



# HARDING · LOEVNER®

January 5, 2009

To Our Clients and Friends:

We are writing to tell you that our transaction with Affiliated Managers Group (NYSE: AMG), announced last July, was not completed in 2008 as had been expected. We explain why, and where it stands today.

You may recall that AMG had agreed to purchase a majority equity stake in our firm, subject to satisfaction of certain conditions. Over the remainder of 2008, we fulfilled those conditions, including that of obtaining the consent of our clients to the proposed transaction—among them, Harding, Loevner Funds, Inc., whose shareholders voted to approve it at a special meeting in November. We are gratified by our clients' expression of their overwhelming support for the proposal we put forward.

The transaction structure, typical of AMG's investments, was particularly attractive to us in that it provided assurance of Harding Loevner's operational autonomy, retained equity ownership by employees, and continuity of Harding Loevner's current managers (and their eventual successors) through long-term employment agreements. In the time intervening since the agreement, however, the financial logic of the transaction originally proposed has been undermined by the sharp decline in global markets. Revenues remaining after operating expenses, i.e., profits available to be divided between our employee-owners and a new, outside investor, will, in the near term, fall significantly below the levels earlier anticipated.

Harding Loevner and AMG have been discussing this issue over the past several months, and last week we mutually agreed to postpone a final decision to later this year. Our revised agreement was announced by AMG in a press release this morning, a copy of which is attached.

Under our revised agreement, Harding Loevner received the exclusive right to choose, throughout the second half of 2009, whether or not to proceed to completion of the transaction. The terms and structure of the transaction would closely resemble those that the parties originally agreed. Were we not to choose to proceed, the agreement and AMG's obligations would lapse and Harding Loevner would remain a wholly-employee-owned firm. Our decision will be taken in light of business and market conditions at the time and, as before, with careful consideration of the long-term interests of our clients and employees.

Market decline notwithstanding, Harding Loevner still turns a very healthy profit and, unlike many other investment management firms, we are in the fortunate position of neither having to reduce staff nor otherwise cut costs. In fact, Harding Loevner enters 2009 in the strongest overall position in our history—in terms of our financial, professional and managerial resources, the breadth, quality and performance of our products, and the strength of our client relationships—to address the opportunities and challenges facing us and our clients. AMG and we are as enthusiastic about the benefits of permanent affiliation as ever, and optimistic that it will yet come about. In anticipation of that outcome, we will shortly begin collaborating with AMG in areas with obvious synergies, such as in overseas marketing.

We will keep you informed of further developments, including any definitive decision to proceed with a transaction. In the meantime, we are very happy to answer your questions. Please be reassured that this postponement has no bearing on our personnel or on how we manage clients' assets. You can continue to count on our commitment to achieving the very best results that we can for our clients, whose confidence we greatly appreciate.

Sincerely,

David R. Loevner  
Chief Executive Officer

Simon Hallett  
Chief Investment Officer

Attachment

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