Chinese Equity

Quarterly Report | Second Quarter 2023

HARDING LOEVNER

What's Inside

Market Review →
Chinese equity markets fell as weak macroeconomic data signaled that the economic rebound that began in January following three years of restrictive zero-COVID policies had faltered.

Performance and Attribution →
Sources of relative return by sector and region.

Perspective and Outlook →
Despite its maturity and a recent cyclical slump driven by weaker consumer activity, the express-parcel-delivery industry continues to present attractive investment opportunities. Our holdings ZTO and SF Express seem poised to extend their market-leading position.

Portfolio Highlights →
The portfolio's weight to Information Technology (IT), while still overweight, has declined this year.

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 June 30, 2023[1]

	3 Months	YTD	1 Year	Since Inception[2,3]
HL Chinese Equity (Gross of Fees)	-11.49	-9.73	-19.87	-19.80
HL Chinese Equity (Net of Fees)	-11.71	-10.16	-20.64	-20.57
MSCI China All Shares Index[4]	-9.79	-5.27	-17.90	-16.79

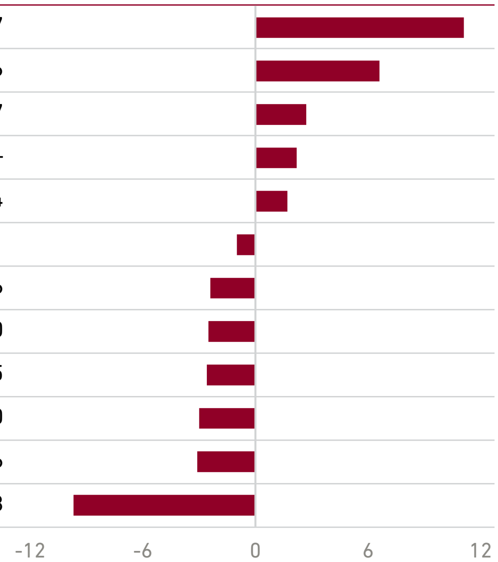
[1]The composite performance returns shown are preliminary. [2]Annualized returns. [3]Inception Date: December 31, 2020. [4]The benchmark index gross of withholding taxes.

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)

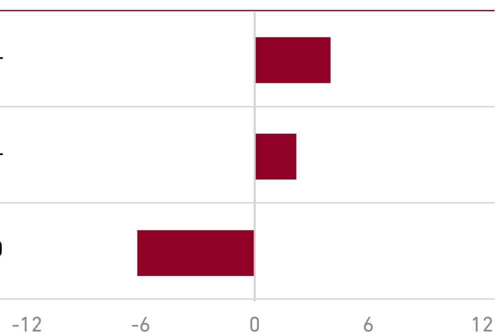
Sector	HL	Index
Industrials	20.8	9.7
Cons Discretionary	26.2	19.6
Health Care	9.4	6.7
Cash	2.2	–
Info Technology	12.1	10.4
Utilities	2.1	3.1
Real Estate	0.2	2.6
Cons Staples	6.5	9.0
Comm Services	9.9	12.5
Energy	0.0	3.0
Materials	3.5	6.6
Financials	7.1	16.8

Under / Over



Market	HL	Index
Other Emerging Markets	4.0	–
Cash	2.2	–
Mainland China + Hong Kong	93.8	100.0

Under / Over



"HL": Chinese Equity model portfolio. "Index": MSCI China All Shares Index. Sector and geographic allocations are supplemental information only and complement the fully compliant Chinese Equity Composite GIPS Presentation. Source: Harding Loevner Chinese Equity model, FactSet, MSCI Inc. 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 fell 9.8% in the second quarter of 2023, as weak macroeconomic data signaled that the economic rebound that began in January following three years of restrictive zero-COVID-19 policies had faltered. The official manufacturing purchasing managers' index (PMI), a measure of a country's overall manufacturing health, remained below 50 in each of the three months in the second quarter, suggesting that domestic manufacturing activity in China has contracted. Industrial productivity also cooled from 6% year-over-year growth in April to 4% in May. And after growing for two months prior, exports also fell unexpectedly in May, down 8% year over year as Europe and the US continue to grapple with persistent inflation and higher interest rates.

Domestic consumer activity and sentiment also remained weak. Retail sales declined from 18% growth year over year in April to 13% growth in May, and consumer-driven sectors fell sharply this quarter, with Consumer Staples falling 16% and Consumer Discretionary declining 13%. Data released in June also indicated that real estate development year to date through May was down 7% year-over-year, with floor space of newly started residential buildings down 23% for the period. However, with the government's focus on facilitating completion of residential buildings already under construction, floor space of residential buildings completed during this period was actually up 19% during the first five months of the year.

The good news is that, unlike in the developed world, China's monetary policy has remained relatively easy over the past 12 months in an effort to boost growth. The People's Bank of China (China's central bank) continued to ease monetary policy and cut both its one-year and five-year loan prime rates by 10 basis points at its recent June meeting. These measures should encourage more spending by lowering borrowing costs for companies and households. That said, China's modest policy changes have proved insufficient thus far. In order for China to meet its 5% GDP growth target for the year, the government may need to take stronger fiscal and monetary policy actions in the second half of 2023.

> The People's Bank of China (China's central bank) continued to ease monetary policy and cut both its one-year and five-year loan prime rates by 10 basis points at its recent June meeting. These measures should encourage more spending by lowering borrowing costs for companies and households.

Style patterns in China were opposite those in many other regions this quarter. Shares of faster-growing Chinese companies lagged those of slower-growing companies by nearly 6% while expensive firms underperformed cheaper firms by 13%. High-quality companies also lagged low-quality companies. The strength of less-expensive, slow-growth, and low-quality companies was led by the outperformance of state-owned firms (SOEs) this quarter, particularly in Financials stocks like Bank of China and Utilities like electric power producer China Yangtze Power. The outperformance of SOEs may have been triggered by supportive comments from Chinese officials late last year, as well as documentation this year mandating that SOEs improve corporate governance standards by appointing external and independent directors to their boards and evaluating their efficacy.

Performance and Attribution

The Chinese Equity composite fell 11.5% gross of fees, behind the 9.8% decline of the MSCI China All Shares Index. The relative performance shortfall was largely due to stock selection. Better performance in Communication Services and Consumer Staples was offset by weakness in Health Care and Information Technology (IT). The portfolio's underweight in Financials—which rallied primarily due to state-owned banks that don't meet our quality criteria—also detracted.

In Communication Services, the portfolio was helped by our overweight position in gaming and internet services company **NetEase**. Shares rose on a strong earnings result and the potential for growth underpinned by the company's lineup of upcoming games, including four new releases in June. Within Consumer Staples, the portfolio was helped by our holding in dairy producer **Yili**. The company's first-quarter results were dampened by the tumultuous post-pandemic reopening, as the last wave of COVID

MSCI China All Shares Index Performance (USD %)

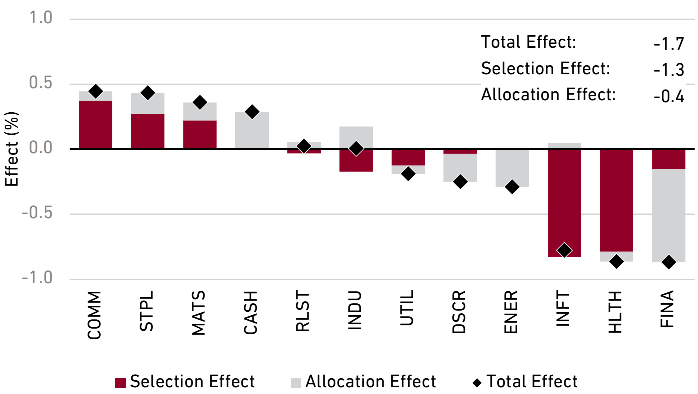
Sector	2Q 2023	Trailing 12 Months
Communication Services	-11.4	-3.1
Consumer Discretionary	-13.0	-27.3
Consumer Staples	-15.6	-23.9
Energy	0.7	11.9
Financials	-2.2	-8.0
Health Care	-12.8	-23.0
Industrials	-8.3	-18.7
Information Technology	-9.6	-15.8
Materials	-13.9	-28.1
Real Estate	-12.2	-31.5
Utilities	-1.1	-9.4

Source: FactSet, MSCI Inc. Data as of June 30, 2023.

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 investmentin 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 June 30, 2023 is available on page 6 of this report.

Second Quarter 2023 Sector Performance Attribution

Chinese Equity Composite vs. MSCI China All Shares Index



Source: Harding Loevner Chinese Equity composite, FactSet, MSCI Inc. 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.

infections impacted the Chinese New Year gifting period and holiday sales fell short. But management provided an optimistic outlook, indicating that gross and net margins should grow during 2023–25 as consumers continue to buy higher-margin products like yogurt. Industry rivalry has also improved as both Yili and its main competitor, Mengniu, have stopped engaging in price wars.

A large detractor in Health Care was **WuXi AppTec**, China's leading provider of development and manufacturing services for biotech companies. Management reported sluggish revenue growth, but reiterated its guidance that full-year revenues would be 25–30% above last year's (when excluding one-off revenues in 2022 from the COVID-19 vaccine).

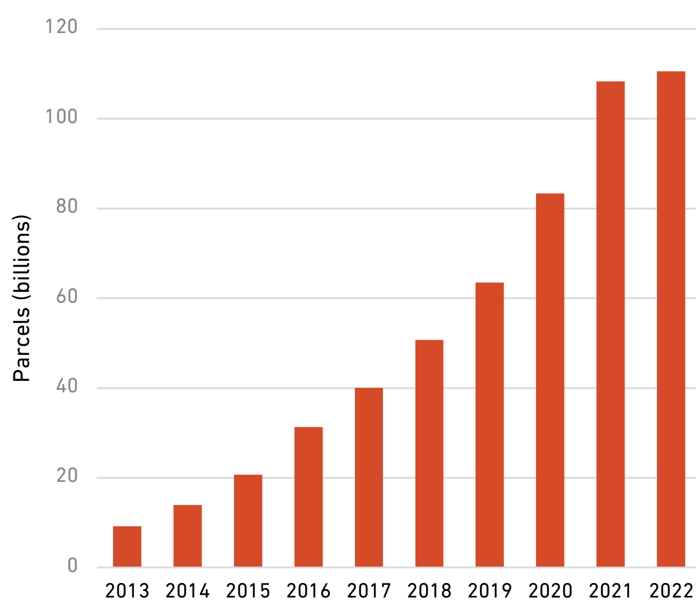
In Information Technology, shares of **LONGi**, a Chinese solar panel manufacturer, plummeted due to concerns that heavy investments by its competitors will result in overcapacity for the industry. We also lagged in Consumer Discretionary, where **China Tourism Group Duty Free** (CTGDF), a manager of duty-free malls in Hainan Island as well as concessions in major domestic airports, has experienced an anemic recovery in sales. Tourist trips to Hainan have increased this year amid China's reopening but spending per capita is lower on poor consumer sentiment. Outbound international travel has also picked up, but it is still below pre-pandemic levels, adding pressure on CTGDF to reduce lingering excess inventory.

Perspective and Outlook

China's express-delivery industry continues to present attractive investment opportunities. Despite the industry's maturity and a recent cyclical slump driven by weaker consumer activity, rivalry is declining as leading companies consolidate the market. Our two express-parcel-delivery holdings, **ZTO Express** and **SF Holding**, seem poised to extend their market-leading positions and continue to grow their businesses, market shares, and earnings.

China has been the world's largest market for express-delivery parcels for the last nine years. The numbers are staggering: the industry has grown at a 28% CAGR over the past 10 years, and, in 2022, 111 billion parcels were delivered in China (about 80 packages per individual)—more than all US, European, and Japanese shipments combined. The industry's rapid growth has been propelled by e-commerce, which accounts for around 27% of domestic retail sales. Despite the parcel-delivery industry's rapid growth, market share is still somewhat fragmented among the top couriers, unlike the US market, which is dominated by UPS and FedEx. Parcel-delivery business models also differ by firm within China. Some companies have pursued an integrated model similar to UPS and FedEx, where they own and oversee all aspects of the delivery, including last mile. Other firms have embraced a franchise model, which outsources the final delivery of a package to network partners (also called "franchisees").

Chinese Express Delivery Volumes



Source: Ministry of Transport. Data as of June 2023.

Within the mass-market segment, there are four dominant firms. They have a combined market share of more than 65% and are known as the Tongda operators ("Tongdas") due to their similar names, business models, and origins: their founders all hail from Tonglu County, 50 miles south of Alibaba's headquarters in Hangzhou. Instead of a fully outsourced model, the Tongdas embrace an integrated approach. They manage their entire network, often focusing on line-haul (large truck) transportation services and directly owning sorting hubs. In 2017–18, not long after the Tongdas were listed, rivalry was fierce as they raised capital and began competing on price to gain share. In 2020–21, industry rivalry intensified again due to new entrant J&T Express a private Chinese company headquartered in Indonesia that waged an aggressive price war to try to gain a foothold in the Chinese market. Industry-wide margins fell due to J&T's actions, but the government's 2021 regulatory reforms helped stem the losses; J&T is no longer permitted by Beijing to undercut the industry. Also, as part of the government's much-reviled attempt to crack down on anti-monopolistic behavior, large e-commerce platforms must now offer a choice of delivery-service options to their buyers instead of favoring one courier[1].

> China has been the world's largest market for express-delivery parcels for the last nine years. The numbers are staggering: in 2022, 111 billion parcels were delivered in China—more than all US, European, and Japanese shipments combined.

ZTO, a mass-market player focused on less-rapid, lower-cost delivery, is the largest of the Tongdas, with a 23% share of the express-parcel-delivery market (for comparison, UPS and FedEx have much larger shares of the US market at 37% and 33%, respectively). While ZTO's profits are currently a tenth of UPS (and still growing), the company's daily volume is larger than the entire US domestic market. The company is a key enabler and direct beneficiary of e-commerce as the largest express-delivery-service provider for millions of online merchants and consumers transacting on platforms like **Alibaba**, Pinduoduo, and **JD.com**. Upon its formation, ZTO invested much earlier than peers to build an efficient logistics infrastructure, namely sorting hubs, automation equipment, high-capacity trucking, and advanced IT solutions for parcel sorting, payment settlement and customer support. Last-mile delivery is still outsourced to franchisees.

ZTO now owns more sorting hubs than any other Tongda, which means it can implement improvements in those hubs more quickly and broadly than its competition. As a result of these efficiencies, ZTO's per-parcel costs are lower than peers, helping cushion margins when rivals cut prices. The company also pursued a "shared success system," working to reward network partners for efficiency and reliability through three-year exclusive contracts, equity ownership for regional managers, and other incentives. Because brand reputation is important to both end consumers and e-commerce companies in choosing partners, ZTO is now considered to be the highest-quality Tongda operator due to its strong franchisee relationships, network design, and optimization.

We believe ZTO's efforts to further scale its business should expand its lead versus its peers, especially against less well-capitalized rivals who cannot match ZTO's competitive pace. The company already boasts an immense delivery network covering over 99% of China's counties and is now expanding operations into lower-tier towns and rural areas, which should improve the odds of winning a larger share of fast-growing e-commerce deliveries in remote areas (remote areas comprise 36% of parcel delivery, as of 2020). According to data analytics service EDT, China's rural e-commerce market grew 18% year over year in 2021 while the number of rural online shoppers expanded by 21% to 360 million Chinese. Additionally, ZTO's efforts to digitalize its business should also help the company plan new routes more efficiently and create the option for customized pricing strategies and tailored incentive schemes.

SF Holding, our other delivery company, operates at the premium end of express-parcel delivery by focusing on time-sensitive delivery of items such as business documents and high-end consumer products.[2] Compared with mass-market players, premium parcels have a much higher average selling price (ASP). For example, SF's group-wide ASP is three times that of the Tongdas. Premium-package delivery is also a far more profitable part of the express-parcel-delivery market. For e-commerce deliveries, SF charges 6-7 yuan compared with 2 yuan charged by the Tongdas, as the delivery speed is faster and the reliability is higher. The company has around a 10% volume share of the overall express-parcel-delivery market but captures 24% of revenues.

> ZTO now owns more sorting hubs than any other Tongda, which means it can implement improvements in those hubs more quickly and broadly than its competition. As a result of these efficiencies, ZTO's per-parcel costs are lower than peers, helping cushion margins when rivals cut prices.

To meet customers' demands and ensure quality control, SF Express has built a vast, vertically integrated network. It owns and operates SF Airlines, a fleet of 80 all-cargo aircraft that accounts for 39% of China's domestic air-cargo shipping. The company also owns a fleet of more than 97,000 last-mile delivery vans. Tight control over its operations has allowed SF to build a reputation for not just delivering packages on time but also for superior service that can command higher prices from Alibaba merchants and other online retailers.

Rather than move downstream to mass-market parcel delivery, we expect SF to pursue a larger share of cross-border deliveries between China and other parts of southeast Asia, a growing market as more Chinese companies expand their services and/or manufacturing operations to international locations. To expand SF's international distribution capabilities, in 2021 the company acquired a 52% stake in Hong Kong's Kerry Logistics Network, which caters to a large international client base, including manufacturing firms and automotive OEMs. SF is also jointly

[1]J&T continues in its efforts to gain a stronger foothold in China's market – the company recently announced its intention to list shares in Shanghai.

[2]The mix within premium-parcel delivery has changed. Business-related packages were once 100% of premium-parcel delivery but now comprise only one-third. Meanwhile, consumer products have become a larger part of the mix at around 50%. This includes the shipment of fruits that spoil easily, like cherries or lychees, and other products such as luxury apparel and cosmetics. Industrial products account for the balance of time-sensitive premium deliveries, driven by manufacturing components such as precision equipment, semiconductors, new energy, auto components, and the like.

developing a 2.4-million-ton capacity cargo airport in Ezhou City, the first in China and the fourth largest in the world. This should shift SF's air-shipping network to a more efficient hub-and-spoke structure and help the company deliver shipments overnight to anywhere in China and to overseas destinations in Asia Pacific, Europe, and the US within two days.

We think express delivery leaders like SF and ZTO can still look forward to significant growth opportunities as China's logistics infrastructure continues to develop and modernize, boosted by the government's initiatives. In December 2022, China's State Council (the executive branch of government) approved a plan to develop modern logistics in the current Five-Year Plan. As part of the plan's objectives, 120 national logistics hubs and 100 major cold-chain logistics bases are expected to be built by 2025 to form a national logistics-infrastructure backbone. This should reduce capital intensity for companies like ZTO and SF as they expand deeper into rural markets and make their cost structures more efficient, while also opening up new opportunities in higher-value premium services like cold-chain logistics.

Portfolio Highlights

This quarter we added to our position in **Hengli Hydraulic** (Hengli). Hengli is China's leading manufacturer of hydraulic components, which enable control and movement of excavator arms, a significant segment within China's heavy-construction-equipment industry. Hengli supplies hydraulic components to both domestic excavator makers as well as to large multinational manufacturers like Caterpillar and Volvo, commanding more than 50% domestic market share for hydraulic cylinders and 30% share in pumps and valves. Due to the rapid pace of housing and infrastructure construction in the country over the last four decades, China is now the second-largest global market for heavy equipment, even after the recent real estate downcycle. By pricing products cheaper than global rivals like Kawasaki, Bosch Rexroth, and Nabtesco, local leaders like Hengli benefited from the enormous level of domestic demand for heavy machinery and were able to gain share in an industry where buyers are fairly price sensitive.

Overall growth has been very strong for Hengli, with EBITDA rising more than 30% annually over the past five years. However, Hengli operates in a cyclical industry where demand from end customers can be volatile. The company has increasingly diversified its product applications beyond the excavator market into areas like aerial work platforms (AWPs), tractors, wind turbines, and offshore marine engineering equipment. Along with a planned launch of a new product line—linear actuators, with applications in industrial automation and medical equipment—this should dampen the volatility in its earnings and spur further growth. There is also potential for Hengli to grow outside China. It recently completed construction of a new plant in Mexico that should improve the company's cost structure and pricing while selling to its North American clients like Caterpillar and Deere as well as to Chinese clients like Sany that have manufacturing facilities north of the border.

We also exited our position in **Silergy**, an IT company that makes power management integrated circuit (PMIC) chips. Silergy has recently experienced a challenging demand environment due to a cyclical slowdown in the semiconductor industry, leading to inventory write-downs and an operating loss in the first quarter of 2023. While we think that Silergy has a strong enough financial position, there are broader structural changes in the company's competitive landscape that are concerning. Texas Instruments, a key competitor, is planning to add 40% more capacity for its PMIC chips over the next two years, seemingly benefiting from tax breaks under the US CHIPS and Science Act. Such a large increase in capacity, at a time when industry demand is slowing, will likely lead to a significant rise in competitive intensity and erode Silergy's pricing power. As shares are priced richly despite the worsening competitive outlook, we decided to exit the position.

This quarter we added to our position in Hengli Hydraulic. Hengli is China's leading manufacturer of hydraulic components, which enable control and movement of excavator arms, a significant segment within China's heavy-construction-equipment industry.

The portfolio's weight in IT, while still overweight, has declined this year. This is due not only to Silergy but also because our holding in **TravelSky**, a dominant provider of airline IT systems in China, was reclassified by MSCI from IT to Consumer Discretionary. There has been no change in our portfolio's exposure to TravelSky. The company helps airlines manage ticket inventories and travel agents search and book tickets across different carriers. We expect the company to benefit from the ongoing recovery in airline travel in China since post-COVID mobility restrictions were lifted earlier this year.

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 June 30, 2023)

Communication Services	Market	End Wt. (%)
Baidu (Internet products and services)	Mainland China	1.3
NetEase (Gaming and internet services)	Mainland China	2.6
Tencent (Internet and IT services)	Mainland China	6.0
Consumer Discretionary		
Alibaba (E-commerce retailer)	Mainland China	3.5
ANTA Sports (Athletic footwear and apparel retailer)	Mainland China	1.8
China Tourism Group Duty Free (Duty free services)	Mainland China	1.7
Fuyao Glass (Automotive glass manufacturer)	Mainland China	2.3
Haier Smart Home (Consumer appliances mfr.)	Mainland China	1.2
JD.com (E-commerce retailer)	Mainland China	1.7
Li-Ning (Athletic footwear and apparel retailer)	Mainland China	1.6
Meituan (Online local services provider)	Mainland China	0.2
Midea Group (Consumer appliances manufacturer)	Mainland China	3.0
Shenzhou International (Textile manufacturer)	Mainland China	1.8
Shuanghuan Driveline (Mechanical equipment mfr.)	Mainland China	1.5
TravelSky (Aviation IT services)	Mainland China	2.8
Trip.com Group (Online travel services)	Mainland China	3.2
Consumer Staples		
Budweiser APAC (Alcoholic beverages manufacturer)	Hong Kong	1.1
ChaCha (Foods manufacturer)	Mainland China	0.9
Foshan Haitian (Condiments manufacturer)	Mainland China	0.8
Moutai (Alcoholic beverages manufacturer)	Mainland China	0.6
Wuliangye Yibin (Alcoholic beverages manufacturer)	Mainland China	0.5
Yili (Dairy products manufacturer)	Mainland China	2.6
Energy		
No Holdings		
Financials		
AIA Group (Insurance provider)	Hong Kong	3.6
Hong Kong Exchanges (Clearing house and exchange)	Hong Kong	1.4
Ping An Insurance (Insurance provider)	Mainland China	2.1
Health Care		
CSPC Pharmaceutical Group (Pharma manufacturer)	Mainland China	1.7
Haier Biomedical (Biomedical storage manufacturer)	Mainland China	0.9
Jiangsu Hengrui Medicine (Pharma manufacturer)	Mainland China	1.7
Tigermed (Clinical development services)	Mainland China	1.1
WuXi AppTec (Biopharma manufacturer)	Mainland China	2.3
WuXi Biologics (Biopharma manufacturer)	Mainland China	1.7
Industrials		
AirTAC (Pneumatic-equipment manufacturer)	Taiwan	2.6
CATL (Battery systems manufacturer)	Mainland China	2.4
Haitian International (Injection-molding machines mfr.)	Mainland China	1.9
Hengli Hydraulic (Hydraulic components mfr.)	Mainland China	1.8
Hongfa (Power relay manufacturer)	Mainland China	1.2
Inovance (Industrial controls manufacturer)	Mainland China	2.0
Meyer Optoelectronic (Optical machine manufacturer)	Mainland China	2.1

Industrials	Market	End Wt. (%)
Sanhua Intelligent Controls (HVAC and R parts mfr.)	Mainland China	3.3
SF Holding (Delivery services)	Mainland China	1.6
Techtronic Industries (Power tools manufacturer)	Hong Kong	0.8
ZTO Express (Express delivery services)	Mainland China	1.1
Information Technology		
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	1.2
Delta Electronics (Power management products)	Taiwan	1.4
Friendess (Laser control system manufacturer)	Mainland China	1.9
LONGi (Solar power equipment manufacturer)	Mainland China	1.8
Sangfor (IT security services)	Mainland China	0.8
StarPower (Semiconductor manufacturer)	Mainland China	1.6
Sunny Optical (Optical components manufacturer)	Mainland China	1.6
Yonyou (Enterprise software developer)	Mainland China	1.7
Materials		
Sinocera (Nanoceramics manufacturer)	Mainland China	1.8
Tinci (Battery materials manufacturer)	Mainland China	1.6
Real Estate		
Country Garden Services (Residential property mgr.)	Mainland China	0.3
Utilities		
ENN Energy (Gas pipeline operator)	Mainland China	2.1
Cash		2.2

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.

2Q23 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
Sanhua Intelligent Controls	INDU	2.7	<0.1	0.56
Midea Group	DSCR	2.8	–	0.46
Shuanghuan Driveline	DSCR	1.1	–	0.42
Delta Electronics	INFT	1.3	–	0.29
NetEase	COMM	2.3	1.0	0.25

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
AirTAC	INDU	3.2	–	0.59
Sanhua Intelligent Controls	INDU	2.7	<0.1	0.56
Trip.com Group	DSCR	2.4	0.5	0.55
Jiangsu Hengrui Medicine	HLTH	1.3	0.3	0.52
Techtronic Industries	INDU	2.0	–	0.50

2Q23 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
China Tourism Group Duty Free	DSCR	2.2	0.4	-0.73
LONGi	INFT	2.1	0.3	-0.45
Tigermed	HLTH	1.4	0.1	-0.43
WuXi AppTec	HLTH	2.7	0.3	-0.38
ANTA Sports	DSCR	2.1	0.4	-0.36

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL	Avg. Weight Index	Effect
LONGi	INFT	2.3	0.4	-1.11
China Tourism Group Duty Free	DSCR	2.8	0.5	-1.03
WuXi AppTec	HLTH	3.0	0.4	-0.81
StarPower	INFT	1.8	0.1	-0.75
Country Garden Services	RLST	0.5	0.1	-0.74

"HL": Chinese Equity composite. "Index": MSCI China All Shares Index.

Portfolio Characteristics

Quality and Growth	HL	Index
Profit Margin[1] (%)	14.1	11.3
Return on Assets[1] (%)	9.2	4.5
Return on Equity[1] (%)	16.2	12.2
Debt/Equity Ratio[1] (%)	32.4	46.5
Std. Dev. of 5 Year ROE[1] (%)	4.2	4.2
Sales Growth[1,2] (%)	16.9	16.5
Earnings Growth[1,2] (%)	12.8	13.8
Cash Flow Growth[1,2] (%)	16.0	10.6
Dividend Growth[1,2] (%)	13.9	14.7

Valuation	HL	Index
Price/Earnings[3]	22.5	11.2
Price/Cash Flow[3]	18.4	10.5
Price/Book[3]	3.1	1.9
Dividend Yield[4] (%)	1.5	2.7
Size		
Wtd. Median Mkt. Cap. (US $B)	22.3	27.2
Wtd. Avg. Mkt. Cap. (US $B)	62.0	87.2

[1]Weighted median. [2]Trailing five years, annualized. [3]Three-year average. [3]Weighted harmonic mean. [4]Weighted mean. Source: Harding Loevner Chinese Equity model based on the underlying holdings, FactSet (Run Date: July 5, 2023 based on the latest available data in FactSet on this date), MSCI Inc.

Completed Portfolio Transactions

Positions Established	Market	Sector
There were no completed purchases this quarter.		

Positions Sold	Market	Sector
Silergy	Taiwan	INFT

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. Performance of contributors and detractors is net of fees, which is calculated by taking the difference between net and gross composite performance for the Chinese Equity strategy prorated by asset weight in the portfolio and subtracted from each security's return. 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 June 30, 2023)

	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)
2023 YTD[4]	-9.73	-10.16	-5.27	+	+	N.A.	1	3	46,871
2022	-25.22	-25.93	-23.47	+	+	N.M.	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 2023 YTD performance returns and assets shown are preliminary. N.A.–Internal dispersion less than a 12-month period. 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 March 31, 2023.

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. The verification report is 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.

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.