Emerging Markets Equity

Quarterly Report | Year End 2022

HARDING LOEVNER

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Dragged down for much of the year by the economic disruption from Russia's war with Ukraine and China's "zero-COVID" policy, Emerging Markets (EMs) staged a rally late in 2022 on hints of good news.

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Composite Performance

Total Return (%) — Periods Ended December 31, 2022[1]

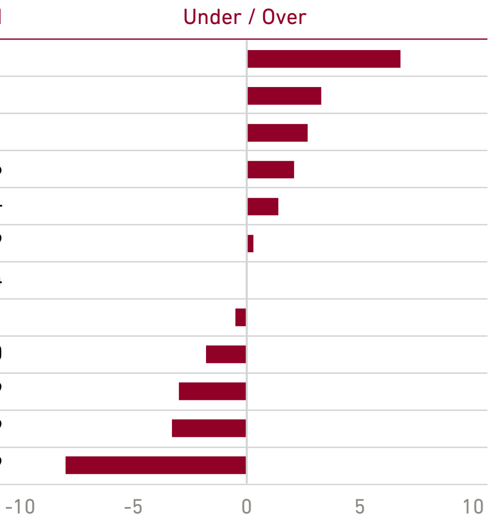
	3 Months	1 Year	3 Years[2]	5 Years[2]	10 Years[2]	Since Inception[2,3]
HL Emerging Markets Equity (Gross of Fees)	10.86	-26.47	-6.06	-2.74	2.41	10.17
HL Emerging Markets Equity (Net of Fees)	10.63	-27.10	-6.89	-3.61	1.52	9.27
MSCI Emerging Markets Index[4,5]	9.79	-19.74	-2.34	-1.03	1.81	7.68

[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.

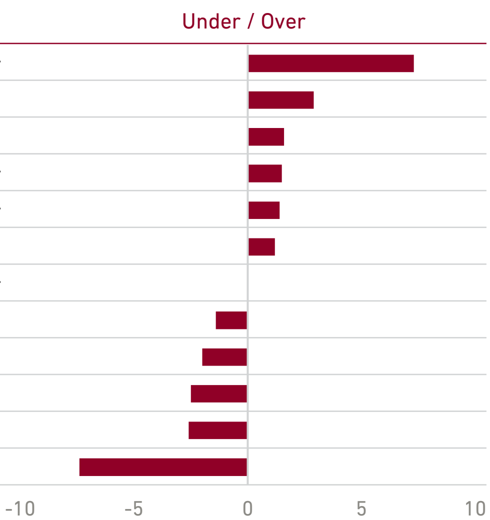
Past Performance does not guarantee future results. Invested capital is at risk of loss. Please read the above performance in conjunction with the footnotes on the last page of this report. All performance and data shown are in US dollar terms, unless otherwise noted.

Portfolio Positioning (% Weight)

Sector	HL EM	MSCI EM
Industrials	12.9	6.1
Cons Discretionary	17.4	14.1
Financials	24.8	22.1
Info Technology	20.7	18.6
Cash	1.4	–
Real Estate	2.2	1.9
Cons Staples	6.4	6.4
Health Care	3.6	4.1
Utilities	1.2	3.0
Energy	1.9	4.9
Comm Services	6.6	9.9
Materials	0.9	8.9



Geography	HL EM	MSCI EM
Dev. Market Listed[6]	7.3	–
Mexico	5.2	2.3
China + Hong Kong[7]	33.9	32.3
Frontier Markets[8]	1.5	–
Cash	1.4	–
Brazil	6.5	5.3
Russia[9]	0.0	–
India	13.0	14.4
South Africa	1.7	3.7
South Korea	8.8	11.3
Taiwan	11.2	13.8
Small EMs[10]	9.5	16.9



[6]Emerging markets or frontier markets companies listed in developed markets. [7]The Harding Loevner Emerging Markets Model's end weight in China is 28.5% and Hong Kong is 5.4%. The Benchmark does not include Hong Kong. [8]Includes countries with less-developed markets outside the Index. [9]Since March 7, 2022, we have valued our Russian holdings at effectively zero due to an inability to trade their shares and no observable market price to use as proxies. At the close of trading on March 9, 2022, MSCI removed Russia from its indexes at a price that was effectively zero. [10]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.

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Market Review

Emerging Markets (EMs) fell during much of 2022 as Russia unleashed war on Ukraine, China's economy slowed, and the developed world attempted to fight inflation by tightening monetary policy. By the end of October, the MSCI EM Index was down more than 30%. However, early signs of easing inflation in the US and murmurs that China would loosen its "zero-COVID" policy (later confirmed in official pronouncements) produced a 9.8% rally in the benchmark in the fourth quarter, resulting in a full-year decline of 19.7%.

There were many components of that decline, but the most staggering was the 71% drop in European stocks, primarily due to the total loss in value of Russian shares. At the start of the year, Russia was nearly 4% of the EM index; Russian stocks were written down to effectively zero and expunged from the benchmark on March 9.

MSCI EM Index Performance (USD %)

Sector	4Q 2022	Trailing 12 Months
Communication Services	13.8	-26.9
Consumer Discretionary	9.6	-20.9
Consumer Staples	6.6	-10.3
Energy	4.3	-24.0
Financials	7.1	-7.3
Health Care	13.1	-23.1
Industrials	12.5	-10.2
Information Technology	12.1	-33.0
Materials	12.2	-14.3
Real Estate	9.1	-18.7
Utilities	4.6	-4.2
Geography	**4Q 2022**	**Trailing 12 Months**
Africa	18.7	-3.5
South Africa	18.5	-3.0
Asia	10.9	-20.8
China	13.5	-21.8
India	2.1	-7.5
South Korea	18.5	-28.9
Taiwan	9.7	-29.1
Europe	43.2	-71.0
Russia*	–	-100.0
Latin America	6.0	9.5
Brazil	2.5	14.6
Mexico	12.6	-1.6
Middle East	-6.1	-3.8
MSCI EM Index	9.8	-19.7

*At the close of trading on March 9, 2022, MSCI removed Russia from its indexes at a price that was effectively zero.

Source: FactSet (as of December 31, 2022). MSCI Inc. and S&P.

North Asian stock markets were another source of negative returns, with mainland China, South Korea, and Taiwan each falling more than 20%. Chinese stocks suffered through various economic and political challenges. Policies intended to combat an overheated real estate market led to concerns about the financial viability of many private developers. The National Congress of the Chinese Communist Party in October revealed a revised Standing Committee full of allies of President Xi Jinping, who secured an unprecedented third term, raising concerns of an unhealthy concentration of power. Meanwhile, as the Omicron variant quickly spread, rolling lockdowns hurt retail consumption and manufacturing and triggered widespread protests. The economic disruption also extended to neighboring countries with economic links to China. As the restrictions eased, North Asian stocks began to recover.

EMs are diverse enough to provide some exceptions to the benchmark's declines—eight markets posted positive returns. Some regions, such as Latin America, were insulated from the impact of the Ukrainian conflict. Nations such as Brazil (which advanced 15%) and Chile (which climbed 23%) also raised interest rates more aggressively than the US and saw their currencies strengthen. Mexico (down just 2%) was viewed as a beneficiary of the industrial "near-shoring" trend, as manufacturers looked to diversify or shorten supply chains in response to trade friction between the US and China. Finally, some markets just marched to the beat of their own drummer: as Turkey cut interest rates even in the face of soaring inflation, local investors flocked to the stock market in an attempt to protect the value of their lira assets. For 2022 at least, this worked—Turkey rose 91%.

Every sector was negative for the year, with Information Technology (IT), Communication Services, Energy, and Health Care posting the worst returns. The Energy sector's 24% decline was primarily the result of the write-down of large Russian energy stocks in the first quarter; excluding Russia, the sector would have gained 11%. IT lost a third of its value as investors priced in the risk of slowing global demand, the increased risk of China embarking on a military invasion of Taiwan, and the potential for US-China political tensions to hinder the ability to do business in different trade blocs.

Traditionally highly valued sectors including IT, Communication Services, and Health Care were also negatively impacted by rising interest rates, as investors tend to more highly discount these sectors' long-lived expected future cash flows. When data released in the fourth quarter suggested that rate hikes might slow or stop, every sector rose, unsurprisingly led by IT, Communication Services, and Health Care.

Companies held in the portfolio at the end of the quarter appear in bold type; only the first reference to a particular holding appears in bold. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that 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 December 31, 2022 is available on page 9 of this report.

Performance and Attribution

The Emerging Markets composite rose 10.9% gross of fees in the fourth quarter, surpassing the 9.8% increase in the MSCI EM Index. For the year, the strategy still materially underperformed, falling 26.5% gross of fees compared with the Index's decline of 19.7%.

During the quarter, strong stocks in Financials, Consumer Staples, and Energy were the largest contributors to our outperformance, offsetting weaker results in IT and Consumer Discretionary.

Financial stock performance was helped by Asian insurers **AIA Group** and **Ping An Insurance**, which are set to benefit from China abandoning its strict pandemic policies. Unencumbered by sporadic lockdowns, insurance agents will be able to fully engage with prospective customers, enabling a rebound in sales of life and critical-illness protection insurance, their highest-margin products. Shares of India's **HDFC Bank** rose after it posted strong second-quarter net interest margins and received regulatory approval for its merger with **HDFC Ltd.**

In Consumer Staples, shares of South Korea's **LG Household & Health Care** also rallied in anticipation of China's reopening, as a rebound in consumer demand and international travel may revive sales of luxury cosmetics in China and in Korean duty-free stores. In Energy, **Tenaris** continued to see rising demand for its specialty steel pipes because of the acceleration of global drilling activity driven by high energy prices.

> For the year, the strategy's underperformance was primarily due to our meaningful exposure to Russia at the onset of the February invasion of Ukraine. We decided to write down the shares of our four holdings to effectively zero in early March.

A restrained near-term growth outlook weighed on shares of IT services provider **EPAM**, with the company seeing weaker demand from some of its global consumer-products customers. **LONGi** also fell after a shortage of polysilicon—a key material for LONGi's solar panels—pushed up costs along the solar-equipment supply chain to levels uneconomical for utility-scale installations in China. We think this situation will improve as polysilicon production capacity is expected to increase by more than 50% in 2023.

Relative performance was helped by the portfolio's significant underweighting of the Middle East, the only region to decline during the quarter, due to the falling price of oil. Stock selection was strong in Asia but offset by weak holdings in Latin America, specifically Brazil, where the prospect for interest rate cuts was threatened by incoming President Lula's plan to increase spending on social programs. Concern over the financial health of Brazilian consumers—after local banks reported a rise in non-performing loans—hurt shares of our retail holdings **Magazine Luiza** and **Lojas Renner**, which had been significant outperformers in the third quarter.

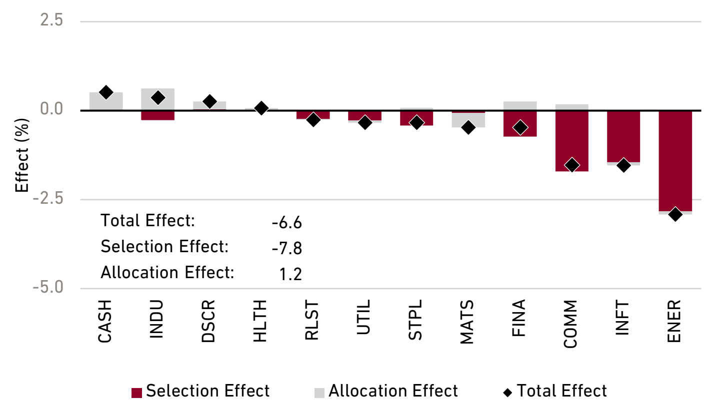
For the year, the strategy's underperformance was primarily due to our meaningful exposure to Russia at the onset of the February invasion of Ukraine. We decided to write down the shares of our four holdings—Energy businesses **Lukoil** and **Novatek**, commercial bank **Sberbank**, and internet company **Yandex**—to effectively zero in early March. Our aggregate Russian exposure (including our holdings in EPAM and beverage business **Coca-Cola HBC**, which are not based in Russia but have considerable operations in the region) detracted about 570 basis points (bps) and accounted for 85% of our underperformance.

Our strategy also faced significant style headwinds in 2022. Excluding Russia, shares of the highest-quality and fastest-growing

Trailing 12 Months Performance Attribution

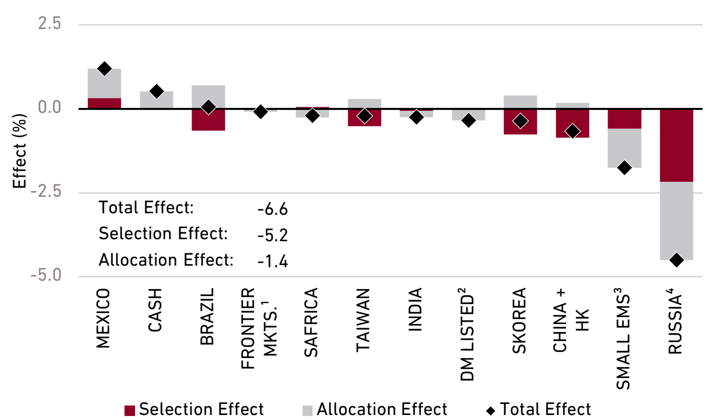
Sector

Emerging Markets Equity Composite vs. MSCI EM Index



Geography

Emerging Markets Equity Composite vs. MSCI EM Index



[1]Includes countries with less-developed markets outside the Index. [2]Emerging markets or frontier markets companies listed in developed markets. [3]Includes the remaining emerging markets which, individually, comprise less than 5% of the Index. [4]At the close of trading on March 9, 2022, MSCI removed Russia from its indexes at a price that was effectively zero. Source: FactSet; Harding Loevner Emerging Markets Equity 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.

companies markedly underperformed, and the cheapest quintile of stocks outperformed the most expensive quintile by 2,000 bps for the year.

We had strong returns in Latin America, where Mexican stocks **GF Banorte** (banking) and **ASUR** (airports) were standout performers as the economy and tourism recovered from the pandemic.

Perspective and Outlook

In a world rocked by the macroeconomic fallout of Russia's invasion of Ukraine, the continued escalation of trade tensions between the US and China, and China's sudden turnabout from lockdowns to laxity in managing COVID-19, companies and countries are intensifying their focus on the security of supply chains.

In the US, President Biden has been especially energetic in trying to reduce the nation's reliance on manufacturing networks concentrated in China and Taiwan. His headline pieces of legislation, the Inflation Reduction Act (IRA) and the CHIPS and Science Act, incentivize the world's top companies in critical industries such as semiconductors, electric vehicles (EVs), and alternative energy to direct an increasing share of investment to the US. Reflecting on such policies, political economy commentators invoke with greater frequency terms such as "de-globalization," "localization," and "decoupling"—buzzwords that suggest an inexorable unwinding of complex global supply chains formed over the past half century. Morris Chang, the founder of Taiwanese semiconductor giant **TSMC**, decried the development this year, saying that "globalization is almost dead" while, ironically enough, speaking at a ceremony celebrating the company's construction of a massive new plant in Arizona.

The notion that the changing geopolitical landscape is causing a grand shift in global business capital investment plans is headline grabbing, but it is missing some context and nuance. New industrial policies like the IRA and CHIPS act introduce significant incentives for business leaders to consider. But legislation plays only a part in their evaluation of investment opportunities.

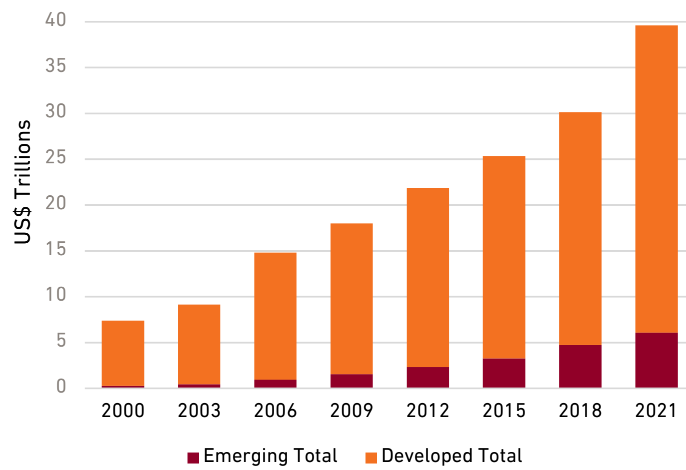
Too much focus on the idea of worldwide de-globalization can also obscure the extent to which EM companies are continuing to pursue their own globalization strategies. The phenomenon of EM multinational enterprises (EMNEs) embarking on outward foreign direct investment (OFDI) is not new and has been growing, even if such investment remains small in dollar terms relative to OFDI by developed market (DM) multinationals. We have researched and frequently invested in EM companies pursuing OFDI over the past 20 years. As an alternative to the current de-globalization narrative, we want to focus on the globalizing drive of EM enterprises, especially why and how they pursue investments abroad.

EM companies share many of the same motivations as DM companies for pursuing international investment opportunities. These include gaining cost efficiencies from the availability of scaled and cheaper resources, seeking to sell in larger and often richer addressable markets, and diversifying from the concentration risk of their home market.

Too much focus on the idea of worldwide de-globalization can also obscure the extent to which EM companies are continuing to pursue their own globalization strategies.

Academic studies on OFDI also point to the need for EM companies to ameliorate their lack of "intangible resources"—in other words, a deficiency of cutting-edge technologies and technical know-how. While that is still broadly true, it's not always the case. In fact, there is an ironic contrast between that perception and the spectacle of the US passing legislation designed to *attract* EM companies' technology and know-how in critical industries such as chips, EV batteries, and biomanufacturing. Without the participation of EM leaders in those industries, the US's ambitious targets to replicate the scaled and tested Asian supply chains seem beyond optimistic.

Total Emerging Markets and Developed Markets Outward Foreign Direct Investment, 2000-21



Source: UNCTAD Stat; MSCI Inc.; Harding Loevner calculations

But first, let's look at cost savings. Labor costs in China have risen significantly over the past 20 years, alongside a 10-fold increase in average manufacturing wages. Businesses that are labor intensive, such as textiles and clothing manufacturing, have sought cheaper places to set up shop. Examples in our portfolio include **Shenzhou International** and **Eclat Textile**, leaders in supplying knitted and functional fabrics. Both have reduced their manufacturing capacity in China and Taiwan and migrated to countries such as Vietnam and Cambodia, where working populations are expanding and costs are significantly lower. **Midea Group**, China's leader in the manufacturing of air conditioning units and home appliances, is another holding that's made the strategic decision to invest abroad. The company has a production base that now spans 16 countries, including Brazil, Egypt, and Thailand. Scaled manufacturing with increasing levels of automation and adjacency to the largest markets helps Midea maintain attractive profit margins.

Second, there are companies that use international M&A opportunities to acquire new technology or capabilities—not only to increase their competitiveness in new markets, but also to enhance their product or service at home. For example, when Midea acquired KUKA, the German robot maker, in 2017, part of the rationale was to help automate manufacturing. Another part was the opportunity to integrate KUKA's robotics into Midea's appliances, which enabled the company to introduce a robot vacuum in 2022. Today, China is KUKA's fastest-growing market, and the business is situated much closer to its Chinese customers than most global rivals.

WEG, a Brazilian maker of industrial motors, has been steadily growing outside of Latin America thanks to a combination of local and foreign acquisitions. Enhanced technological capabilities gained from these transactions are being embedded into WEG's industrial solutions for the company's own use as well as for its local and international customers.

The EM universe also includes companies that, rather than needing to pursue foreign acquisitions to mitigate their technical shortcomings, are themselves advancing technologies in key global industries. Since the passage of the IRA and CHIPS act, Taiwan's TSMC has committed US$40 billion, and South Korea's Samsung has allocated US$200 billion (albeit over the next 20 years) to new manufacturing facilities in the US. But these moves are not simply opportunistic reactions to policy changes. Members of the companies' management teams have told us that these plans were openly contemplated for many years. One consideration for TSMC is that while Taiwan continues to offer an abundance of engineering talent, there are supply constraints in natural resources, like water and energy, and workers knowledgeable in materials science, which is now a prime domain for cutting-edge technologies. Key customers such as AMD and Intel have long encouraged TSMC to diversify its manufacturing footprint, conscious of the trade-off between security and proximity and the higher price of US manufacturing.

Since the passage of the IRA and CHIPS act, Taiwan's TSMC has committed US$40 billion, and South Korea's Samsung has allocated US$200 billion (albeit over the next 20 years) to new manufacturing facilities in the US.

Costs are undeniably higher in the US, and the extent to which this is true has surprised TSMC. Construction costs for the shell structure of its Arizona factory are coming in above estimates. In its home market, TSMC can draw on a robust network of contractors more familiar with their needs to help keep costs competitive and predictable. Another (sensitive) challenge is the contrast in work culture and the power of unionized labor in the US. (This was highlighted in an Academy Award–winning 2019 Netflix documentary "American Factory," which depicted Chinese holding **Fuyao Glass**'s takeover and operation of a General Motors plant in Ohio.) Despite the cost and cultural concerns, TSMC's large initial investment could be the start of something even more substantial: the company has secured a land bank large enough to house six more facilities.

EM businesses with weak or no competitive advantages are unlikely to take on the risks of globalizing and will continue to be squeezed by rivals.

It's clear that geopolitical tensions and national security priorities will continue to have an increasing influence on capital-investment decisions for many companies, whether in developed or emerging markets. Since we have little ability to forecast the plans of government officials, we do not try to identify attractive investments by anticipating broad policy changes. But it stands to reason that companies with a transferable competitive advantage have a better chance of successfully expanding outside their home markets, while EM businesses with weak or no competitive advantages are unlikely to take on the risks of globalizing and will continue to be squeezed by rivals. Our preferred method for uncovering the best investment opportunities is to analyze the evolving competitive structure of industries, the fundamentals of companies, and the ability of management to effectively capture available opportunities—whether in their own backyards or across the world.

Portfolio Highlights

In the fourth quarter, we responded to the attractive prices for high-quality growth companies in China and the Middle East largely by adding to existing holdings.

China's exit from its harsh COVID restrictions—which coincides with a pivot toward more pro-growth policies in general—has proceeded quickly and bodes well for a speedy recovery in consumer confidence and broader economic growth in 2023. Three of the Chinese holdings we increased this period were Ping An Insurance, Shenzhou International, and **Trip.com Group**.

Ping An is concluding a four-year restructuring of its sales agents to boost productivity, which we think will lead to improved growth in the coming years. While COVID restrictions undoubtedly made face-to-face selling more difficult for insurance agents over the past three years, the pandemic also likely created heightened awareness of the need for life and supplementary health insurance.

Shenzhou International, a leading manufacturer of knitted sportswear that counts Nike and Adidas as key customers, continues to improve its ability to cater to the needs of global brands; this year, for the first time ever, the company will have more production workers outside of China than domestically. Its innovation in advanced fabrics also helped it gain significant business from leading Chinese brands and increase its market share during the pandemic.

It's been a difficult few years to be an online travel agency, but Trip.com has managed to increase market share amid diminished competition. China's removal of mobility restrictions should lead to a rapid acceleration in bookings, especially for outbound trips, a strength of Trip.com. While revenue is still more than 30% below 2019 levels, we see it quickly recovering as travel restrictions are lifted.

> This year, for the first time ever, Shenzhou International—which counts Nike and Adidas as key customers—will have more production workers outside of China than domestically.

These bottom-up stock selection decisions took the portfolio from roughly 300 bps underweight mainland China and Hong Kong at the start of 2022 to nearly 200 bps overweight by the end of the year.

In the Middle East, we purchased a new Saudi Arabian holding, **Al Rajhi Bank**, the world's largest Islamic bank, and added to **Emaar Properties**, a prominent real estate company in the UAE. Saudi Arabia's ongoing efforts to reform its economy and society have included promoting home ownership. This policy, along with the country's high rate of household formation, has helped Al Rajhi enjoy significant growth in residential mortgages, where it is the industry leader with more than 40% market share. The bank also enjoys unusually low funding costs in part thanks to Sharia-compliant non-interest-bearing deposits. With the rapid growth in labor participation by women and the economy diversifying beyond oil, Al Rajhi will have growth opportunities beyond mortgages. Helpfully, Saudi Arabia and the UAE have stable currencies pegged to the US dollar, and their economies are supported by abundant proceeds from oil exports.

Harding Loevner's Quality, Growth, and Value rankings are proprietary measures determined using objective data. Quality rankings are based on the stability, trend, and level of profitability, as well as balance sheet strength. Growth rankings are based on historical growth of earnings, sales, and assets, as well as expected changes in earnings and profitability. Value rankings are based on several valuation measures, including price ratios.

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Emerging Markets Holdings (as of December 31, 2022)

Communication Services	Market	End Wt. (%)
Baidu (Internet products and services)	China	0.4
CD Projekt (Video game developer)	Poland	0.4
Naver (Internet services)	South Korea	1.1
NCSOFT (Video game developer)	South Korea	0.8
Safaricom (Mobile network operator)	Kenya	0.8
Tencent (Internet and IT services)	China	3.1
Yandex (Internet products and services)	Russia	0.0*
Consumer Discretionary		
Alibaba (E-commerce retailer)	China	1.9
Astra International (Auto business operator)	Indonesia	1.2
China Tourism Group Duty Free (Duty free services)	China	1.7
Coway (Consumer appliances manufacturer)	South Korea	0.6
Eclat Textile (Technology-based textile manufacturer)	Taiwan	1.9
Fuyao Glass (Automotive glass manufacturer)	China	0.5
JD.com (E-commerce retailer)	China	1.0
Li-Ning (Athletic footwear and apparel retailer)	China	1.2
Lojas Renner (Department stores operator)	Brazil	0.7
Magazine Luiza (Consumer products retailer)	Brazil	0.6
Maruti Suzuki (Automobile manufacturer)	India	1.7
Midea Group (Consumer appliances manufacturer)	China	1.3
Shenzhou International (Textile manufacturer)	China	1.7
Trip.com Group (Online travel services)	China	1.3
Consumer Staples		
Coca-Cola HBC (Coca-Cola bottler)	UK	1.7
FEMSA (Beverages manufacturer and retail operator)	Mexico	1.2
LG Household & Health Care (Cons. products mfr.)	South Korea	1.6
Walmart de México (Foods and cons. products retailer)	Mexico	1.8
Energy		
Lukoil (Oil and gas producer)	Russia	0.0*
Novatek (Natural gas producer)	Russia	0.0*
Tenaris (Steel-pipe manufacturer)	Italy	1.9
Financials		
AIA Group (Insurance provider)	Hong Kong	2.9
Al Rajhi Bank (Commercial bank)	Saudi Arabia	1.0
B3 (Clearing house and exchange)	Brazil	0.7
Banco Bradesco (Commercial bank)	Brazil	0.4
Bancolombia (Commercial bank)	Colombia	0.6
Bank Central Asia (Commercial bank)	Indonesia	1.3
Bank of Georgia (Commercial bank)	UK	0.5
Bank Rakyat (Commercial bank)	Indonesia	1.5
Commercial International Bank (Commercial bank)	Egypt	0.5
Discovery Holdings (Insurance provider)	South Africa	0.6
GF Banorte (Commercial bank)	Mexico	1.7
HDFC Bank (Commercial bank)	India	2.9
HDFC Corp. (Mortgage lender)	India	2.1

Financials	Market	End Wt. (%)
Itaú Unibanco (Commercial bank)	Brazil	1.5
Komerční Banka (Commercial bank)	Czech Republic	0.6
Kotak Mahindra Bank (Commercial bank)	India	1.8
Ping An Insurance (Insurance provider)	China	2.1
Sberbank (Commercial bank)	Russia	0.0*
SCB X (Commercial bank)	Thailand	0.6
Standard Bank (Commercial bank)	South Africa	1.2
XP (Broker dealer and financial services)	Brazil	0.6
Health Care		
CSPC Pharmaceutical Group (Pharma manufacturer)	China	1.0
WuXi AppTec (Biopharma manufacturer)	China	1.7
WuXi Biologics (Biopharma manufacturer)	China	0.9
Industrials		
AirTAC (Pneumatic-equipment manufacturer)	Taiwan	2.3
ASUR (Airport operator)	Mexico	0.6
CATL (Battery systems manufacturer)	China	1.0
Copa Holdings (Airline operator)	Panama	0.7
Inovance (Industrial controls manufacturer)	China	0.8
Localiza (Automobile rental services)	Brazil	1.3
Meyer Optoelectronic (Optical machine manufacturer)	China	0.8
Sanhua Intelligent Controls (HVAC and R parts mfr.)	China	1.3
Techtronic Industries (Power tools manufacturer)	Hong Kong	2.0
WEG (Industrial equipment manufacturer)	Brazil	0.9
ZTO Express (Express delivery services)	China	1.2
Information Technology		
ASM Pacific Technology (Semiconductor eqpt. mfr.)	Hong Kong	0.4
Aspeed (Electronic chip designer and manufacturer)	Taiwan	0.6
EPAM (IT consultant)	US	2.0
Hon Hai Precision (Electronics manufacturer)	Taiwan	0.7
LONGi (Solar power equipment manufacturer)	China	1.1
Network International (Electronic payment services)	UK	1.1
Samsung Electronics (Electronics manufacturer)	South Korea	4.7
Silergy (Electronics chips manufacturer)	Taiwan	0.9
Sunny Optical (Optical components manufacturer)	China	0.8
Tata Consultancy Services (IT consultant)	India	3.5
TSMC (Semiconductor manufacturer)	Taiwan	4.9
Materials		
Asian Paints (Paint manufacturer)	India	0.9
Real Estate		
Country Garden Services (Residential property mgr.)	China	0.3
Emaar Properties (Real estate developer and manager)	UAE	1.8
Utilities		
ENN Energy (Gas pipeline operator)	China	1.2
Cash		1.4

*Since March 7, we have valued our Russian holdings at effectively zero due to an inability to trade their shares and no observable market prices to use as proxies.

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4Q22 Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
AIA Group	FINA	2.1	–	0.46
AirTAC	INDU	2.3	0.1	0.44
Shenzhou International	DSCR	1.2	0.1	0.44
Tenaris	ENER	1.4	–	0.34
Eclat Textile	DSCR	1.7	<0.1	0.33

Last 12 Mos. Contributors to Relative Return (%)

Largest Contributors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
Tenaris	ENER	1.2	–	0.62
AIA Group	FINA	2.2	–	0.55
GF Banorte	FINA	2.0	0.3	0.53
Gazprom*	ENER	–	0.1	0.51
HDFC Bank	FINA	1.9	–	0.42

4Q22 Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
Magazine Luiza	DSCR	0.9	<0.1	-0.48
EPAM	INFT	1.7	–	-0.38
Astra International	DSCR	1.4	0.1	-0.36
Lojas Renner	DSCR	1.1	0.1	-0.34
Sanhua Intelligent Controls	INDU	1.4	–	-0.34

Last 12 Mos. Detractors from Relative Return (%)

Largest Detractors	Sector	Avg. Weight HL EM	Avg. Weight MSCI EM	Effect
Novatek	ENER	0.3	<0.1	-1.68
Lukoil	ENER	0.4	0.1	-1.59
Sberbank	FINA	0.3	0.1	-1.55
Yandex	COMM	0.2	<0.1	-1.20
EPAM	INFT	2.0	–	-1.04

*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] (%)	15.6	15.2
Return on Assets[1] (%)	8.9	6.5
Return on Equity[1] (%)	16.6	14.4
Debt/Equity Ratio[1] (%)	33.4	48.6
Std. Dev. of 5 Year ROE[1] (%)	3.6	4.3
Sales Growth[1,2] (%)	11.3	10.6
Earnings Growth[1,2] (%)	12.3	12.3
Cash Flow Growth[1,2] (%)	10.3	12.1
Dividend Growth[1,2] (%)	9.4	9.8
Size and Turnover	**HL EM**	**MSCI EM**
Wtd. Median Mkt. Cap. (US $B)	30.7	29.0
Wtd. Avg. Mkt. Cap. (US $B)	84.6	95.0
Turnover[3] (Annual %)	15.9	–

Risk and Valuation	HL EM	MSCI EM
Alpha[2] (%)	-1.45	–
Beta[2]	1.04	–
R-Squared[2]	0.92	–
Active Share[3] (%)	70	–
Standard Deviation[2] (%)	20.17	18.68
Sharpe Ratio[2]	-0.20	-0.12
Tracking Error[2] (%)	5.6	–
Information Ratio[2]	-0.31	–
Up/Down Capture[2]	103/107	–
Price/Earnings[4]	16.3	10.7
Price/Cash Flow[4]	12.3	7.6
Price/Book[4]	2.5	1.8
Dividend Yield[5] (%)	2.1	3.4

[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, gross of fees; MSCI Inc. Source (other characteristics): FactSet (Run Date: January 4, 2023, 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	Market	Sector
Al Rajhi Bank	Saudi Arabia	FINA

Positions Sold	Market	Sector
There were no completed sales this quarter.		

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 December 31, 2022)

	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)
2022[4]	-26.47	-27.10	-19.74	22.07	20.26	0.4	10	7,234	47,607
2021	-2.34	-3.19	-2.22	20.48	18.35	1.1	13	15,537	75,084
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

[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 2022 performance returns and assets shown are preliminary.

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 24 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 September 30, 2022.

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 September 30, 2022. The verification and performance examination reports 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.

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 1.05% annually of the market value for the first $20 million; 0.75% for the next $80 million; 0.70% for the next $100 million; 0.55% above $200 million. The management fee schedule and total expense ratio for the Emerging Markets Equity Collective Investment Fund, which is included in the Composite, are 0.90% on all assets and 1.00%, 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.

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