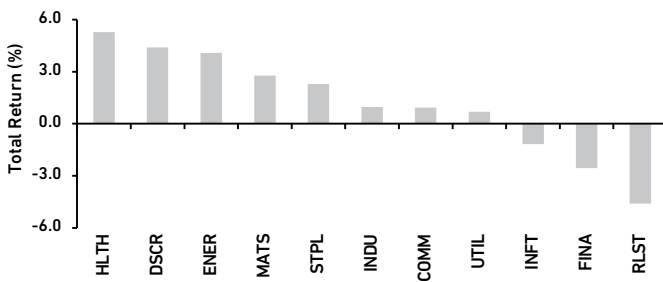


In May, the US Senate unanimously passed draft legislation that would ban foreign companies from trading on US stock exchanges if they failed to provide audit papers to regulators for three consecutive years. The bill is squarely aimed at China, whose national security rules bar the country's companies from sharing their audit papers. Given the legislation's bipartisan support thus far and long-standing concerns over Chinese companies' financial transparency, there is a meaningful chance that some form of the bill will become law. If so, there are various potential outcomes, from "no change" (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.

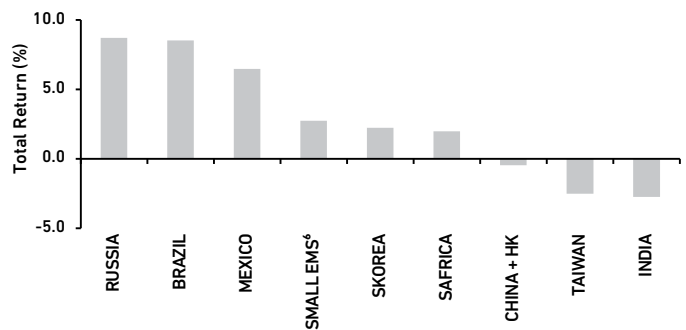
Importantly, US-listed Chinese companies would have three years before they would be delisted, providing sufficient time to list elsewhere, most likely Hong Kong. Given the long runway before any delisting might occur, US-listed Chinese companies are considering their options but do not appear to feel rushed to act. We already invest in Chinese companies through various venues: US exchanges (about 9% of the portfolio), the Hong Kong Stock Exchange (19%) and, for China "A-shares" listed in Shanghai or Shenzhen, through Hong Kong's Stock Connect facility (4%). If the primary exchange of 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.

**PERFORMANCE (% TOTAL RETURN) FOR THE PERIODS ENDED MAY 31, 2020<sup>1</sup>**

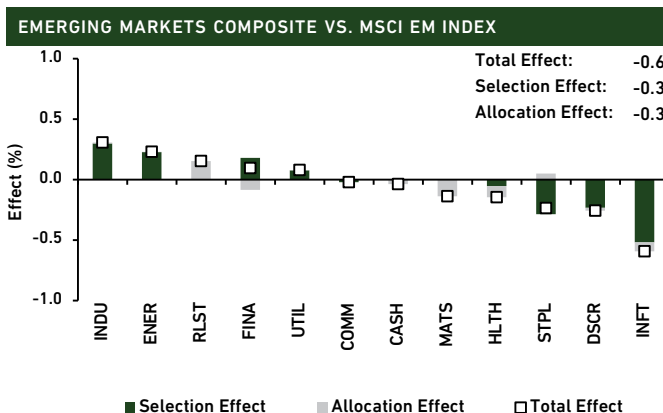
	1 MONTH	YTD	1 YEAR	3 YEARS <sup>2</sup>	5 YEARS <sup>2</sup>	10 YEARS <sup>2</sup>	SINCE INCEPTION <sup>2,3</sup>
HL EMERGING MARKETS (GROSS OF FEES)	0.27	-20.41	-7.34	-1.14	2.05	5.00	11.26
HL EMERGING MARKETS (NET OF FEES)	0.21	-20.73	-8.17	-2.02	1.15	4.06	10.35
MSCI EMERGING MARKETS INDEX <sup>4,5</sup>	0.79	-15.90	-4.02	0.22	1.25	2.82	8.13

**BENCHMARK PERFORMANCE BY SECTOR – MAY**


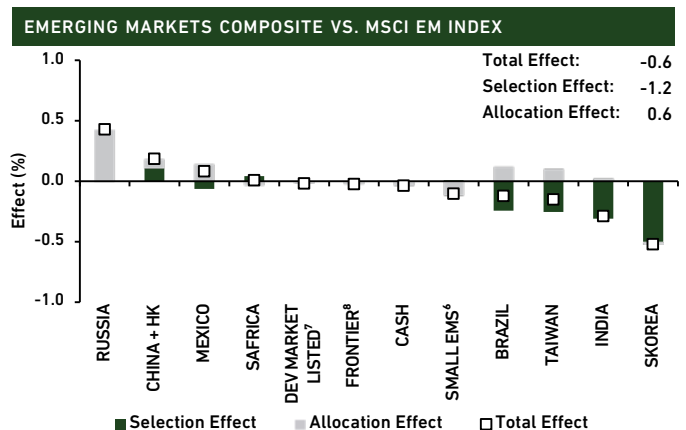
- Health Care was the strongest sector, aided by significant outperformance from shares of companies in Malaysia, Thailand, and Brazil.
- Real Estate fell after Chinese property companies signaled they will struggle to meet their full-year forecasts despite improved sales in May.

**BENCHMARK PERFORMANCE BY GEOGRAPHY – MAY**


- The rising oil price boosted Mexico and Russia; the peso and ruble strengthened 9% and 6%, respectively, versus the US dollar.
- China and Taiwan fell after Beijing approved a resolution to impose a new national security law on Hong Kong.

**PERFORMANCE ATTRIBUTION BY SECTOR – MAY**


- Good stock selection in Industrials was led by Hong Kong-based power-tool maker **Techtronic Industries**, which has continued to enjoy growing sales amid the pandemic.
- Our underweights in Health Care and Materials detracted this month.

**PERFORMANCE ATTRIBUTION BY GEOGRAPHY – MAY**


- Positive stock selection in China included electric appliance maker **Midea Group**, which reported an improved outlook for sales and margins.
- In South Korea, cosmetics company **AmorePacific's** first-quarter profits fell 67%, in part due to the costs of restructuring its business in South Korea and China to focus on luxury cosmetics and e-commerce.

## SECTOR EXPOSURE (%) AT MAY 31, 2020

SECTOR	HL EM	MSCI EM	(UNDER) / OVER THE BENCHMARK
CASH	4.0	—	
INFO TECHNOLOGY	20.3	16.4	
CONS STAPLES	10.5	6.7	
INDUSTRIALS	8.6	4.9	
FINANCIALS	22.9	19.7	
ENERGY	6.2	6.2	
UTILITIES	1.5	2.5	
CONS DISCRETIONARY	14.9	17.1	
HEALTH CARE	1.6	4.0	
REAL ESTATE	0.0	2.7	
COMM SERVICES	9.5	12.8	
MATERIALS	0.0	7.0	

## GEOGRAPHIC EXPOSURE (%) AT MAY 31, 2020

REGION	HL EM	MSCI EM	(UNDER) / OVER THE BENCHMARK
DEVELOPED MARKET LISTED <sup>7</sup>	5.9	—	
RUSSIA	8.9	3.5	
CASH	4.0	—	
MEXICO	4.3	1.9	
FRONTIER MARKETS <sup>8</sup>	2.1	—	
BRAZIL	6.6	5.1	
INDIA	7.1	8.1	
SOUTH KOREA	9.8	11.5	
SOUTH AFRICA	1.3	3.7	
TAIWAN	9.1	12.1	
SMALL EMERGING MARKETS <sup>6</sup>	8.2	13.8	
CHINA + HONG KONG <sup>9</sup>	32.7	40.3	

## ENDNOTES

(1) The May 2020 Composite performance shown is preliminary (2) Annualized returns (3) Inception date: November 30, 1998 (4) The Benchmark Index (5) Gross of withholding taxes (6) Includes the remaining emerging markets, which individually, comprise less than 5% of the Index (7) Emerging markets or frontier markets companies listed in developed markets (8) Includes countries with less-developed markets outside the Index (9) The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 26.1% and Hong Kong is 6.6%. The Benchmark does not include Hong Kong.

## SOURCES

Benchmark Performance: FactSet; MSCI Inc. and S&P.  
Sector/Geographic Attribution: FactSet; Harding Loevner Emerging Markets Composite; MSCI Inc. and S&P.  
Sector/Geographic Exposure: FactSet; Harding Loevner Emerging Markets Model; MSCI Inc. and S&P.

## DISCLOSURES

The Emerging Markets 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. 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. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through December 31, 2019. 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 Composite has been examined for the periods December 1, 1998 through December 31, 2019. The verification and performance examination reports are available upon request. Performance data quoted represents past performance; past performance does not guarantee future results. Returns are presented both gross and net of management fees and include the reinvestment of all income. Net returns are calculated using actual fees. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the Emerging Markets Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://www.hardingloevner.com). The firm maintains a complete list and description of composites, which 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.

Companies held in the portfolio during the month appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner.

Portfolio holdings, portfolio attribution, and sector/geographic allocations are supplemental information only and complement a fully compliant Emerging Markets Composite GIPS Presentation, which is available upon request. The Composite and Attribution returns may show discrepancies due to the different data sources for these returns. Composite performance is obtained from Harding Loevner's accounting system and Attribution returns are obtained from the FactSet portfolio analysis system. Please note returns from FactSet are not audited for GIPS compliance and are for reference only.

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