

Emerging Markets Equity



Monthly Update | May 2021

Performance (% Total Return)

Periods ended May 31, 2021 ¹	1 Month	YTD	1 Year	3 Years ²	5 Years ²	10 Years ²	Since Inception ^{2,3}
HL Emerging Markets Equity (Gross)	4.04	7.55	56.04	9.43	14.02	7.15	12.94
HL Emerging Markets Equity (Net)	3.97	7.14	54.63	8.44	13.01	6.20	12.01
MSCI Emerging Markets Index ^{4,5}	2.34	7.36	51.51	10.04	14.29	4.47	9.76

Portfolio Positioning (% Weight)

Sector	HL EM	MSCI EM	(Under) / Over
Financials	22.4	18.3	4.1
Industrials	8.4	4.7	3.7
Cons Staples	8.8	5.7	3.1
Cash	2.5	—	2.5
Info Technology	22.3	20.4	1.9
Energy	5.1	4.9	0.2
Utilities	1.6	2.0	-0.4
Cons Discretionary	15.9	16.8	-0.9
Health Care	3.6	5.0	-1.4
Comm Services	9.4	11.4	-2.0
Real Estate	0.0	2.1	-2.1
Materials	0.0	8.7	-8.7

Geography	HL EM	MSCI EM	(Under) / Over
Dev Market Listed ⁶	7.4	—	7.4
Russia	7.9	3.2	4.7
Mexico	5.2	1.8	3.4
Cash	2.5	—	2.5
Brazil	6.7	5.0	1.7
Frontier Markets ⁷	1.6	—	1.6
South Africa	1.7	3.8	-2.1
India	7.8	10.0	-2.2
Taiwan	11.3	13.9	-2.6
South Korea	9.1	13.0	-3.9
China + Hong Kong ⁸	33.2	37.6	-4.4
Small EMs ⁹	5.6	11.7	-6.1

Investment Perspectives

Market

Continuing a trend that began in mid-February, expensive tech-related growth stocks lagged, while Financials and Energy stocks led Emerging Markets (EMs) higher. Many banks have reported better-than-expected asset quality, something we started seeing in the second half of 2020 and more recently witnessed in countries coming off debt moratoriums instituted last year. Energy stocks rose with prospects for recovering demand coupled with the OPEC+ cartel's ongoing production discipline. Nonetheless, the COVID-19 recovery is likely to remain uneven and geopolitics may add to the uncertainty. Notably, US-China relations have not thawed with the new Biden administration while tightly contested elections in Peru and Mexico could fuel volatility.

Portfolio

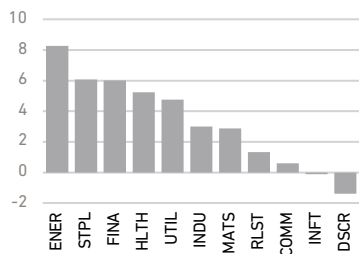
COVID-19 had a devastating impact on many areas of the economy, but it accelerated the long-term shift in consumer demand for active wear and the ongoing casualization of fashion. To develop leading-edge fabrics, secure their supply chains, and increase efficiencies, brands such as Nike have consolidated their suppliers. **Eclat Textile**—a Taiwan-based leader in the development and manufacturing of performance fabrics—has been a key beneficiary. We believe Eclat's technical knowledge, innovation, and ability to offer comprehensive solutions from design and knitting to logistics give it a competitive edge to gain share at key clothing-manufacturing customers that are riding the athleisure demand wave.

Top Ten Holdings

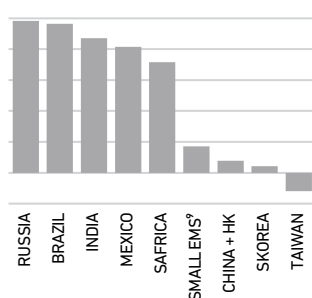
Company	Country	Sector
TSMC	Taiwan	Info Technology
Samsung Electronics	South Korea	Info Technology
Tencent	China	Comm Services
Alibaba	China	Cons Discretionary
EPAM	US	Info Technology
AIA Group	Hong Kong	Financials
LG Household & Health Care	South Korea	Cons Staples
Sberbank	Russia	Financials
HDFC Corp	India	Financials
Tata Consultancy Services	India	Info Technology

Benchmark Performance | May

Total Return by Sector (%)

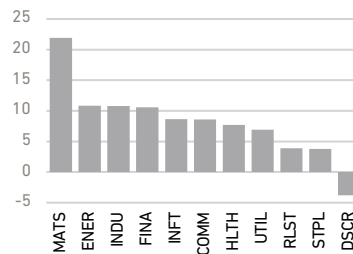


Total Return by Region (%)

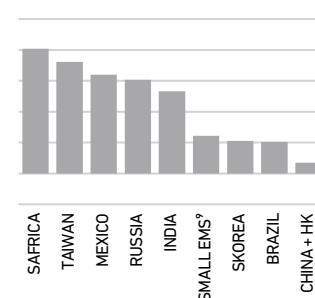


Benchmark Performance | YTD

Total Return by Sector (%)

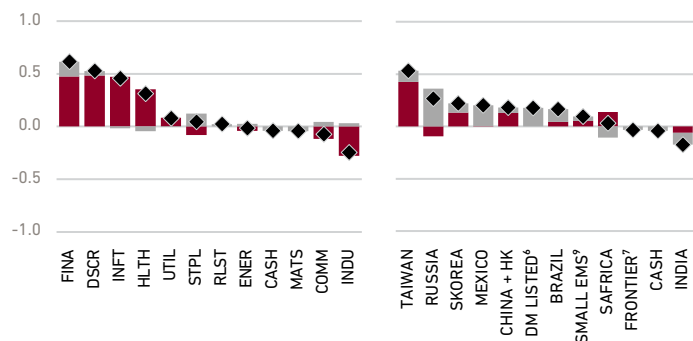


Total Return by Region (%)



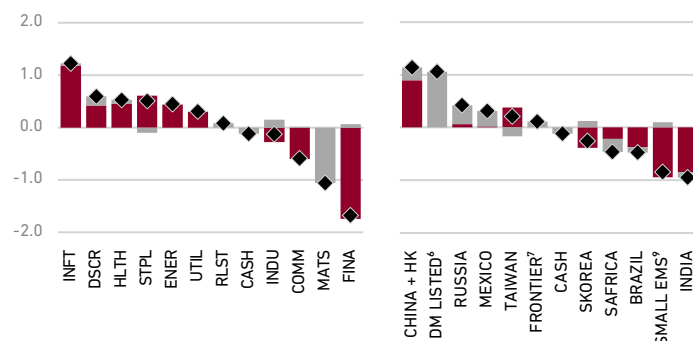
Portfolio Attribution | May

	Effect (%)	Selection	Allocation	Total
Sector	1.3	0.3	1.6	
Region	0.8	0.8	1.6	



Portfolio Attribution | YTD

	Effect (%)	Selection	Allocation	Total
Sector	0.8	-0.7	0.1	
Region	-1.4	1.5	0.1	



- Financials helped, as **GF Banorte** (Mexico) and **Sberbank** (Russia) both rose in part due to reporting better-than-expected asset quality.
- Consumer Discretionary was a notable positive, largely due to Eclat and China-based fellow fabric producer **Shenzhou International**. Both companies delivered solid results despite pandemic-related disruptions and are now experiencing increasing demand from their key customers.
- In Taiwan, Eclat and **Silergy**, a niche supplier of power management chips, were the best performers. Silergy reported robust results and has used the global chips shortage to gain a bigger foothold in the automotive supply chain going forward.

- Information Technology (IT) stock selection was the biggest contributor to relative returns, led by **EPAM**, a US-based IT consulting firm with extensive operations in Belarus and other developing markets, whose strong earnings seem set to continue with rising demand from global enterprises spending on digital initiatives.
- Financials stock selection was negative, most notably in banks domiciled in India and Latin America where severe struggles with COVID-19 continued.
- Our lack of exposure to Materials hurt, as the sector rose with commodity prices rocketing upward on the strength of the Chinese economy and the Biden administration's massive infrastructure plans.

Top Five Contributors/Detractors (%) | May

to Relative Returns

Contributors	Country	Sector	Index Weight	Effect
Eclat Textile	Taiwan	DSCR	<0.1	0.27
CSPC Pharmaceutical Group	China	HLTH	0.1	0.23
GF Banorte	Mexico	FINA	0.2	0.21
Shenzhou International	China	DSCR	0.2	0.21
Novatek	Russia	ENER	0.2	0.18
Detractors				
New Oriental	China	DSCR	0.3	-0.43
AirTAC	Taiwan	INDU	0.1	-0.26
Tencent	China	COMM	5.6	-0.12
Xiaomi*	China	INFT	0.5	-0.09
ASM Pacific Technology	Hong Kong	INFT	-	-0.09

Top Five Contributors/Detractors (%) | YTD

to Relative Returns

Contributors	Country	Sector	Index Weight	Effect
EPAM	US	INFT	-	0.70
Eclat Textile	Taiwan	DSCR	<0.1	0.53
CSPC Pharmaceutical Group	China	HLTH	0.1	0.39
Techtronic Industries	Hong Kong	INDU	-	0.39
Pinduoduo*	China	DSCR	0.7	0.32
Detractors				
New Oriental	China	DSCR	0.3	-0.70
Midea Group	China	DSCR	<0.1	-0.49
LG Household & Health Care	South Korea	STPL	0.2	-0.40
CD Projekt	Poland	COMM	0.1	-0.24
Bancolombia	Colombia	FINA	0.1	-0.23

*Company was not held in the portfolio; its absence had a significant impact on the portfolio's return relative to the index.

Index weight is the average weight of the security in the index over the MTD and YTD periods. Please read the disclosures on the last page, which are an integral part of this presentation.

Endnotes

(1) The May 2021 Composite performance shown is preliminary (2) Annualized returns (3) Inception date: November 30, 1998 (4) The benchmark index (5) Gross of withholding taxes (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 26.5% and Hong Kong is 6.7%. The Benchmark does not include Hong Kong (9) Includes the remaining emerging markets, which individually, comprise less than 5% of the index.

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 Positioning and Top Ten Holdings: FactSet; Harding Loevner Emerging Markets Model; MSCI Inc. and S&P.

Disclosures

Past performance does not guarantee future results. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

For comparison purposes the Composite return is measured against the MSCI Emerging Markets Total Return Index (Gross). Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. 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, 2020. 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 Composite has had a performance examination for the periods December 1, 1998 through December 31, 2020. 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. The firm maintains a complete list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds, which are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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.

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. The portfolio holdings identified above do not represent all of the securities held in the portfolio. To request a complete list of holdings for the past year, please contact Harding Loevner. The following information is available upon request: (1) information describing the methodology of the contribution data and (2) a list showing the weight and relative contribution to return of all holdings during the month.

Portfolio holdings, portfolio attribution, contributors and detractors, and sector/geographic portfolio positioning 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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