time to more protection products, a shift that could be bolstered by elevated post-pandemic awareness of the need for life and health insurance. Finally, with supportive government policies over the past few months, we think the risks related to Ping An's real estate exposures are limited and appear to be priced in at current valuations.

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.

Chinese Equity Holdings (as of December 31, 2022)

Communication Services	Market	End Wt. (%)
Baidu (Internet products and services)	Mainland China	1.0
NetEase (Gaming and internet services)	Mainland China	1.7
Tencent (Internet and IT services)	Mainland China	5.4
Consumer Discretionary		
Alibaba (E-commerce retailer)	Mainland China	3.4
ANTA Sports (Athletic footwear and apparel retailer)	Mainland China	2.0
China Tourism Group Duty Free (Duty free services)	Mainland China	3.1
Fuyao Glass (Automotive glass manufacturer)	Mainland China	1.6
Haier Smart Home (Consumer appliances mfr.)	Mainland China	1.2
JD.com (E-commerce retailer)	Mainland China	2.5
Li-Ning (Athletic footwear and apparel retailer)	Mainland China	1.1
Midea Group (Consumer appliances manufacturer)	Mainland China	2.5
Shenzhou International (Textile manufacturer)	Mainland China	2.4
Shuanghuan Driveline (Mechanical equipment mfr.)	Mainland China	1.0
Trip.com Group (Online travel services)	Mainland China	2.9
Consumer Staples		
Budweiser APAC (Alcoholic beverages manufacturer)	Hong Kong	1.2
ChaCha (Foods manufacturer)	Mainland China	1.0
Foshan Haitian (Condiments manufacturer)	Mainland China	1.1
Moutai (Alcoholic beverages manufacturer)	Mainland China	0.6
Wuliangye Yibin (Alcoholic beverages manufacturer)	Mainland China	0.5
Yili (Dairy products manufacturer)	Mainland China	2.7
Energy		
No Holdings		
Financials		
AIA Group (Insurance provider)	Hong Kong	3.5
Hong Kong Exchanges (Clearing house and exchange)	Hong Kong	1.4
Ping An Insurance (Insurance provider)	Mainland China	2.0
Health Care		
CSPC Pharmaceutical Group (Pharma manufacturer)	Mainland China	2.3
Haier Biomedical (Biomedical storage manufacturer)	Mainland China	1.0
Jiangsu Hengrui Medicine (Pharma manufacturer)	Mainland China	1.3
Tigermed (Clinical development services)	Mainland China	2.6
WuXi AppTec (Biopharma manufacturer)	Mainland China	2.9
WuXi Biologics (Biopharma manufacturer)	Mainland China	3.4
Industrials		
AirTAC (Pneumatic-equipment manufacturer)	Taiwan	3.4
CATL (Battery systems manufacturer)	Mainland China	2.1
Haitian International (Injection-molding machines mfr.)	Mainland China	2.0
Hengli Hydraulic (Hydraulic components mfr.)	Mainland China	0.5
Hongfa (Power relay manufacturer)	Mainland China	0.9
Inovance (Industrial controls manufacturer)	Mainland China	2.1
Meyer Optoelectronic (Optical machine manufacturer)	Mainland China	1.8
Sanhua Intelligent Controls (HVAC and R parts mfr.)	Mainland China	2.2

Industrials	Market	End Wt. (%)
SF Holding (Delivery services)	Mainland China	1.9
Techtronic Industries (Power tools manufacturer)	Hong Kong	2.5
ZTO Express (Express delivery services)	Mainland China	1.1
Information Technology		
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	0.8
Delta Electronics (Power management products)	Taiwan	0.9
Friendess (Laser control system manufacturer)	Mainland China	1.0
LONGi (Solar power equipment manufacturer)	Mainland China	2.0
Sangfor (IT security services)	Mainland China	0.7
Silergy (Electronics chips manufacturer)	Taiwan	1.5
StarPower (Semiconductor manufacturer)	Mainland China	1.7
Sunny Optical (Optical components manufacturer)	Mainland China	1.7
TravelSky (Aviation IT services)	Mainland China	3.2
Yonyou (Enterprise software developer)	Mainland China	1.9
Materials		
Sinocera (Nanoceramics manufacturer)	Mainland China	1.2
Real Estate		
Country Garden Services (Residential property mgr.)	Mainland China	0.4
Utilities		
ENN Energy (Gas pipeline operator)	Mainland China	2.1
Cash		1.1

4Q22 Contributors to Relative Return (%)

		Avg. Weight		
Largest Contributors	Sector	HL CE	MSCI CAS	Effect
AIA Group	FINA	3.8	–	0.86
TravelSky	INFT	3.0	0.1	0.78
AirTAC	INDU	3.7	–	0.75
Tigermed	HLTH	2.1	0.1	0.65
Shenzhou International	DSCR	2.0	0.2	0.58

Last 12 Mos. Contributors to Relative Return (%)

		Avg. Weight		
Largest Contributors	Sector	HL CE	MSCI CAS	Effect
TravelSky	INFT	2.7	<0.1	1.01
AIA Group	FINA	3.6	–	1.00
Trip.com Group	DSCR	1.6	0.4	0.62
Haitian International	INDU	2.3	<0.1	0.49
NIO*	DSCR	–	0.7	0.43

4Q22 Detractors from Relative Return (%)

		Avg. Weight		
Largest Detractors	Sector	HL CE	MSCI CAS	Effect
Sanhua Intelligent Controls	INDU	2.5	–	-0.56
Tencent	COMM	4.7	6.9	-0.39
Yili	STPL	2.7	0.3	-0.36
LONGi	INFT	2.3	0.5	-0.35
Ping An Insurance	FINA	0.5	1.7	-0.29

Last 12 Mos. Detractors from Relative Return (%)

		Avg. Weight		
Largest Detractors	Sector	HL CE	MSCI CAS	Effect
Silergy	INFT	2.5	–	-1.80
Sunny Optical	INFT	2.1	0.3	-1.15
Country Garden Services	RLST	1.2	0.2	-0.75
Techtronic Industries	INDU	2.9	–	-0.73
Sangfor	INFT	1.1	0.1	-0.50

*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] (%)	14.7	13.3
Return on Assets[1] (%)	10.2	5.5
Return on Equity[1] (%)	19.0	13.5
Debt/Equity Ratio[1] (%)	28.7	48.6
Std. Dev. of 5 Year ROE[1] (%)	3.4	3.5
Sales Growth[1,2] (%)	22.5	22.1
Earnings Growth[1,2] (%)	21.9	19.4
Cash Flow Growth[1,2] (%)	14.3	15.2
Dividend Growth[1,2] (%)	14.6	16.8

Valuation	HL CE	MSCI CAS
Price/Earnings[3]	24.8	11.2
Price/Cash Flow[3]	20.6	10.4
Price/Book[3]	3.6	2.0
Dividend Yield[4] (%)	1.3	2.6
Size		
Wtd. Median Mkt. Cap. (US $B)	26.6	29.6
Wtd. Avg. Mkt. Cap. (US $B)	63.7	88.5

[1]Weighted median; [2]Trailing five years, annualized; [3]Three-year average; [3]Weighted harmonic mean; [4]Weighted mean. Source FactSet (Run Date: January 4, 2023, 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
Delta Electronics	Taiwan	INFT
Friendess	Mainland China	INFT
Hengli Hydraulic	Mainland China	INDU
Ping An Insurance	Mainland China	FINA

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 December 31, 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[4]	-25.22	-25.93	-23.47	+	+	N.M.[5]	1	3	47,607
2021	-14.59	-15.42	-12.80	+	+	N.M.	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 performance returns and assets shown are preliminary; [5]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 September 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.