



The Global Equity Strategy Composite declined 18.4% for the month, versus a decline of 19.8% for the benchmark. Year-to-date, the Composite is down 35.9% while the benchmark has lost 40.0%.

The sharp declines in world markets this year have created a bleak picture for investors. But three silver linings have appeared amid the clouds, we believe: First, equity valuations by some measures are at their most compelling levels in years. For example, as of October 31, the average trailing P/E multiple for European companies listed in the FTSEurofirst 300 Index was nine (compared to 14 last year), while for Japanese companies listed in the Nikkei-225 Stock Average it was 11 (a year ago it was 20). The average trailing P/E in the MSCI Asia ex-Japan Index was eight (lowest since third-quarter 1998).<sup>1</sup> Second, for the first time in over forty years, dividend yields on common stocks exceed bond yields in Europe and Japan. Stock prices have fallen so low that they discount almost no growth in future dividends. And finally, short-term lending rates, as measured by the LIBOR overnight lending rate, the TED (Treasury-Eurodollar) spread, and various commercial paper rates, have been steadily declining since mid-October, when they reached historic highs. These declines are a positive sign that banks are becoming willing to lend again so that investment grade borrowers have access to short-term credit, which is critical to funding their ongoing operations.

### *Three silver linings have appeared amid the clouds.*

Portfolio performance during the month was driven by positive stock selection in Industrials and Materials and positive sector allocation in Health Care and Financials. Conversely, we saw poor stock selection in Telecom Services, Consumer Staples and Energy during the month.

**3M** was the standout in Industrials after the company posted rock-solid third quarter results. 3M is delivering continued

<sup>1</sup>Source: Bloomberg

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

	Latest Month	Calendar YTD	Last 12 Months	Three Years <sup>1</sup>	Five Years <sup>1</sup>	Ten Years <sup>1</sup>	Since Inception <sup>1,2</sup>
HL Global Equity (gross of fees)	(18.37)	(35.92)	(38.01)	(1.25)	4.07	4.63	8.35
HL Global Equity (net of fees)	(18.44)	(36.19)	(38.35)	(1.78)	3.52	4.00	7.59
MSCI All Country World Index <sup>3</sup>	(19.79)	(40.00)	(43.25)	(4.56)	2.63	1.60	5.18
MSCI ACW Growth <sup>4</sup>	(20.19)	(40.27)	(42.80)	(4.67)	1.50	(0.16)	--
MSCI ACW Value <sup>4</sup>	(19.40)	(39.78)	(43.78)	(4.55)	3.67	3.03	--

<sup>1</sup>Annualized returns; <sup>2</sup>Inception Date: November 30, 1989; <sup>3</sup>The benchmark Index; <sup>4</sup>Inception date of the MSCI ACW Growth and Value Indices is January 1, 1997.

The Global Equity Composite contains fully discretionary US dollar-based global equity accounts. 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 Global Equity Composite has received a performance examination beginning November 30, 1989. 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 Global Equity Composite, please contact Harding Loevner at (908) 218-7900 or visit [www.hardingloevner.com](http://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

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high margins in a very difficult operating environment while sustaining aggressive investment in R&D and product innovation critical to long-term earnings growth. The business is well diversified by sector and geography and its product portfolio is about evenly split between longer-cycle industrial products and shorter-cycle consumer products. 3M management believes that its financial strength is becoming a clear competitive advantage, as weaker competitors cannot gain access to financing—a point that is critical to us in our favorable assessment of 3M's ability to take market share across an economic cycle. Other industrials stocks that performed relatively well during the month included palm oil plantation owner/operator **Sime Darby** (Malaysia), robot manufacturer **Fanuc** (Japan) and industrial components producer **Emerson Electric** (US).

**América Móvil** and **Telekom Indonesia**, major wireless telephony operators in Latin America and Indonesia respectively, were particularly poor stocks in Telecom Services during the month, declining more than twice the sector average. We own these companies because of their leading market shares in large economies with above-average long-term growth rates. Growth for the telecom industry is slowing significantly in these countries at the moment, however, as aggressive price reductions to spur further cell phone market penetration have not led to a significant increase in minutes-of-use by consumers, whose incomes are currently under pressure. We believe earnings-growth prospects will improve for these companies as they roll out new services based on third-generation network technologies that should offer consumers better features while reducing network operating costs. In the interim, these companies appear exceptionally inexpensive to us.

Analyst travel in the month included Josie Lewis visiting a variety of small capitalization companies in South Korea and China; Alicia Damley meeting with the management of European financial companies in London; Andrew West investigating transport companies in Latin America, and Margaret Kalvar seeing an array of companies in Moscow.

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

Largest Holdings	Sector	Country	Portfolio Wt.
Cisco Systems	Information Technology	United States	3.0
Keyence	Information Technology	Japan	2.8
Nestlé	Consumer Staples	Switzerland	2.8
Abbott Labs	Health Care	United States	2.8
Emerson Electric	Industrials	United States	2.7
Largest Contributors	Sector	Country	Portfolio Wt.
Novo-Nordisk	Health Care	Denmark	0.3
So-Net M3	Health Care	Japan	1.4
Fresenius	Health Care	Germany	0.3
Roche Holding	Health Care	Switzerland	1.2
SAP	Information Technology	Germany	0.3
Largest Detractors	Sector	Country	Portfolio Wt.
Gazprom	Energy	Russia	2.4
Standard Chartered	Financials	United Kingdom	2.2
Schlumberger	Energy	United States	1.8
Cisco Systems	Information Technology	United States	3.0
Electronic Arts	Information Technology	United States	1.5

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 Global	MSCI ACW	Over/Under the Benchmark
Health Care	23.4	10.7	12.7
Info Technology	21.0	10.8	10.2
Cons Staples	13.1	10.5	2.6
Cash	1.0	--	1.0
Industrials	9.3	10.1	-0.8
Materials	5.4	6.4	-1.0
Energy	10.0	12.2	-2.2
Telecom Services	2.2	5.4	-3.2
Cons Discretionary	5.3	8.8	-3.5
Utilities	0.0	5.1	-5.1
Financials	9.3	20.0	-10.7

  

Region	HL Global	MSCI ACW	Over/Under the Benchmark
Pacific ex-Japan	5.9	3.7	2.2
Other <sup>1</sup>	2.1	--	2.1
Emerging Markets	10.5	9.1	1.4
Cash	1.0	--	1.0
Europe ex-EMU	14.7	13.8	0.9
Japan	10.2	9.6	0.6
Canada	2.3	3.6	-1.3
Europe EMU	10.4	13.4	-3.0
United States	42.9	46.8	-3.9

<sup>1</sup>Includes countries outside the benchmark where some holdings are incorporated.

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