

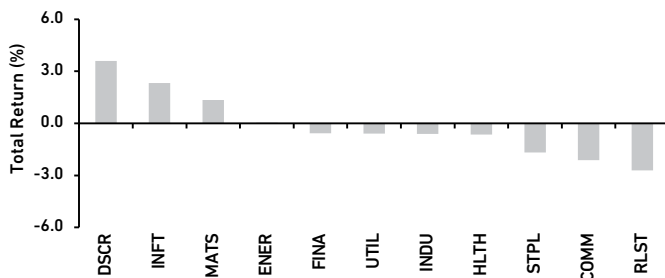
Regulatory reforms have drastically altered China's pharmaceutical industry over the last two years. In 2017, to weed out ineffective products, the government raised drug quality standards and upgraded its drug-approval process to resemble those of the US and Europe. Those changes tipped the playing field in favor of the country's highest-quality domestic manufacturers and by mid-2018 we held three such: **CSPC Pharmaceutical Group**, **Jiangsu Hengrui Medicine**, and **Sino Biopharmaceutical**.

Late last year, however, the regulators' focus shifted from quality to cost. Exercising its bargaining power, the government created a centralized formulary for publicly financed health plans. For their drugs to be included, companies have to win a competitive bidding process in which price is a key criterion. In the first round of bids, announced last November, price cuts were deeper than expected—exceeding 70% in some cases. Chinese pharmaceutical stocks plummeted.

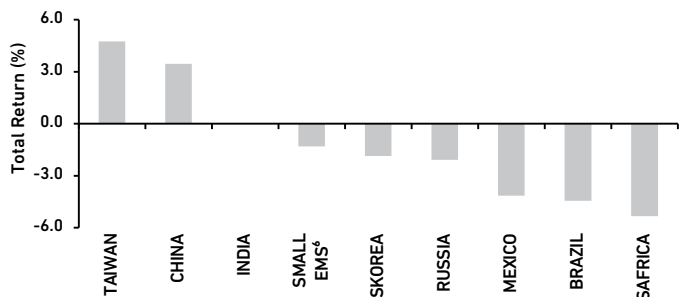
The latest regulatory changes have tempered our enthusiasm for China's drug industry. This month we sold one holding, **Jiangsu Hengrui**, believing its shares were too expensive. Many of its drugs are innovative and thus less subject to price competition, but it is not entirely insulated from the regulatory pressure. We continue to hold the other two, believing their shares are reasonably priced even in consideration of their reduced earnings-growth prospects.

PERFORMANCE (% TOTAL RETURN) FOR THE PERIODS ENDED FEBRUARY 28, 2019¹

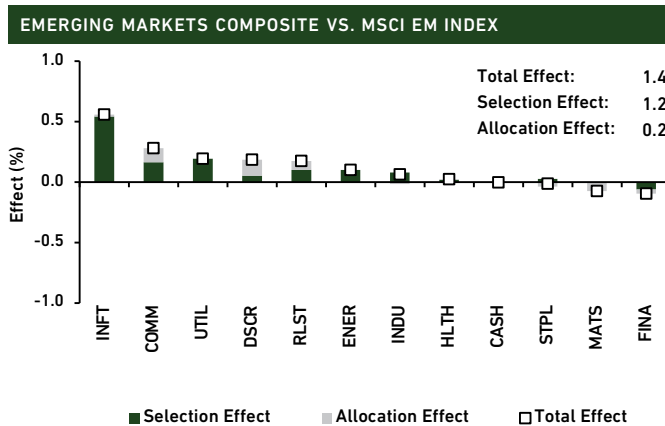
	1 MONTH	YTD	1 YEAR	3 YEARS ²	5 YEARS ²	10 YEARS ²	SINCE INCEPTION ^{2,3}
HL EMERGING MARKETS (GROSS OF FEES)	1.63	12.33	-10.11	15.35	5.54	12.87	12.58
HL EMERGING MARKETS (NET OF FEES)	1.58	12.16	-10.91	14.35	4.63	11.87	11.67
MSCI EMERGING MARKETS INDEX ^{4,5}	0.23	9.03	-9.54	15.46	4.51	10.69	9.11

BENCHMARK PERFORMANCE BY SECTOR – FEBRUARY


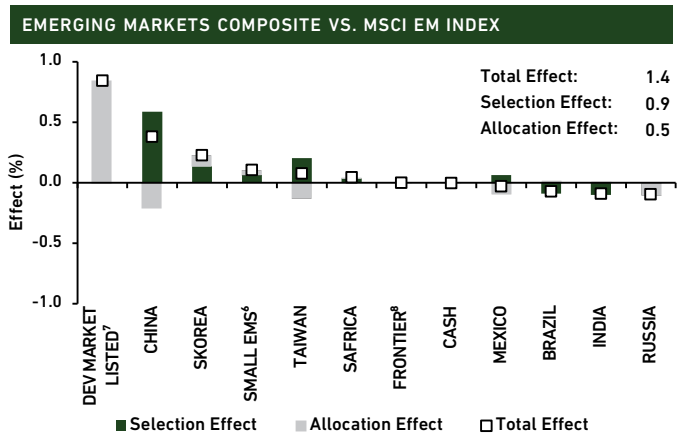
- Strong gains from leading Chinese e-commerce stocks like **Alibaba** and **JD.com** lifted Consumer Discretionary returns.
- Real Estate fell largely due to the decline in shares of large Chinese property companies as home sales have been slow so far this year.

BENCHMARK PERFORMANCE BY GEOGRAPHY – FEBRUARY


- South Africa's currency fell nearly 6% this month as the government announced a US\$5 billion bailout of the state-owned power company Eskom, whose financial straits have led to frequent rolling blackouts across the country.
- Greece rose nearly 6% as investors were cheered by its successful US\$2.9 billion bond issuance.

PERFORMANCE ATTRIBUTION BY SECTOR – FEBRUARY


- Strong stock selection in Information Technology was led by technology-services consultant **EPAM**, with operations centered in Eastern Europe. The company reported good quarterly results this month, including 29% year-over-year revenue growth.
- Our underweight in Communication Services and overweight in Consumer Discretionary were both helpful.

PERFORMANCE ATTRIBUTION BY GEOGRAPHY – FEBRUARY


- Investor anxiety about the US-China trade war eased as talks between the countries' trade representatives continued, buoying shares of Chinese manufacturers including **Sunny Optical**, **Han's Laser**, and **Hangzhou Hikvision**.
- Our relative underweight in China detracted from relative returns.

Please read the disclosures on the last page, which are an integral part of this presentation.

SECTOR EXPOSURE (%) AT FEBRUARY 28, 2019

SECTOR	HL EM	MSCI EM	(UNDER) / OVER THE BENCHMARK
CONS DISCRETIONARY	17.3	13.2	4.1
FINANCIALS	28.4	24.6	3.8
INFO TECHNOLOGY	16.7	14.6	2.1
CASH	2.0	—	2.0
CONS STAPLES	8.4	6.4	2.0
INDUSTRIALS	7.2	5.4	1.8
ENERGY	7.8	8.1	-0.3
UTILITIES	2.2	2.6	-0.4
HEALTH CARE	1.2	2.7	-1.5
REAL ESTATE	0.8	3.0	-2.2
COMM SERVICES	7.0	12.0	-5.0
MATERIALS	1.0	7.4	-6.4

GEOGRAPHIC EXPOSURE (%) AT FEBRUARY 28, 2019

REGION	HL EM	MSCI EM	(UNDER) / OVER THE BENCHMARK
DEVELOPED MARKET LISTED ⁷	5.0	—	5.0
RUSSIA	7.9	3.8	4.1
FRONTIER MARKETS ⁸	2.2	—	2.2
CASH	2.0	—	2.0
MEXICO	4.5	2.7	1.8
CHINA + HONG KONG ⁹	32.2	32.1	0.1
SOUTH AFRICA	5.7	6.1	-0.4
BRAZIL	7.0	7.6	-0.6
SMALL EMERGING MARKETS ⁶	11.6	14.4	-2.8
TAIWAN	8.0	11.2	-3.2
INDIA	4.4	8.4	-4.0
SOUTH KOREA	9.5	13.7	-4.2

ENDNOTES

(1) The February 2019 Composite performance shown is preliminary (2) Annualized returns (3) Inception date: November 30, 1998 (4) The Benchmark Index (5) Gross of withholding taxes (6) Includes the remaining emerging markets, which individually, comprise less than 5% of the Index (7) Emerging markets or frontier markets companies listed in developed markets, excluding Hong Kong (8) Includes countries with less-developed markets outside the Index (9) The Harding Loevner Emerging Markets Model Portfolio's end weight in China is 24.8% and Hong Kong is 7.4%. The Benchmark does not include Hong Kong.

SOURCES

Benchmark Performance: FactSet; MSCI Inc. and S&P.

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

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

DISCLOSURES

The Emerging Markets Composite contains fully discretionary, fee-paying accounts investing in non-US equity and equity-equivalent securities of companies domiciled predominately in emerging markets and cash reserves, and is measured against the MSCI Emerging Markets Total Return Index (Gross) for comparison purposes. Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has been independently verified for the period November 1, 1989 through December 31, 2018. Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policy and procedures are designed to calculate and present performance in compliance with GIPS standards. The Emerging Markets Composite has been examined for the periods December 1, 1998 through December 31, 2018. 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 and description of composites, which is available upon request.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Index consists of 24 emerging market countries. You cannot invest directly in this Index.

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

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

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