EMERGING MARKETS EQUITY

2020 Second Quarter Report

COMPOSITE PERFORMANCE (% TOTAL RETURN) FOR PERIODS ENDED JUNE 30, 2020[1]

	3 MONTHS	YTD	1 YEAR	3 YEARS[2]	5 YEARS[2]	10 YEARS[2]	SINCE INCEPTION[2,3]
HL EMERGING MARKETS (GROSS OF FEES)	17.32	-14.55	-6.72	0.81	3.82	5.69	11.58
HL EMERGING MARKETS (NET OF FEES)	17.06	-14.95	-7.56	-0.09	2.91	4.75	10.67
MSCI EMERGING MARKETS INDEX (GROSS)[4,5]	18.18	-9.67	-3.05	2.27	3.23	3.63	8.45

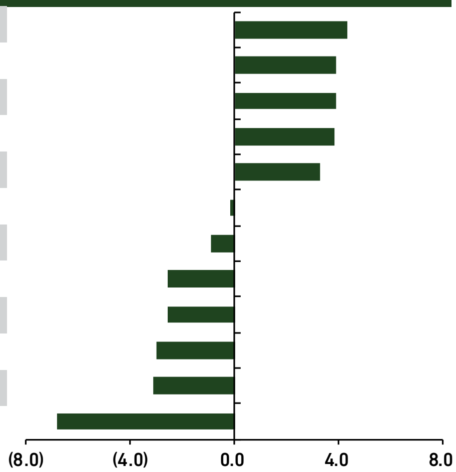
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1998; [4]The Benchmark Index; [5]Gross of withholding taxes.

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

SECTOR EXPOSURE (%)

	HL EM	MSCI EM
INDUSTRIALS	9.0	4.7
CASH	3.9	—
INFO TECHNOLOGY	20.8	16.9
FINANCIALS	22.9	19.1
CONS STAPLES	9.8	6.5
ENERGY	5.7	5.9
UTILITIES	1.4	2.3
HEALTH CARE	1.7	4.3
REAL ESTATE	0.0	2.6
CONS DISCRETIONARY	14.4	17.4
COMM SERVICES	10.4	13.5
MATERIALS	0.0	6.8

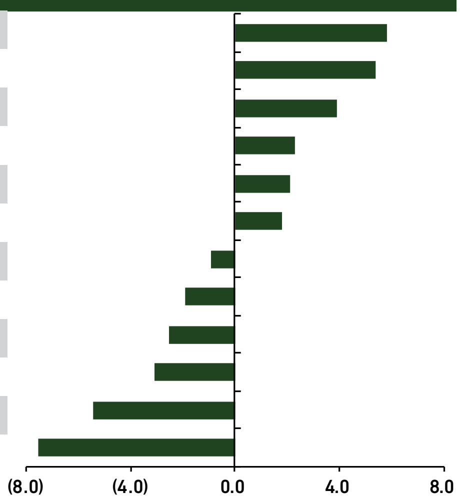
(UNDER) / OVER THE BENCHMARK



GEOGRAPHIC EXPOSURE (%)

	HL EM	MSCI EM
DEVELOPED MARKET LISTED[6]	5.8	—
RUSSIA	8.6	3.2
CASH	3.9	—
MEXICO	4.0	1.7
FRONTIER MARKETS[7]	2.1	—
BRAZIL	6.9	5.1
INDIA	7.1	8.0
SOUTH KOREA	9.7	11.6
SOUTH AFRICA	1.3	3.8
TAIWAN	9.2	12.3
SMALL EMERGING MARKETS[8]	7.9	13.3
CHINA + HONG KONG[9]	33.5	41.0

(UNDER) / OVER THE BENCHMARK



[6]Emerging markets or frontier markets companies listed in developed markets; [7]Includes countries with less-developed markets outside the Index; [8]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index; [9]The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 26.7% and Hong Kong is 6.8%. The Benchmark does not include Hong Kong.

Sector and geographic allocations are supplemental information only and complement the fully compliant Emerging Markets Composite GIPS Presentation.

Source: Harding Loevner Emerging Markets 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

Emerging Markets (EMs) kept pace with the strong rebound in global equity markets, posting a return of 18.2%, modestly behind Developed Markets (DMs), with the MSCI World Index up 19.5%. The strongest quarterly return in a decade for both EMs and DMs was largely in response to the scale and pace of monetary and fiscal stimulus as global central banks aggressively moved to keep financial markets functioning and to allow economies to negotiate a path of recovery from the devastation of the COVID-19 pandemic. The size and speed of balance sheet expansion by the US Federal Reserve dwarfed its answer to the Global Financial Crisis. In addition, more than ten EM central banks cut interest rates during the quarter to shore up their prospects of economic revival. China took especially strenuous action to support its economy, further easing liquidity conditions with its second lowering of its prime lending rate this year, while also unveiling a $500 billion fiscal stimulus package centered heavily around infrastructure investment.

By the end of the quarter, there was evidence that Chinese GDP was nudging back into positive territory. After a 6.8% contraction of the first quarter, this was enough to support a rebound in industrial commodity prices. Crude oil prices staged a sharp recovery as discipline among the OPEC+ consortium appeared to improve, active rig counts in the US continued to fall, and signs emerged of a recovery in economic activity within countries where the virus had stopped spreading, for the time being. Stronger commodity prices and improved risk appetite saw a rapid appreciation in volatile EM currencies in a short window in late May/early June; but some retracement occurred through the end of the quarter. Overall, currency movements contributed 130 basis points to the dollar-denominated returns of the MSCI EM Index.

The virus presented a complex mix of countervailing developments across the EM landscape. Beyond China, new COVID-19 cases continued to rise, with Latin American countries climbing up the ranks of cases and fatalities. Yet, guided by the example of the US and other DMs, many countries moved forward with plans to reopen despite the possibility this will lead to a further wave of infections and risk collapsing their fragile health care infrastructure. As the economic and social challenges created by the virus and efforts to contain it have escalated, so has public discontent and nationalistic fervor. The Trump administration has increasingly targeted China for criticism and tensions between the two countries have intensified around the core disputes of trade, technology, and China's intentions toward Taiwan and Hong Kong. China moved forward with its plan to impose upon Hong Kong a wide-reaching national security law, which compromises the independence of the region's judiciary system and threatens its civil and political freedom. A storm of disapproval from Western nations followed: the UK vowed to allow Hong Kong's 3 million citizens with British National (Overseas) status unlimited right of abode and a clear path to citizenship; and the US Senate passed earlier-introduced legislation that could result in the delisting of Chinese ADRs from US stock exchanges and weighed compensatory tariffs as restitution for China's purported role in failing to halt the spread of COVID-19. However, President Trump's press conference on China-related issues in late May was relatively benign, doing little to clarify what specific actions the US would ultimately take and thereby leaving some flexibility for ongoing bi-lateral negotiations.

Most cyclical sectors including Materials and Energy performed relatively well, recovering from the sharp declines of March. Materials benefited from a rebound in commodity chemicals and metals prices as prospects for demand improved with the increasing intensity of China's stimulative measures. Energy stocks found support from the tentative recovery in crude oil prices following the OPEC+ agreement. In other cyclical sectors, the strongest returns were reserved for those industries that benefited from the pandemic, notably e-commerce businesses (which boosted returns in Consumer Discretionary) and delivery companies (which led Industrials). The best-performing sector was Health Care (37%), with equipment and online health platforms benefiting from a

MARKET PERFORMANCE (USD %)

REGION/COUNTRY	2Q 2020	TRAILING 12 MONTHS
AFRICA	26.8	-23.3
SOUTH AFRICA	27.5	-23.6
ASIA	17.9	5.2
CHINA	15.4	13.3
INDIA	20.6	-17.0
SOUTH KOREA	19.6	0.9
TAIWAN	21.5	23.0
EUROPE	18.8	-16.4
RUSSIA	18.9	-12.2
LATIN AMERICA	19.2	-32.2
BRAZIL	22.9	-33.2
MEXICO	11.0	-25.1
MIDDLE EAST	12.6	-16.0
MSCI EM INDEX	18.2	-3.0

SECTOR PERFORMANCE (USD %)
OF THE MSCI EM INDEX

SECTOR	2Q 2020	TRAILING 12 MONTHS
COMMUNICATION SERVICES	23.4	16.2
CONSUMER DISCRETIONARY	22.3	13.8
CONSUMER STAPLES	13.4	-7.3
ENERGY	23.1	-21.6
FINANCIALS	7.7	-24.8
HEALTH CARE	37.5	34.8
INDUSTRIALS	16.9	-13.8
INFORMATION TECHNOLOGY	20.6	25.2
MATERIALS	24.4	-13.3
REAL ESTATE	6.1	-16.5
UTILITIES	10.8	-17.8

Source: FactSet (as of June 30, 2020). MSCI Inc. and S&P.

surge in COVID-19-related demand, and the sector's drug development and manufacturing companies standing to benefit from their scalable, low-cost capabilities amid global efforts to turn back the coronavirus. Consumer Staples and Utilities, less economically sensitive sectors, lagged the Index, but the weakest returns came in Real Estate and Financials. EM bank shares were highly sensitive to news updates on flagging virus mitigation efforts in some regions, and as a group they continued to be clouded by the economic outlook and the extent of loan losses once governmental support measures for the weakest credits expire.

Africa (27%) was the best-performing region, boosted by South Africa's Materials stocks, which rebounded strongly with commodity prices. Other regions posted high double-digit returns. High dispersion of sector returns was observed within the larger markets, with online businesses, typically classified in Communication Services and Consumer Discretionary, and Health Care stocks posting outsized gains.

The influence of style on investment returns was significant but nuanced. Expensive stocks outperformed, growth modestly outperformed, and quality modestly lagged. However, this does not reveal the full story. Among expensive stocks, the top decile outperformed significantly, with a concentrated handful of industries driving returns. Stocks exhibiting the highest momentum—those that have performed strongly in the preceding 12 months—outperformed to an even greater extent. Among high valuation and momentum stocks, companies with lower quality characteristics significantly outperformed. Again, as already mentioned, shares of companies benefiting from an acceleration in business stemming from the COVID-19 pandemic were overrepresented in these cohorts. As we discuss later, many of these companies have yet to demonstrate a consistent ability to generate high returns on capital.

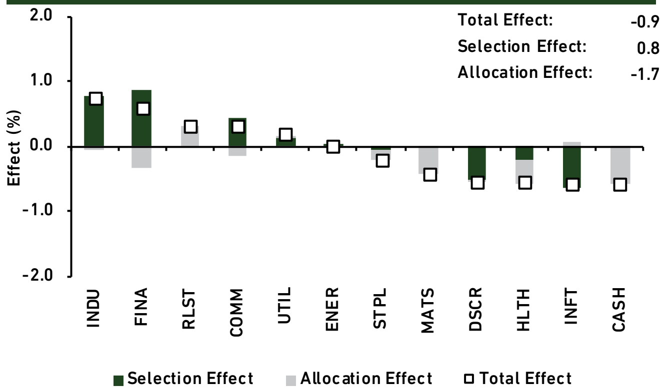
PERFORMANCE AND ATTRIBUTION

The Emerging Markets composite rose 17.3% in the second quarter, underperforming the 18.2% rise of the MSCI EM Index.

Our stocks in Information Technology, Health Care, and Consumer Discretionary sectors hurt our relative performance. In Health Care, **CSPC Pharmaceutical Group** announced that its key drug NBP, mainly used for the treatment of acute ischemic stroke, will come under pricing pressure from Chinese regulators next year. In Consumer Discretionary, travel- and tourism-linked stocks like Macao casino operator **Sands China** continued to drag on performance, despite the company being among the best positioned to emerge healthy once the chill on travel has passed. We outperformed in Industrials, led by strong performance in power tools manufacturer **Techtronic Industries**. Techtronic is witnessing resurgent demand, especially in cordless DIY power equipment and floor-care products, and its e-commerce business is growing rapidly. Our stock selection in Financials was the biggest positive contributor. In a reversal from the prior quarter, many of the major state-owned Chinese banks, which we generally avoid, underperformed. Our bank holdings, particularly those operating in oil-producing countries like **GF Banorte** in Mexico and **Sberbank** in Russia that were among the hardest hit banks last quarter, rebounded this period with the price of oil. Brazilian stock exchange **B3**, whose first quarter results benefited from high trading volumes in a volatile period, was also a strong contributor.

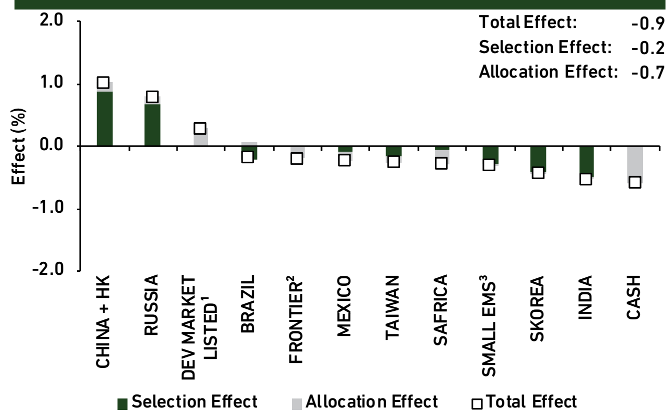
SECTOR PERFORMANCE ATTRIBUTION
SECOND QUARTER 2020

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



GEOGRAPHIC PERFORMANCE ATTRIBUTION
SECOND QUARTER 2020

EMERGING MARKETS COMPOSITE VS. MSCI EM INDEX



[1]Emerging markets or frontier markets companies listed in developed markets; [2]Includes countries with less-developed markets outside the Index; [3]Includes the remaining emerging markets, which individually, comprise less than 5% of the Index. Source: FactSet; Harding Loevner Emerging Markets 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 page 1 of this report due to the way in which FactSet calculates performance attribution. This information is supplemental to the Composite GIPS presentation.

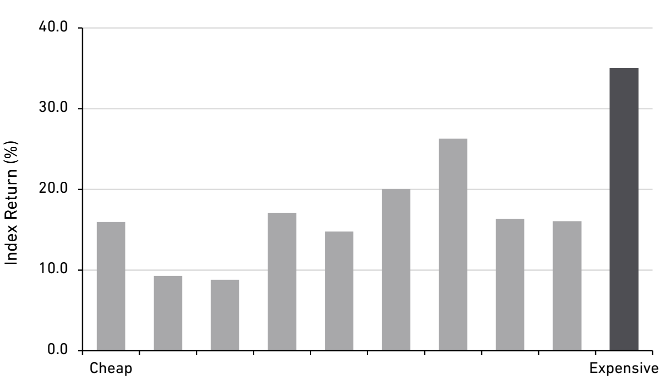
Companies held in the portfolio during the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at June 30, 2020 is available on page 9 of this report.

By geography, our Indian stocks detracted as **HDFC** and **Kotak Bank** faced rising concerns on asset quality (which we do not share). Our investments in the small Emerging Markets of Peru and Thailand also dampened performance this quarter, hurt by bank holdings broadly subject to the indirect impact of COVID-related shutdowns. In another notable reversal from last quarter, China was our biggest contributor to relative returns, primarily due to strong stock selection. Where the Index once again saw strong gains from e-commerce beyond **Alibaba** (e.g., JD.com and Pinduoduo) and online travel and online-to-offline services (Meituan Dianping), for us, diverse holdings beyond internet-related enterprises led the way. **Midea Group**, a leading manufacturer of household appliances, was a key contributor. After manufacturing shutdowns were lifted, the company quickly ramped up air conditioner production to hit a record in April. **ZTO Express**, China's largest express courier, providing delivery services for millions of online merchants and customers, was also strong. A beneficiary of China's e-commerce boom, in 2019 ZTO delivered more packages than UPS and FedEx combined. Earnings have been strong, too, rising 26% last year.

PERSPECTIVE AND OUTLOOK

The pandemic has dealt a savage blow to economic growth and corporate profits across a broad range of industries. However, it has not injured every business, and, in EM, as in DM, a gulf has opened between COVID-19 winners and losers. What's more, the extreme uncertainty over the timing, scope, and pace of economic recovery has further widened the valuation premium attached to the stocks of companies in the fastest-growing industries. The most expensive echelon, represented by the top decile of stocks according to our proprietary valuation ranking, outperformed the broad EM Index by nearly 17 percentage points this quarter, the largest such outperformance in the last decade.

MSCI EM INDEX RETURNS BY VALUE RANKING DECILE



Source: FactSet; MSCI Inc. and S&P. Data as of June 30, 2020.
The chart above divides the Index into deciles according to Harding Loevner's Value Ranking. It is a proprietary measure determined using objective data based on several valuation measures including price ratios.

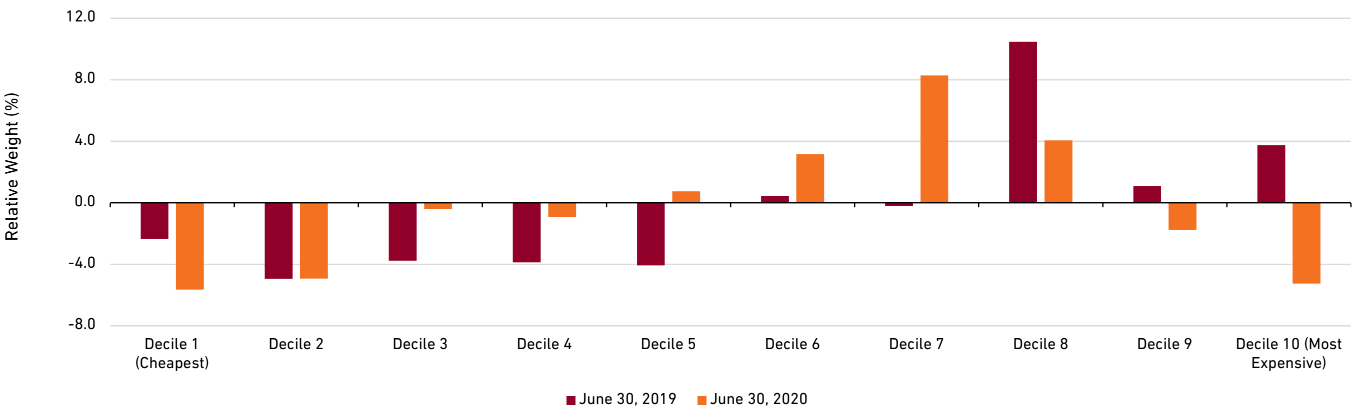
We are acutely familiar with the discomfort of investing in premium-priced stocks. Shares of companies that meet our quality-growth investment criteria warrant a premium afforded by their prospects for high returns on capital and durable profit growth, and this premium expands as discount rates fall. There is no rule, however, that the market must always accord the richest prices to stocks that offer the combination of quality *and* growth. Indeed, the most expensive cohort has recently seen an influx of businesses that score *poorly* on our quality measures, which recognize high, and consistent, returns on capital and low levels of financial risk. The market today seems inclined to prize growth over a track record of profitability—willing to bet that, for companies set to benefit from revised patterns in consumption and transformation of corporate practices, larger scale through growth will ultimately lead to higher returns on capital.

Over the past year, our portfolio has shifted from being overweight to underweight to the most expensive cohort of stocks, which thus far in 2020 has been a significant headwind to performance. While we are as eager as anyone to invest in rapid growth, we confine ourselves to growth opportunities that are *durable*; that is, of long prospective duration. While we must constantly make judgments under conditions of uncertainty, we seek to avoid investing in businesses on the basis that they will (or might) eventually meet our quality criterion. We analyze rigorously and debate fervently whether each company meets each of our criteria, including quality, *now*. Once a company is deemed a high-quality, growth business, the analyst will rate it and it becomes eligible for inclusion in our portfolio. At this point, we consider a stock to be under our "coverage." The decision to purchase (or to continue to own) a covered stock comes down to our assessment of its fair value, taking into account the rate and duration of growth that we expect, as well as the strength of the quality characteristics needed to fund and otherwise support this growth.

We offer here a perspective on how we are addressing this issue in managing the portfolio in today's environment. By describing our research on and evaluation of three rapidly growing but expensive companies, we hope to illustrate the role that our assessment of quality plays in our investment decisions. The examples focus on e-commerce because it is an industry where outperformance by already-expensive stocks is especially concentrated. One is a company we don't cover and don't own in the portfolio, one a company we have covered for some years but don't own, and the third a business that we both cover and currently own in the portfolio.

Pinduoduo
Cover ☒ **Own** ☒
Although Pinduoduo (PDD) at present is not formally covered by any of our analysts, we have conducted preliminary research on the business in the context of its growing influence on the competitive structure of the e-commerce industry. Like Alibaba's Taobao, PDD is a third-party e-commerce platform but with distinctive twists. PDD offers mostly highly discounted factory-direct products. It also facilitates group purchasing, orchestrated

HL EM MODEL PORTFOLIO VS MSCI EM INDEX DIFFERENCE IN WEIGHT BY VALUE RANKING DECILES



Source: FactSet; Harding Loevner Emerging Markets Model; MSCI Inc. and S&P. Data as of June 30, 2020.
The chart above divides the Harding Loevner Emerging Markets Portfolio and the Index into deciles according to Harding Loevner's Value Ranking. It is a proprietary measure determined using objective data based on several valuation measures including price ratios.

through **Tencent's** WeChat social platform, a feature that contributes not just savings for the customer, but also a source of fun and a charming sense of comradeship on the site.

Despite the appeal of its platform and business strategy, though, PDD fails to meet our quality criterion insofar as it has yet to translate its large, engaged user base into profits. In the 2019 financial year, net losses were close to $7 billion and a similar loss is expected this year. PDD's "take rates," the percentage it takes from each transaction, are very low (approximately 3%), and it incurs heavy sales and marketing costs to attract users to the platform. Although the company's core business is selling goods with low price tags, it also offers a selection of heavily discounted premium products, such as iPhones and Midea appliances, as loss-leaders that require heavy subsidies. But the primary cause for pause is the superior financial strength and competitive position of its key rivals, Alibaba and JD.com, which have enormous firepower to check the rise of this upstart. Indeed, both have taken aim at lower-income city dwellers and rural inhabitants, PDD's core audience, by developing tailored offerings, which have been hitting their mark.

With Pinduoduo, the primary cause for pause is the enormous firepower that key rivals Alibaba and JD.com have to check the rise of this upstart.

MercadoLibre
Cover ☑ **Own** ☒
E-commerce is also an intensely competitive industry in Latin America. COVID-19 lockdowns across the region have led to a rapid acceleration in online sales with industry-tracking services in Brazil and Argentina indicating that volumes doubled during the quarter, compared with a year ago. Latin American consumers have historically been reluctant to abandon their physical retail experience, lacking the confidence to buy products they cannot first touch or taste, but circumstances have been a catalyst for mass participation and resetting habits to new norms. Share prices of MercadoLibre (MELI) and its online peers have surged vertiginously as the market covets their apparent growth potential. However, we have chosen not to own MELI because the rapid growth and material margin improvement currently priced into shares requires an assumption of a benign competitive environment, which we believe is far from certain. MELI's core competitive advantage is its technology leadership, which it leverages to develop innovative solutions to improve all aspects of online commerce. In its largest markets of Mexico and Brazil, however, MELI is still engaged in intense competition with other players in a bid for supremacy. In Mexico, MELI competes head on with Amazon, which has been investing heavily in logistics and customer engagement. In Brazil the competitive environment also remains fierce, with local players B2W and Magazine Luiza both investing heavily in growth and recently succeeding in gaining share at MELI's expense. As a result, MELI has been losing money in Mexico and profits have been volatile in Brazil.

MELI has built an online financial services ("fintech") business from the online payments infrastructure that supports its e-commerce platform. MercadoPago provides payments solutions to small micro-merchants but also to large customers such as Groupon, AliExpress, and Spotify. The market potential is huge, particularly as the rapid increase in smartphone penetration and efficiencies of new digital technology make financial services accessible to the huge "unbanked" population in the region. However, competition in payments processing is also intense. In Brazil, for example, there has been an influx of fintech businesses competing or partnering with incumbent banks to improve customer interfaces and lower fees. The new entrants include Facebook-owned WhatsApp, whose WhatsApp Business API has made significant inroads in other regions by allowing customers to do much of their daily banking (making payment transfers to contacts, viewing account balances and recent transactions, etc.) right inside the ubiquitous messenger app. Add to these challenges a fluid regulatory environment, and it is unclear to us that MELI can ultimately prevail in translating all the potential for fintech growth into actual earnings growth.

Yandex
Cover ☑ Own ☑
Yandex is the dominant search engine in Russia. The company has been extending its market leadership over Google, helped by supportive regulation that quashed Google's natural advantage in Android smartphones. Our investment thesis in Yandex is rooted in its solid competitive position, which allows it to generate substantial free cash flows (which it reinvests to maintain the strongest technology team in the country) and the improving policy backdrop, recently affirmed by new rulings allowing for a special tax treatment for the country's technology champions.

Yandex's core advertising business is still growing as ad spending shifts from offline to online channels, but as it matures the company is also investing in adjacent businesses. In ride sharing, Yandex's scale, data technology acumen, and local knowledge allowed it to see off the threat from Uber. (Yandex is one of the very few ride-hailing operations that makes an actual profit!) More recent initiatives in food delivery that provide "instant" delivery of grocery baskets in the Moscow districts from an increasing number of virtual, or "dark," stores was especially timely during the recent months of lockdown. Yandex's strategy in e-commerce has been less decisive. Following a 30-month joint venture with Sberbank to develop "Yandex Market," it still lags the leading sites such as Wildberries and Ozon. E-commerce in Russia is still at an early stage of growth, representing only 7% of total retail sales, one-third the level in China, at least as of the end of last year. With such untapped potential, Russian e-commerce is attracting new entrants. For Yandex, replicating the path to profitability of its taxi business is far from assured. However, it has demonstrated its ability to cultivate a set of connected businesses that feed from its core business and contribute incrementally to its growing online ecosystem. Although we note that Yandex's shares, too, have vaulted into expensive territory, we can tolerate the competitive and financial risks associated with some of its individual businesses to participate in the powerful whole.

PORTFOLIO HIGHLIGHTS

During a quarter when the highest stock returns were largely reserved for a concentrated group of richly priced, fast-growing, but generally less-mature businesses, we would highlight that the strongest contributors to our portfolio returns were a diverse bunch. While we modestly failed to keep pace with the soaring benchmark Index during the quarter it is notable that the baker's dozen of stocks in the portfolio that returned more than 30% during the quarter represented companies from nine industries and seven countries. The "global" element of our investment philosophy is about breadth of discovery and understanding but also about the proven value of portfolio diversification.

Our portfolio risk guidelines limit our total exposure to Chinese and Hong Kong companies to 35%, which today means we have a "structural" (i.e., self-imposed) underweight to China relative to the benchmark Index, whose China weight is currently 41%. We increased our latitude to invest in China as recently as 2016, when we raised the ceiling from 25% to 35% in recognition that the new HK-Shanghai (and HK-Shenzhen) Connect trading facility for locally-listed ("A-share") companies would significantly increase our accessible, investable universe of quality, growing Chinese businesses. And, in fact, we subsequently added 21 China A-shares-listed companies to our research coverage over the last four years. We continue to consider the merits of raising the ceiling further but are averse to doing so following a period of very strong relative returns for the Chinese market, which account in part for its increased Index weight. We are also cognizant that, despite China's economic success and its continuing moves to open its economy and capital markets, it is still an emerging market with plenty of country-specific, including geopolitical, risks. We are not yet comfortable with the absolute risk implications for a diversified EM portfolio of a 40% or greater exposure to China, though we accept that our stance may result in higher tracking error against the EM Index.

China is still an Emerging Market with ample country-specific risks. As such, we are not yet comfortable with the risk implications of a diversified EM portfolio of 40%+ China exposure.

The re-escalation of Sino-US tensions is of course a risk we are monitoring. China announced plans to further encroach upon Hong Kong's autonomy, while the US Senate unanimously passed previously considered legislation that would ban foreign companies from trading on US stock exchanges if they failed to provide audit papers to regulators for three consecutive years. The bill is squarely aimed at China, whose national security rules bar audit paper sharing. The potential ramifications of the proposed law vary, from "none" (if the Chinese government relents to allow companies to comply with the new US rule) to the eventual wholesale delisting of Chinese companies from US markets.

Importantly, US-listed Chinese companies will have three years before they would be delisted. Given the long runway, US-listed Chinese companies are considering their options but do not appear to feel rushed to act. We already invest in Chinese companies through various venues: US exchanges (about 9% of the portfolio), the Hong Kong Stock Exchange (20%), and, for China "A-shares" listed in Shanghai or Shenzhen, through Hong Kong's Stock Connect facility (4%). If the primary exchange for a Chinese company moves from the US to, say, Hong Kong, we can follow it. For these reasons, we have not yet seen a need to take any investment action in response to the threatened legislation.

We completed the purchase of just one new holding this quarter, following a more elevated level of transaction activity in the first quarter. We purchased **AirTAC**, a leading Taiwanese manufacturer of pneumatic equipment. It has been increasing its market share of the Chinese market, closing in on that market's leader, Japan's SMC, by providing high-quality, custom solutions at competitive prices. The company navigated well last year's trade-war-induced downturn in Chinese capital expenditure and, although the near-term outlook for industrial investment in China remains cloudy, it will benefit from a recovery when it comes.

Our one completed sale was of **Hankook Tire** due to the company's management failures. The arrest of CEO H.B. Cho by South Korean authorities on charges of embezzlement, associated with diverting payments from a supplier, led our covering analyst to revise our assessment of management quality. Like many South Korean companies, Hankook is family-controlled, and we had long acknowledged its corporate governance was not as strong as we typically prefer. The company did not have any history of malfeasance, however. Moreover, we communicated with management steps it could take to improve corporate governance, and in recent years had seen greater transparency from the Hankook investor relations team. It is highly disappointing and unusual to witness the management of one of our owned companies exhibit such behavior and doubly painful to sell a cyclical business in the trough of a cycle. However, we will not compromise our requirement for business quality, and we have no doubt that effecting decisions in accordance with the disciplines of our process will lead to the strongest long-term investment results.

Management Update

At the end of this year, as the natural next step in a long-planned succession, Ferrill Roll, CFA, who has shared Chief Investment Officer responsibilities with Simon Hallett, CFA since 2016, will become sole CIO. Simon will continue to contribute actively to Harding Loevner and our clients by engaging in the thought leadership activities he relishes, exploring and educating internal and external audiences on vital investment questions. He will remain a partner of Harding Loevner and continue to advise us on strategic matters as vice chairman of the firm's Executive Committee.

EMERGING MARKETS HOLDINGS (AS OF JUNE 30, 2020)

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
COMM SERVICES		
AUTOHOME Automotive information services	China	0.4
BAIDU Internet products and services	China	0.8
SAFARICOM Mobile network operator	Kenya	1.1
TENCENT Internet and IT services	China	6.1
YANDEX Internet products and services	Russia	2.0
CONSUMER DISCRETIONARY		
ALIBABA E-commerce retailer	China	4.9
ASTRA INTERNATIONAL Auto business operator	Indonesia	0.6
COWAY Consumer appliances manufacturer	South Korea	0.8
ECLAT TEXTILE Technology-based textile manufacturer	Taiwan	1.2
FUYAO GLASS INDUSTRY Automotive glass manufacturer	China	0.6
LOJAS RENNER Department stores operator	Brazil	0.4
MARUTI SUZUKI Automobile manufacturer	India	1.0
MIDEA GROUP Consumer appliances manufacturer	China	1.6
SANDS CHINA Integrated resorts and casinos operator	Hong Kong	1.7
SHENZHOU INTERNATIONAL Textile manufacturer	China	1.0
TRIP.COM GROUP Online travel services	China	0.6
CONSUMER STAPLES		
AMBEV Alcoholic beverages manufacturer	Brazil	1.2
AMOREPACIFIC Cosmetics manufacturer	South Korea	0.8
CBD Foods and consumer products retailer	Brazil	0.3
COCA-COLA HBC Coca-Cola bottler	UK	2.0
EAST AFRICAN BREWERIES Alcoholic beverages manufacturer	Kenya	0.2
FEMSA Beverages manufacturer and retail operator	Mexico	1.2
JIANGSU YANGHE BREWERY Alcoholic beverages manufacturer	China	0.4
LG HOUSEHOLD & HEALTH CARE Cons products manufacturer	South Korea	2.7
WALMART DE MÉXICO Foods and consumer products retailer	Mexico	1.1
ENERGY		
CNOOC Oil and gas producer	China	0.6
LUKOIL Oil and gas producer	Russia	2.5
NOVATEK Natural gas producer	Russia	1.9
TENARIS Steel-pipe manufacturer	Italy	0.6
FINANCIALS		
AIA GROUP Insurance provider	Hong Kong	2.7
B3 Clearing house and exchange	Brazil	0.7
BANCO BRADESCO Commercial bank	Brazil	1.3
BANCO SANTANDER CHILE Commercial bank	Chile	0.3
BANCOLOMBIA Commercial bank	Colombia	0.7
BANK CENTRAL ASIA Commercial bank	Indonesia	1.1
BANK OF GEORGIA Commercial bank	UK	0.2
BANK RAKYAT Commercial bank	Indonesia	1.1
COMMERCIAL INTERNATIONAL BANK Commercial bank	Egypt	0.7
CREDICORP Commercial bank	Peru	1.0

SECTOR/COMPANY/DESCRIPTION	COUNTRY	END WT (%)
DISCOVERY HOLDINGS Insurance provider	South Africa	0.7
GF BANORTE Commercial bank	Mexico	0.9
HDFC BANK Commercial bank	India	1.0
HDFC CORP Mortgage lender	India	2.1
ITAÚ UNIBANCO Commercial bank	Brazil	1.3
KOMERČNÍ BANKA Commercial bank	Czech Rep.	0.6
KOTAK MAHINDRA BANK Commercial bank	India	1.3
PING AN INSURANCE Insurance provider	China	1.4
SBERBANK Commercial bank	Russia	2.2
SIAM COMMERCIAL BANK Commercial bank	Thailand	0.9
STANDARD BANK Commercial bank	South Africa	0.7
HEALTH CARE		
CSPC PHARMACEUTICAL GROUP Pharma manufacturer	China	1.1
SINO BIOPHARMACEUTICAL Pharma manufacturer	China	0.6
INDUSTRIALS		
51JOB INC. Online human resource services	China	1.3
AIRTAC Pneumatic-equipment manufacturer	Taiwan	0.5
ASUR Airport operator	Mexico	0.8
COPA HOLDINGS Airline operator	Panama	0.8
DP WORLD Container-terminal operator	UAE	0.9
LOCALIZA Automobile rental services	Brazil	0.9
SF EXPRESS Delivery services	China	0.7
TECHTRONIC INDUSTRIES Power tool manufacturer	Hong Kong	1.6
WEG Industrial equipment manufacturer	Brazil	0.8
ZTO EXPRESS Express delivery services	China	0.6
INFORMATION TECHNOLOGY		
AAC TECHNOLOGIES Smartphone components manufacturer	China	0.5
ASM PACIFIC TECHNOLOGY Semiconductor eqpt manufacturer	Hong Kong	0.7
EPAM IT consultant	US	3.0
HANGZHOU HIKVISION Surveillance camera manufacturer	China	1.0
HON HAI PRECISION Electronics manufacturer	Taiwan	0.6
LARGAN PRECISION Smartphone lens modules producer	Taiwan	1.6
SAMSUNG ELECTRONICS Electronics manufacturer	South Korea	5.4
SUNNY OPTICAL Optical component manufacturer	China	1.1
TATA CONSULTANCY SERVICES IT consultant	India	1.6
TSMC Semiconductor manufacturer	Taiwan	5.4
MATERIALS		
No Holdings		
REAL ESTATE		
No Holdings		
UTILITIES		
ENN ENERGY Gas pipeline operator	China	1.4
CASH		3.9

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.

2Q20 CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TENCENT	COMM	5.6	1.63
TSMC	INFT	5.6	0.96
EPAM	INFT	2.4	0.78
LUKOIL	ENER	2.6	0.74
YANDEX	COMM	1.7	0.72

LAST 12 MOS CONTRIBUTORS TO ABSOLUTE RETURN (%)

LARGEST CONTRIBUTORS	SECTOR	AVG. WT.	CONTRIBUTION
TENCENT	COMM	4.8	1.94
TSMC	INFT	5.5	1.75
ALIBABA	DSCR	4.8	1.18
EPAM	INFT	1.8	0.84
YANDEX	COMM	1.0	0.70

2Q20 DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
CREDICORP	FINA	1.1	0.00
AMOREPACIFIC	STPL	0.9	0.00
CBD	STPL	0.4	0.01
EAST AFRICAN BREWERIES	STPL	0.2	0.01
WALMART DE MÉXICO	STPL	1.3	0.03

LAST 12 MOS DETRACTORS FROM ABSOLUTE RETURN (%)

LARGEST DETRACTORS	SECTOR	AVG. WT.	CONTRIBUTION
BANCO BRADESCO	FINA	1.5	-1.14
HDFC CORP	FINA	2.4	-0.97
STANDARD BANK	FINA	1.0	-0.85
GF BANORTE	FINA	1.2	-0.71
SASOL	MATS	0.4	-0.70

PORTFOLIO CHARACTERISTICS

QUALITY & GROWTH	HL EM	MSCI EM
PROFIT MARGIN[1] (%)	16.3	14.3
RETURN ON ASSETS[1] (%)	8.9	6.4
RETURN ON EQUITY[1] (%)	19.5	14.4
DEBT/EQUITY RATIO[1] (%)	37.2	47.6
STD DEV OF 5 YEAR ROE[1] (%)	3.6	3.4
SALES GROWTH[1,2] (%)	7.4	6.6
EARNINGS GROWTH[1,2] (%)	11.7	9.1
CASH FLOW GROWTH[1,2] (%)	13.6	10.3
DIVIDEND GROWTH[1,2] (%)	15.4	10.4
SIZE & TURNOVER	**HL EM**	**MSCI EM**
WTD MEDIAN MKT CAP (US $B)	31.7	31.4
WTD AVG MKT CAP (US $B)	120.3	137.5
TURNOVER[3] (ANNUAL %)	18.1	—

RISK AND VALUATION	HL EM	MSCI EM
ALPHA[2] (%)	0.65	—
BETA[2]	1.02	—
R-SQUARED[2]	0.95	—
ACTIVE SHARE[3] (%)	71	—
STANDARD DEVIATION[2] (%)	18.43	17.72
SHARPE RATIO[2]	0.14	0.12
TRACKING ERROR[2] (%)	4.0	—
INFORMATION RATIO[2]	0.14	—
UP/DOWN CAPTURE[2]	101/99	—
PRICE/EARNINGS[4]	16.4	14.5
PRICE/CASH FLOW[4]	12.1	9.3
PRICE/BOOK[4]	2.6	1.9
DIVIDEND YIELD[5] (%)	2.5	2.6

[1]Weighted median; [2]Trailing five years, annualized; [3]Five-year average; [4]Weighted harmonic mean; [5]Weighted mean. Source (Risk characteristics): eVestment Alliance (eA); Harding Loevner Emerging Markets Composite, based on the Composite returns; MSCI Inc. Source (other characteristics): FactSet (Run Date: July 5, 2020, based on the latest available data in FactSet on this date.); Harding Loevner Emerging Markets Model, based on the underlying holdings; MSCI Inc.

COMPLETED PORTFOLIO TRANSACTIONS

POSITIONS ESTABLISHED	COUNTRY	SECTOR
AIRTAC	TAIWAN	INDU

POSITIONS SOLD	COUNTRY	SECTOR
HANKOOK TIRE	SOUTH KOREA	DSCR

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 charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall 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 attribution and characteristics are supplemental information only and complement the fully compliant Emerging Markets Composite GIPS Presentation. Portfolio holdings should not be considered recommendations to buy or sell any security.

EMERGING MARKETS EQUITY COMPOSITE PERFORMANCE (AS OF JUNE 30, 2020)

	HL EM GROSS (%)	HL EM NET (%)	MSCI EM INDEX[1] (%)	HL EM 3-YR STD DEVIATION[2] (%)	MSCI EM INDEX 3-YR STD DEVIATION[2] (%)	INTERNAL DISPERSION[3] (%)	NO. OF ACCOUNTS	COMPOSITE ASSETS ($M)	FIRM ASSETS (%)
2020 YTD[4]	-14.55	-14.95	-9.67	19.88	18.27	N.A.[5]	16	15,948	26.87
2019	26.90	25.78	18.88	14.64	14.17	0.4	17	19,045	29.62
2018	-17.29	-18.03	-14.25	13.94	14.62	0.4	21	15,114	30.07
2017	36.81	35.64	37.75	13.90	15.36	0.3	23	19,177	35.51
2016	14.84	13.85	11.60	15.00	16.07	0.4	22	13,629	34.95
2015	-12.85	-13.59	-14.60	13.61	14.04	1.2	20	9,670	29.04
2014	0.74	-0.11	-1.82	14.06	14.99	0.5	14	8,212	23.46
2013	5.74	4.80	-2.27	17.56	19.03	0.6	12	5,649	17.04
2012	23.92	22.79	18.63	20.15	21.49	0.4	10	3,772	16.65
2011	-15.55	-16.36	-18.17	24.72	25.76	0.5	9	3,136	23.06
2010	22.22	21.06	19.20	31.54	32.59	0.1	7	3,881	35.25

[1]Benchmark Index; [2]Variability of the Composite and the Index returns over the preceding 36-month period, annualized; [3]Asset-weighted standard deviation (gross of fees); [4]The 2020 YTD performance returns and assets shown are preliminary; [5]N.A.–Internal dispersion less than a 12-month period.

The Emerging Markets Equity Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities of companies domiciled predominately in emerging markets and cash reserves, and is measured against the MSCI Emerging Markets 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 Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Index consists of 26 emerging market countries. 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, 2020.

Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. The Emerging Markets Equity Composite has been examined for the periods December 1, 1998 through March 31, 2020. The verification and performance examination reports are available upon request.

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. The firm maintains a complete list and description of composites, which is 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. Past performance does not guarantee future results. Policies for valuing portfolios, calculating performance, and preparing compliant presentations 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 Emerging Markets Equity accounts is 1.25% annually of the market value up to $20 million; 0.90% of amounts from $20 million to $100 million; 0.75% of amounts from $100 million to $200 million; 0.55% of amounts above $200 million. 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 Emerging Markets Equity Composite was created on November 30, 1998.

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