



October offered the fifth consecutive month of declines for emerging markets stocks. The MSCI Emerging Markets Index fell 27.4%, its worst monthly decline since August 1998. The Emerging Markets Strategy Composite fell 27.1%. Year to date, the Index has declined 53.0%, while the Composite is down 51.6%.

Investors drove stocks downward amid sharply worsening economic indicators and profit outlooks across the developing world. Losses were widespread, with all 25 national markets declining, and shares prices within all ten industrial sectors weakening. The Energy and Materials sectors were hit the worst, down 35% and 33% respectively, as oil and commodities prices continued to decline. Meanwhile, the less economically sensitive Health Care and Consumer Staples sectors, where the portfolio is overweight, outperformed the Index. European markets fell 35%, as smaller Central European countries that had been financing current account deficits with short-term dollar loans faced a sudden inability to borrow within global markets. Many Russian stocks were hit by similar concerns, and by weaker energy and commodity prices.

The overall outlook for corporate profit growth in emerging economies is unfavorable, we believe, as the credit crisis is likely to have a negative impact on economic growth for an extended period. We continue to focus on owning high-quality companies with strong balance sheets, superior growth potential (even amid a downturn), and competitive advantages within their industries. Such companies are likely to emerge even stronger after the downturn ends, and many can now be bought at compelling valuations.

We added to our Financials holdings this month, where we continue to focus on banks that follow sound lending practices and that should benefit from lower inflation and borrowing rates and widening credit spreads. We have been following one such bank, **Credicorp** of Peru, for a number of years. Credicorp has a strong

deposit-collection franchise and operates within a national banking system that still has significant growth potential.

We also took action to identify and sell companies that face undue risk from anticipated weakness in export markets. In particular, we sold Taiwanese chemicals company **Far Eastern Textile** on concerns about the declining outlook for garment makers in China, which buy roughly half the company's production of polyester fibers.

High-quality companies with strong balance sheets and superior growth potential are likely to emerge stronger after the downturn ends, and many can now be bought at compelling valuations.

The impact of exchange rate volatility upon balance sheets is another concern of ours, and this issue led us to sell two other companies: Russian telecommunications company **VimpelCom** and **Central European Media**. High credit spreads and a depreciating ruble mean VimpelCom is facing rising costs for its large dollar borrowings. Meanwhile, growth prospects for Central European Media will likely be constricted by the macroeconomic difficulties plaguing Central Europe. The weakening of currencies in the region could sharply impact consumer spending and thus reduce expenditures on product advertising, which is a key source of revenue for the company.

In October, Andrew West traveled to Mexico to meet with corporate and governmental leaders involved in transportation infrastructure. Margaret Kalvar met with the management of a number of consumer products companies in Russia. Also, Josie Lewis traveled to China and South Korea to meet with companies, with an emphasis on infrastructure-related businesses.

Returns (%) for the Periods Ending October 31, 2008

	Latest Month	Calendar YTD	Last 12 Months	Three Years ¹	Five Years ¹	Since Inception ^{1,2}
HL Emerging Markets (gross of fees)	(27.13)	(51.65)	(53.55)	0.36	12.28	14.43
HL Emerging Markets (net of fees)	(27.22)	(52.06)	(54.00)	(0.60)	11.12	13.60
MSCI Emerging Markets Index ³	(27.35)	(53.05)	(56.22)	(0.07)	9.87	9.26

¹Annualized returns; ²Inception Date is November 30, 1998; ³The benchmark Index.

The Emerging Markets Composite contains fully discretionary US Dollar-based emerging markets accounts investing in non-US equity and equity equivalent securities and cash reserves of companies domiciled predominantly in emerging markets countries. Harding Loevner LLC is an independent registered investment advisor. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has received a firm-wide GIPS verification by Ashland Partners & Company, LLP beginning November 1, 1989. The most recent verification was for the Quarter ending June 30, 2008. The Emerging Markets Composite has received a performance examination beginning November 30, 1998. Performance data quoted represents past performance; past performance does not guarantee future results. 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.

Bold indicates companies held in the portfolio during the month. The portfolio is actively managed; therefore holdings may not be current. They should not be considered recommendations to buy or sell any security.

HARDING LOEVNER LLC

50 Division Street, Suite 401 • Somerville, NJ 08876 • Tel (908) 218-7900 • Fax (908) 218-1915 • www.hardingloevner.com

Contributors to Returns (%) for the Month Ending October 31, 2008

Largest Holdings	Sector	Country	Portfolio Wt.
Samsung Electronics	Info Technology	South Korea	3.3
Petrobras	Energy	Brazil	3.2
Bharti Airtel	Telecom Services	India	2.8
Gazprom	Energy	Russia	2.7
China Mobile	Telecom Services	China	2.7
Largest Contributors	Sector	Country	Portfolio Wt.
China Insurance	Financials	China	1.3
Sociedad Quimica y Minera	Materials	Chile	1.3
Samsung Electronics	Information Technology	South Korea	3.3
Orascom Construction	Industrials	Egypt	1.6
Public Bank	Financials	Malaysia	1.4
Largest Detractors	Sector	Country	Portfolio Wt.
Petrobras	Energy	Brazil	3.2
Gazprom	Energy	Russia	2.7
Aracruz Celulose	Materials	Brazil	0.3
Israel Chemicals	Materials	Israel	1.7
Impala Platinum	Materials	South Africa	1.2

Source: Wilshire Atlas; Portfolio weight figure shown is the average percent over the period. The portfolio is actively managed; therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. Contributors and detractors are shown in order of contribution to the portfolio.

Sector and Geographical Allocation (%) at October 31, 2008

Sector	HL EM	MSCI EM	Over/Under the Benchmark
Cash	5.0	--	~5.0
Cons Staples	10.0	5.3	~4.7
Industrials	11.1	7.4	~3.7
Health Care	3.4	2.4	~1.0
Cons Discretionary	5.7	5.2	~0.5
Financials	21.1	21.5	~-0.4
Utilities	2.9	3.7	~-0.8
Info Technology	11.5	12.3	~-0.8
Telecom Services	11.3	13.2	~-1.9
Materials	7.6	12.8	~-5.2
Energy	10.4	16.2	~-5.8

Country	HL EM	MSCI EM	Over/Under the Benchmark
Other ¹	21.2	12.4	~8.8
Cash	5.0	--	~5.0
India	9.2	6.7	~2.5
Israel	3.7	3.3	~0.4
South Africa	7.2	7.2	0.0
Malaysia	2.9	2.9	0.0
Mexico	4.8	5.2	~-0.4
Russia	5.9	7.4	~-1.5
South Korea	10.5	13.5	~-3.0
China/Hong Kong	12.4	15.5	~-3.1
Brazil	10.1	14.2	~-4.1
Taiwan	7.1	11.7	~-4.6

¹ Includes the remaining 15 smaller emerging markets countries plus developed countries where some holdings that have operations and/or sales focused in emerging markets are domiciled.

Source: Wilshire Atlas; MSCI Barra. Portfolio holdings and sector and region allocations are supplemental information only and complement a fully compliant Emerging Markets Composite GIPS presentation, which is available upon request.