Emerging Markets Equity

HARDING LOEVNER

Quarterly Report | Third Quarter 2021

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Emerging Markets (EMs) declined in an atmosphere of uncertainty—about the scope and pace of regulatory action in China, political unrest in Brazil, and inflation concerns across multiple EMs.

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While many investors have focused on the negative impacts of recent regulatory changes in China, we continue to find a rich universe of attractive opportunities in the country, including sectors where recent regulations could serve as a boost to companies.

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Composite Performance

Total Return (%) — Periods Ended September 30, 2021[1]

	3 Months	YTD	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Emerging Markets Equity (Gross of Fees)	-6.95	-0.17	23.36	9.71	9.67	8.84	12.37
HL Emerging Markets Equity (Net of Fees)	-7.15	-0.83	22.26	8.73	8.69	7.88	11.45
MSCI Emerging Markets Index[4,5]	-7.97	-0.99	18.58	8.95	9.62	6.46	9.22

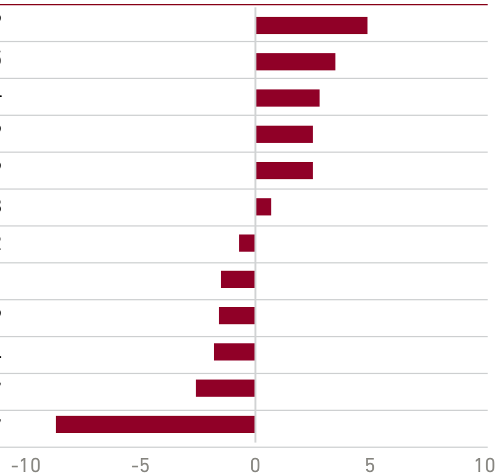
[1]The Composite performance returns shown are preliminary; [2]Annualized Returns; [3]Inception Date: November 30, 1998; [4]The Benchmark Index; [5]Gross of withholding taxes.

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.

Portfolio Positioning (% Weight)

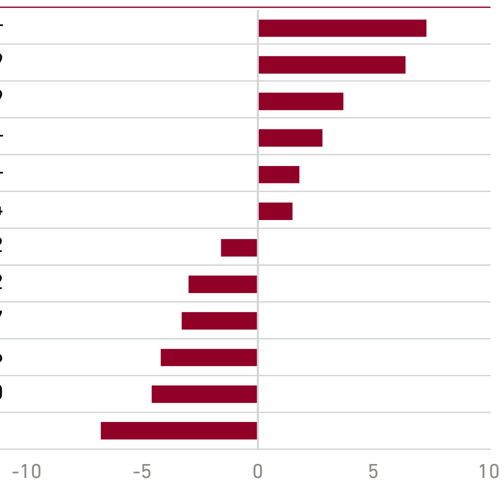
Sector	HL EM	MSCI EM
Industrials	9.8	4.9
Financials	23.0	19.5
Cash	2.8	–
Cons Staples	8.4	5.9
Info Technology	23.4	20.9
Energy	6.5	5.8
Utilities	1.5	2.2
Real Estate	0.6	2.1
Health Care	3.3	4.9
Comm Services	8.6	10.4
Cons Discretionary	12.1	14.7
Materials	0.0	8.7

(Under) / Over



Geography	HL EM	MSCI EM
Dev Market Listed[6]	7.3	–
Russia	10.3	3.9
Mexico	5.6	1.9
Cash	2.8	–
Frontier Markets[7]	1.8	–
Brazil	5.9	4.4
South Africa	1.6	3.2
India	9.2	12.2
Taiwan	11.4	14.7
South Korea	8.4	12.6
China + Hong Kong[8]	29.4	34.0
Small EMs[9]	6.3	13.1

(Under) / Over



[6]Emerging markets or frontier markets companies listed in developed markets. [7]Includes countries with less-developed markets outside the Index. [8]The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 23.8% and Hong Kong is 5.6%. The Benchmark does not include Hong Kong. [9]Includes the remaining emerging markets, which individually, comprise less than 5% of the index.

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.

Market Review

After five consecutive positive quarters, the MSCI Emerging Markets (EM) Index fell 8% under pressure from China's ongoing regulatory offensive targeting an array of industries. China's economy also continued to lose momentum, exacerbated by regulators' decision in September to tighten restrictions on energy use. The goal was to reduce the country's CO_2 emissions, but the decision forced numerous regions to temporarily shut down factories. EMs underperformed Developed Markets by about 800 basis points (bps), by a more modest 200 bps if you exclude China.

China's latest regulatory directives reflect a new goal of achieving what official communications have described as "common prosperity." Under this rubric, the government aims to narrow the gap between the highest- and lowest-income Chinese while also preserving the spiritual health of the populace, particularly the younger generation. New regulations this quarter targeting after-school tutoring and video games demonstrate the varied ways the pursuit of common prosperity may be manifested in policy. Officials handed down a harsh mandate requiring tutoring companies to operate on a "not-for-profit" basis, decimating industry participants that had invested mightily to build their businesses. High-income Chinese parents who could afford private tutoring now must rely more heavily on the state system like less-privileged citizens. Game development companies received new orders to allow play by children under eighteen only on weekends and limit it to one hour per day. Although children contribute a relatively small portion of game industry revenues, restricting this cohort of gamers so tightly will lead fewer of them to develop into fervent, and more profitable, gamers when they grow older.

MSCI EM Index Performance (USD %)

Geography	3Q 2021	Trailing 12 Months
Africa	-5.3	26.7
South Africa	-5.5	28.0
Asia	-9.5	14.3
China	-18.1	-7.2
India	12.7	53.7
South Korea	-13.2	28.5
Taiwan	-1.7	44.0
Europe	8.0	52.2
Russia	9.9	60.9
Latin America	-13.2	27.7
Brazil	-20.1	21.2
Mexico	1.5	51.6
Middle East	7.9	41.3
MSCI EM Index	-8.0	18.6
Sector	3Q 2021	Trailing 12 Months
Communication Services	-15.2	1.9
Consumer Discretionary	-22.9	-16.8
Consumer Staples	-4.4	13.7
Energy	9.4	45.7
Financials	1.2	35.6
Health Care	-13.0	13.0
Industrials	-5.1	34.2
Information Technology	-5.7	38.2
Materials	-4.6	46.6
Real Estate	-15.7	-9.5
Utilities	7.8	36.0

Source: FactSet (as of September 30, 2021). MSCI Inc. and S&P.

Disparate swings in commodities prices were another feature of the quarter. Continued recovery in global energy demand, which first stoked a significant rise in thermal coal prices, led to a spike in natural gas as limited supply is being bid up by countries challenged to replenish reserves. Europe, heavily reliant on imported gas from Russia's Gazprom, is in the throes of a full-on energy crisis with gas supplies menacingly low as winter approaches. Meanwhile, the price of iron ore plummeted about 40% during the quarter, as Chinese demand declined in line with curbs on energy-intensive steel production.

Inflation concerns also weighed on EMs. Sporadic flare-ups of the COVID-19 Delta variant impeded a full recovery in global supply chains, causing acute shortages in shipping capacity and raw materials. Long-dated bond yields have increased across EM countries, particularly those where inflation inflamed by pandemic-related costs collided with fiscal weakness. Several major countries, including Brazil, Russia, Mexico, and the Czech Republic, raised interest rates. EM currencies suffered, with the Brazilian real, South African rand, and South Korean won notably weaker, the latter reflecting a murky outlook for global technology-related trade.

Within sectors, Energy (+9%) and Utilities (+8%) performed the best, benefiting from the tight energy market and a price spike in natural gas. Consumer Discretionary (-23%) was the weakest sector, hurt by worries over the impact of regulatory changes on China's internet retail leaders, including **Alibaba** and Meituan. Auto-related stocks also plummeted as supply-chain disruptions were expected to hit manufacturers' near-term growth and profit margins. Real Estate (-16%) stocks sold off amid Chinese regulators' continued efforts to limit access to financing, hoping to reel back speculative behavior and house-price inflation that has put the prospect of homeownership increasingly beyond the reach of all but the well-to-do.

Restrictions on real estate lending laid bare the financial fragility of Evergrande, the country's largest developer and a big beneficiary of debt-fueled property speculation. Evergrande has reportedly failed to meet some scheduled interest payments on its massive

Companies held in the portfolio during the quarter appear in bold type; only the first reference to 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 September 30, 2021 is available on page 6 of this report.

debt pile, inciting fear that China could face a "Lehman moment" caused by the collapse of one its largest financial enterprises. However, as of this writing it appears likely that the government will intervene to manage a coordinated restructuring of Evergrande to avoid a mass public outcry that would surely follow a failure to complete hundreds of thousands of partially built—yet fully paid-for—homes.

By region, Asia saw severe weakness in China (-18%) and South Korea (-13%) somewhat offset by strong returns in India (+13%) and Indonesia (+9%). South Korea was hampered by weakness in the stocks of **Samsung Electronics** and other memory-chip manufacturers. Shares of internet-related businesses, including social messaging app Kakao, also fell following the South Korean government's own regulatory crackdown to protect small businesses vulnerable to the superior competitive power of large-scale online retailers. Cosmetics and personal products companies, including **Amorepacific** and **LG Household & Health Care**, also struggled as Delta outbreaks delayed recovery in their sales from South Korean duty-free stores catering mainly to Chinese travelers.

Latin America (-13%) posted the weakest regional return, dragged down by Brazil (-20%), which experienced the collapse in iron ore prices as well as unsettled currency and equity markets ahead of next year's general elections. President Jair Bolsonaro, who is flailing in opinion polls, has become increasingly hostile towards Brazil's democratic system, decrying (without proof) the country's electronic voting system as vulnerable to fraud and questioning the legitimacy of the country's Supreme Court as it investigates his disinformation campaign. Colombia (+10%) and Mexico (+1%) both gained as their respective economies continue to show signs of recovery from COVID-19.

Europe (+8%) and the Middle East (+8%) were the strongest regions, buoyed by the increasing demand for oil and other refined products. The European economic recovery has also boosted returns in the Czech Republic and Hungary where Financials and Utilities performed well.

Performance and Attribution

The Emerging Markets composite fell 6.9% (gross of fees) in the third quarter, outperforming the MSCI EM Index, which fell 8.0%.

The portfolio's allocations across nearly all sectors, especially its overweight to Financials and its underweight to Consumer Discretionary, strongly contributed to relative performance; our zero weight in Materials was the only sector allocation that notably detracted. In Discretionary, we are underweight online media/entertainment and retailing businesses due to concerns about valuation or business quality. Many of these businesses, such as online-to-offline services giant Meituan and group-purchasing e-commerce platform Pinduoduo, are large index constituents that have been hard hit by the Chinese government's recent regulatory actions.

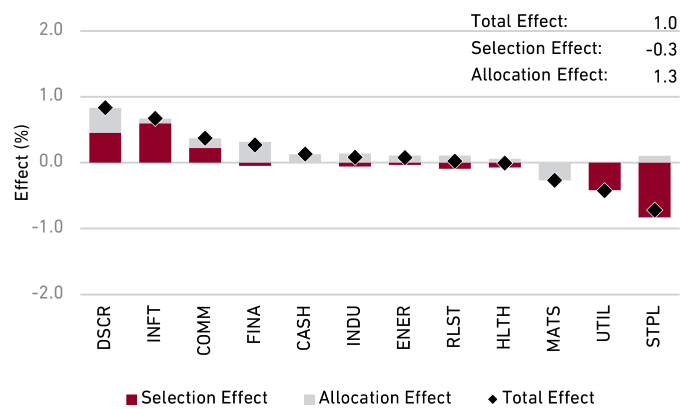
We also had positive selection effects in Discretionary (thanks again partly to what we did *not* hold), despite negative performance from **Sands China**. Sands' shares sold off aggressively after the government announced that it will take a more active role overseeing the operations of Macau's casinos after new concession deals are signed next year, including assuming veto power over capital allocation. We sold the stock this quarter. Good performance in Information Technology also boosted relative returns. Technology services companies **EPAM** and **Tata Consultancy Services** both continued to benefit from elevated demand for digital transformation projects.

Lagging holdings in Consumer Staples and Utilities detracted. In Staples, South Korea's leading consumer products company LG Household & Health Care reported decent second-quarter results, but investors were concerned by slowing growth of its WHOO brand and declining cosmetics sales in China. China's **ENN Energy**, our only Utilities holding, faced the twin headwinds of rapidly rising gas

Third Quarter 2021 Performance Attribution

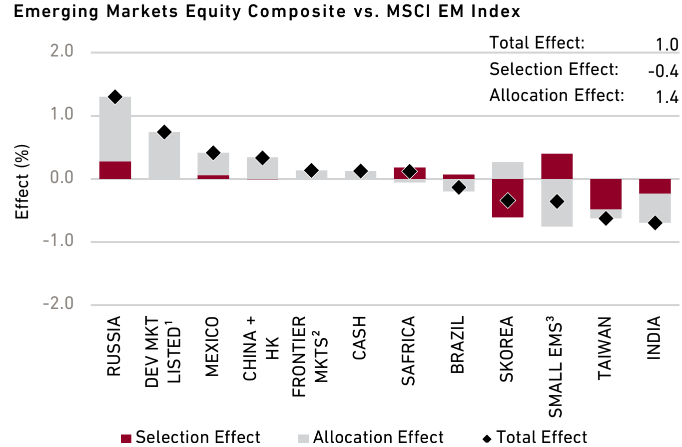
Sector

Emerging Markets Equity Composite vs. MSCI EM Index



Geography

Emerging Markets Equity 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 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.

prices that could squeeze profit margins and the government's new "dual control policy" that seeks to reduce both the absolute level as well as the intensity (the amount per unit of GDP) of energy consumption.

By region, allocation effects were also positive, primarily due to our overweights to Russia and Mexico and underweight to China, which were offset by our underweights to smaller EMs and India. Selection effects in Small EMs were positive, as prospects for widening spreads as interest rates rise boosted the share prices of numerous bank holdings including Thailand's **Siam Commercial Bank (SCB)**, **Bancolombia**, and the Czech Republic's **Komerčni Bank**. Shares of SCB rallied on news of a corporate restructuring to accelerate growth of its fintech businesses.

We lagged in India—despite strong returns from holdings such as Financials companies **Kotak Mahindra Bank** and **HDFC Corp**—because we did not hold Reliance Industries, a large index constituent. Reliance has a major petrochemical business that benefited from strong energy prices. We also lagged in Taiwan, where lens manufacturer **Largan Precision** posted sluggish revenue growth as mobile phone camera lens specifications weren't upgraded as quickly as expected; such delays can increase competitive intensity and weaken margins.

Perspective and Outlook

China's economic advancement over the past 20 years has been an outstanding humanitarian success. GDP growth averaging a remarkable 9% per annum has elevated nearly 800 million Chinese out of poverty. But sustaining this progress will require the country to overcome formidable challenges, including an inevitable decline in returns on investment, a rapidly aging population, and soured international relations. Another hurdle is the massive public and private debt accumulated for infrastructure and real estate development since the 2008 global financial crisis.

China's leaders are acutely aware of these obstacles to growth and are planning meticulously to overcome them. A central component of their strategy is to use regulation to foster more competition in key sectors, thereby guiding markets to send capital to those firms that the government considers to be most productive and innovative. Another core focus is the promotion of "common prosperity," a reaction to the capture by a small, ultra-wealthy cohort of so much of the wealth created in the country in recent years. These intersecting objectives have drawn the country's internet services giants into the glower of state authorities, leading many of the companies and their CEOs and founders to pledge billions of dollars toward common prosperity initiatives.

Another item on the government's agenda is receiving less attention: the extension of the state's tentacles more deeply into private businesses. Over the last decade, there have been governmental efforts to reform state-owned enterprises (SOEs) through state-private "mixed" ownership and the introduction of sensible key performance indicators such as productivity improvements and better returns on capital. Now there's evidence of a reversal, with SOEs increasingly taking direct equity stakes in private businesses, such as Bytedance, the parent company of TikTok and domestic short-video app Douyin. The state's stealthy intrusion into private enterprises, combined with the rapid-fire regulatory actions, have led some to wonder if the investment risks in the largest EM now outweigh the possible rewards.

We believe China presents varied attractive opportunities for long-term investors. Our analysts have identified more than 50 businesses across industries that meet our quality and durable growth criteria. We are not in denial about risks to industries and individual businesses of seismic policy change. (We discussed our general approach to analyzing these risks in last quarter's report.) For example, early this year as evidence mounted that regulatory changes in the conduct of for-profit tutoring were in the cards—a risk that was later realized—we sold our holding in New Oriental Education.

More often, signs of policy change risk are less definitive and simply add an extra layer of fuzziness to the already challenging task of forecasting business fundamentals. Sometimes policy changes may even put some businesses on more positive trajectories. Two elements of China's economic reform agenda that we foresee increasing opportunities, or at least not posing existential threats, are data reform and the push for industrial innovation.

China is intent on significantly reforming the digital economy by setting new, world-leading standards for data collection and dissemination to fuel more productive capital allocation in internet-based industries. The walls of the major online gardens, most significantly those of Alibaba and Tencent, are to be breached, providing greater access to consumer data to foster competition. (Sadly, a side effect will be greater access to consumer data by regulators or state entities.) The exclusive network effects that Alibaba and **Tencent** enjoy from their closed platforms, among their key competitive advantages, will be blunted by new rules around customer data, as well as companion directives that will allow users to jump to competitors' apps more easily. The companies' margins could be placed under further pressure by reforms meant to improve the financial security of gig workers, the minions deployed—but not always employed—to fulfill tasks in the physical world such as local deliveries.

In the past, both Alibaba and Tencent have proven highly capable in reacting to regulatory challenges. Their cultures of innovation and technological leadership, reinforced with gargantuan economies of scale, provide solid bases on which to sustain long-term growth and respectable returns on capital. The fact that their giant platforms play valuable roles within the fabric of the economy and could not be replicated other than in the lax regulatory climate in which they were born and matured suggests that regulators do not intend to exterminate them. We think the sharp fall in the market valuations for Alibaba and Tencent since the onset of the regulatory onslaught late last year is commensurate with the fundamental impact on their businesses, so we have chosen to maintain, and not increase, these positions.

In more material domains, China is doubling down on its long-term manufacturing strategy—unveiled in 2015 as the "Made in China 2025" (MIC25) plan—to improve its capabilities in critical technology sectors where it feels vulnerable amid the ongoing conflict with the US. Policymakers are also wary of a too-rapid tilt away from manufacturing toward services that has been the downfall of many EMs as they sought to advance beyond middle-income status. A revised plan that supersedes the MIC25 roadmap targets nine emerging industries, including biotech, new energy, advanced materials, and environmental protection, that will receive government subsidies and loans to promote investment. In early July, a joint announcement from six Chinese ministries detailed the country's aim to develop "hidden champions," small- and medium-sized companies that potentially can forge dominant global positions in their industrial niches. So, while tax incentives and subsidies enjoyed by some internet-enabled service companies are expected to be withdrawn, the manufacturing sector should continue to receive the government's full support.

Sanhua Intelligent Controls, China's global leader in thermal controls, is an example of such a hidden champion. Its technical know-how and local low-cost advantage have allowed it to build a dominant global position supplying home-appliance manufacturers while steadily increasing its share in the auto sector. It recently won a patent infringement case in South Korea where a competitor had copied the design of one of Sanhua's high-specification components, a sign of its technological leadership in this niche industry. Electric vehicles (EVs) represent a massive growth opportunity for Sanhua because they need more thermal control components than vehicles with internal combustion engines. In manufactured products the threat of state meddling is secondary to the threat of increasing competition. We expect Sanhua will undoubtedly face a slew of competitors given the large scale of the market opportunity. However, we believe Sanhua is set to take the lion's share of the potential profit.

We remain intently focused on the evolution of individual businesses and their industries. We don't have foresight into future policy changes or know how long this current burst of regulatory action in China will continue, although we suspect that its pace will abate. It is almost a cliché that the Chinese government's highest goal is to preserve social stability, but we don't think there should be official interest in maintaining a state of regulatory flux and economic turmoil if the main objective is to facilitate more productive capital allocation. Perhaps an explanation for the rush of recent regulatory activity is the upcoming quinquennial National Party Congress. Party officials are no doubt keen to arrive at the Great Hall of the People with tangible evidence of actions they took to advance the government's agenda. A pause after the event may allow officials to digest what they have wrought on society.

Portfolio Highlights

During this year, our bottom-up investment decisions have shifted the portfolio's largest overweight from Financials to Industrials, which has now reached 10% of the portfolio. Our Industrials holdings represent diverse businesses, including airport operations, optical sorting machines, express delivery, and power tools. In a world where industrial manufacturing continues to leap ahead through innovation and the adoption of new technologies, we favor industry leaders leveraging their competitive advantages into expanded growth opportunities. One of them is **AirTAC**, Taiwan-listed but with extensive operations in China, which produces pneumatic components commonly used in factory automation. In the past year AirTAC has successfully navigated COVID-19 outbreaks and supply chain shortages. The accelerating trend toward automation of manufacturing represents a long-tailed opportunity for AirTAC to create cost-effective solutions for diverse industries. The company's new linear guide components, rail systems that support precise positioning of materials and robotic tools, have been a success. AirTAC is targeting a fourfold increase in production capacity in this product line by the end of next year. We estimate this expansion should allow AirTAC to increase its gross profit margins from the current 40% level to close to 50%. Other Industrials purchases this year include Sanhua, discussed above, and **Meyer Optoelectronic**, China's leading supplier of dental imaging equipment and automated sorting systems for food. That may seem a strange combination, but they both leverage Meyer's core competency: building optical sensor systems governed by custom software. We see good long-term growth prospects, with a big opportunity for Meyer's machine vision and sorting technologies in recycling facilities.

Rapid advances in industrial and manufacturing technology are occurring worldwide. The portfolio's Brazilian holdings include two innovative Industrials businesses: **WEG**, Brazil's dominant manufacturer of industrial motors and generators for power plants, and **Localiza**, the country's largest car rental and fleet management company. WEG's initiatives include leveraging its experience in industrial-scale solar energy farms to develop distributed solar energy systems for households. That business is growing rapidly in Brazil and is set to launch overseas, initially in South Africa. WEG has also applied its expertise in energy systems to make a line of EV charging stations, which, helped by the cost advantages of WEG's local integrated manufacturing platform, is capturing significant market share.

Localiza is using digital technology to enhance the customer experience in the country's rental car industry while also reducing costs. For example, it has installed smart telematics equipment in thousands of its rental cars to provide real-time information about vehicle status, such as the vehicle's location and battery health—allowing the company to respond if there's an issue with the car. The company has also been developing an AI system that, based upon driver characteristics and behaviors, can predict when a car is at risk of being stolen and then deactivate the vehicle. Localiza has also launched a cost-effective car rental subscription service that provides access to a diverse fleet of vehicles, which has been particularly popular with ride-sharing drivers.

Emerging Markets Holdings (as of September 30, 2021)

Communication Services	Market	End Wt. (%)
Baidu (Internet products and services)	China	0.7
CD Projekt (Video game developer)	Poland	0.4
NCSOFT (Video game developer)	South Korea	0.6
Safaricom (Mobile network operator)	Kenya	1.2
Tencent (Internet and IT services)	China	3.6
Yandex (Internet products and services)	Russia	2.1
Consumer Discretionary		
Alibaba (E-commerce retailer)	China	3.0
Astra International (Auto business operator)	Indonesia	0.5
China Tourism Group Duty Free (Duty free services)	China	0.9
Coway (Consumer appliances manufacturer)	South Korea	0.7
Eclat Textile (Technology-based textile manufacturer)	Taiwan	1.7
Fuyao Glass (Automotive glass manufacturer)	China	1.0
Lojas Renner (Department stores operator)	Brazil	0.4
Maruti Suzuki (Automobile manufacturer)	India	1.2
Midea Group (Consumer appliances manufacturer)	China	1.6
Shenzhou International (Textile manufacturer)	China	1.3
Consumer Staples		
Ambev (Alcoholic beverages manufacturer)	Brazil	0.9
Amorepacific (Cosmetics manufacturer)	South Korea	0.3
CBD (Foods and consumer products retailer)	Brazil	0.1
Coca-Cola HBC (Coca-Cola bottler)	UK	1.9
East African Breweries (Alcoholic beverages mfr.)	Kenya	0.1
FEMSA (Beverages manufacturer and retail operator)	Mexico	1.4
LG Household & Health Care (Cons products mfr.)	South Korea	2.0
Walmart de México (Foods and consumer prod. retailer)	Mexico	1.6
Energy		
Lukoil (Oil and gas producer)	Russia	2.4
Novatek (Natural gas producer)	Russia	3.0
Tenaris (Steel-pipe manufacturer)	Italy	0.8
Ultrapar (Fuel distributor and chemicals producer)	Brazil	0.3
Financials		
AIA Group (Insurance provider)	Hong Kong	2.4
B3 (Clearing house and exchange)	Brazil	0.6
Banco Bradesco (Commercial bank)	Brazil	1.0
Banco Santander Chile (Commercial bank)	Chile	0.2
Bancolombia (Commercial bank)	Colombia	0.7
Bank Central Asia (Commercial bank)	Indonesia	1.0
Bank of Georgia (Commercial bank)	UK	0.2
Bank Rakyat (Commercial bank)	Indonesia	1.1
Commercial International Bank (Commercial bank)	Egypt	0.5
Discovery Holdings (Insurance provider)	South Africa	0.9
GF Banorte (Commercial bank)	Mexico	1.7
HDFC Bank (Commercial bank)	India	1.2

Financials	Market	End Wt. (%)
HDFC Corp (Mortgage lender)	India	2.5
Itaú Unibanco (Commercial bank)	Brazil	1.1
Komerční Banka (Commercial bank)	Czech Republic	0.8
Kotak Mahindra Bank (Commercial bank)	India	1.5
Ping An Insurance (Insurance provider)	China	1.0
Sberbank (Commercial bank)	Russia	2.7
Siam Commercial Bank (Commercial bank)	Thailand	1.0
Standard Bank (Commercial bank)	South Africa	0.8
Health Care		
CSPC Pharmaceutical Group (Pharma manufacturer)	China	1.3
Jiangsu Hengrui Medicine (Pharma manufacturer)	China	0.3
Sino Biopharmaceutical (Pharma manufacturer)	China	0.3
WuXi Biologics (Biopharma manufacturer)	China	1.4
Industrials		
51job (Online human resource services)	China	0.6
AirTAC (Pneumatic-equipment manufacturer)	Taiwan	1.2
ASUR (Airport operator)	Mexico	1.0
Copa Holdings (Airline operator)	Panama	0.5
Localiza (Automobile rental services)	Brazil	0.9
Meyer Optoelectronic (Optical machine mfr.)	China	0.7
Sanhua Intelligent Controls (HVAC&R parts mfr.)	China	0.9
SF Holding (Delivery services)	China	0.5
Techtronic Industries (Power tools manufacturer)	Hong Kong	2.5
WEG (Industrial equipment manufacturer)	Brazil	0.7
ZTO Express (Express delivery services)	China	0.2
Information Technology		
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	0.8
EPAM (IT consultant)	US	3.8
Hon Hai Precision (Electronics manufacturer)	Taiwan	1.6
Largan Precision (Smartphone lens modules producer)	Taiwan	0.7
Network International (Electronic payment services)	UK	0.5
Samsung Electronics (Electronics manufacturer)	South Korea	4.8
Sangfor (IT security services)	China	0.8
Silergy (Electronics chips manufacturer)	Taiwan	1.0
Sunny Optical (Optical components manufacturer)	China	1.3
Tata Consultancy Services (IT consultant)	India	2.8
TSMC (Semiconductor manufacturer)	Taiwan	5.3
Materials		
No Holdings		
Real Estate		
Country Garden Services (Residential property mgr.)	China	0.7
Utilities		
ENN Energy (Gas pipeline operator)	China	1.5
Cash		2.8

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3Q21 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
EPAM	INFT	3.6	–	0.68
Novatek	ENER	2.5	0.2	0.62
Tata Consultancy Services	INFT	2.5	0.5	0.41
Techtronic Industries	INDU	2.0	0.0	0.41
Sberbank	FINA	2.4	0.6	0.39

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
Alibaba	DSCR	4.8	5.9	1.39
EPAM	INFT	3.1	–	1.25
Novatek	ENER	2.1	0.2	1.05
Sberbank	FINA	2.2	0.5	0.75
GF Banorte	FINA	1.5	0.2	0.63

3Q21 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
LG Household & Health Care	STPL	2.4	0.2	-0.51
Sands China	DSCR	0.9	–	-0.40
Reliance Industries Limited*	ENER	0.0	1.0	-0.27
Gazprom*	ENER	0.0	0.6	-0.23
Fuyao Glass	DSCR	1.2	0.0	-0.19

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
New Oriental	DSCR	0.9	0.3	-0.89
Sands China	DSCR	1.2	–	-0.62
LG Household & Health Care	STPL	2.6	0.2	-0.56
Largan Precision	INFT	1.0	0.1	-0.47
CD Projekt	COMM	0.5	0.1	-0.42

*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 EM	MSCI EM
Profit Margin[1] (%)	13.4	12.7
Return on Assets[1] (%)	7.3	6.0
Return on Equity[1] (%)	15.9	12.8
Debt/Equity Ratio[1] (%)	28.9	36.3
Std. Dev. of 5 Year ROE[1] (%)	3.3	3.5
Sales Growth[1,2] (%)	8.0	8.0
Earnings Growth[1,2] (%)	11.6	9.1
Cash Flow Growth[1,2] (%)	10.1	10.7
Dividend Growth[1,2] (%)	13.5	12.6
Size and Turnover	**HL EM**	**MSCI EM**
Wtd. Median Mkt. Cap (US $B)	40.6	37.9
Wtd. Avg. Mkt. Cap (US $B)	121.5	135.3
Turnover[3] (Annual %)	16.0	–

Size and Valuation	HL EM	MSCI EM
Alpha[2] (%)	-0.24	–
Beta[2]	1.05	–
R-Squared[2]	0.95	–
Active Share[3] (%)	70	–
Standard Deviation[2] (%)	17.79	16.53
Sharpe Ratio[2]	0.48	0.51
Tracking Error[2] (%)	4.0	–
Information Ratio[2]	0.01	–
Up/Down Capture[2]	102/101	–
Price/Earnings[4]	20.7	13.6
Price/Cash Flow[4]	15.2	9.7
Price/Book[4]	3.1	2.2
Dividend Yield[5] (%)	1.6	2.2

[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: October 4, 2021, 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
There were no completed purchases this quarter.		

Positions Sold	Country	Sector
Sands China	Hong Kong	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 tables above; and (2) a list showing the weight and relative contribution of all holdings during the quarter and the last 12 months. 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 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 September 30, 2021)

	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 ($M)	Firm Assets ($M)
2021 YTD[4]	-0.17	-0.84	-0.99	21.28	19.15	N.A.[5]	13	15,931	73,857
2020	15.43	14.37	18.69	21.65	19.62	0.8	15	19,162	74,496
2019	26.90	25.78	18.88	14.64	14.17	0.4	17	19,045	64,306
2018	-17.29	-18.03	-14.25	13.94	14.62	0.4	21	15,114	49,892
2017	36.81	35.64	37.75	13.90	15.36	0.3	23	19,177	54,003
2016	14.84	13.85	11.60	15.00	16.07	0.4	22	13,629	38,996
2015	-12.85	-13.59	-14.60	13.61	14.04	1.2	20	9,670	33,296
2014	0.74	-0.11	-1.82	14.06	14.99	0.5	14	8,212	35,005
2013	5.74	4.80	-2.27	17.56	19.03	0.6	12	5,649	33,142
2012	23.92	22.79	18.63	20.15	21.49	0.4	10	3,772	22,658
2011	-15.55	-16.36	-18.17	24.72	25.76	0.5	9	3,136	13,597

[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 2021 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 27 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 June 30, 2021. 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.

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. The Emerging Markets Equity Composite has had a performance examination for the periods December 1, 1998 through June 30, 2021. 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. 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 Emerging Markets Equity accounts is 1.15% annually of the market value up to $20 million; 0.80% of amounts from $20 million to $100 million; 0.75% of amounts from $100 million to $200 million; above $200 million upon request. The management fee schedule and total expense ratio for the Emerging Markets Equity Collective Investment Fund, which is included in the composite, are 1.12% on all assets and 1.10%, respectively. 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 and the performance inception date is December 1, 1998.