



The Emerging Markets Composite gained 10.0% in July, while the MSCI Emerging Markets Index (the "Index") rose 8.4%. This outperformance was the consequence of good stock picking, particularly in the Financials sector, where several of our banking stocks had strong gains. For the year the Composite is up 5.8%, while the Index is up 1.9%.

Markets rebounded from weakness in May and June that was partly a consequence of the expected economic fallout from policy tightening in China and excessive public indebtedness among some European Union members. Such concerns were assuaged in July after Chinese policymakers signaled that, while they would continue to combat property speculation, they anticipated continuing a relatively loose monetary policy. Meanwhile, Eastern European markets rebounded strongly as policymakers moved to tighten budgets and secure financing, diminishing somewhat concerns that a public debt crisis would spread through the region. Europe was the strongest region in the Index in US dollar terms, gaining over 13%, assisted by stronger currencies, particularly in Poland, Hungary, and the Czech Republic.

Reflecting a recovery of investor confidence, economically-sensitive sectors generally outperformed, as Financials, Industrials, Consumer Discretionary, and Materials each gained over 9%. In contrast, the lagging Health Care and Utility sectors gained 2% and 4% respectively.

We sold **China Communications Construction** this month after discussions with management failed to allay our concerns over the company's ability to improve its return on capital. Most disappointing to us was management's hint that the company's capital expenditures would be directed toward operations that the government (its largest shareholder) wanted, even if they were not the

optimum use of funds. Though the company is moving (slowly) to improve overall company margins and to reorient toward faster-growing businesses, we see the company's port construction and port machinery segments facing ongoing headwinds. We reinvested the proceeds from the sale in companies enjoying higher profitability, such as our existing investment in China's **Shandong Weigao**, a pharmaceutical company.

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In late July, we began exiting our position in Malaysia's **Public Bank** following the rise in the company's shares that occurred after it announced strong results and near record-high margins (the sale was completed in August). Around the time of this news, the Malaysian government announced it will be issuing five new banking licenses in an effort to spur competition, and may institute a rules change allowing foreign banks access to domestic ATM systems. Given the potential for higher competitive intensity in the future, we chose to sell before any such changes could affect Public Bank's profitability.

We reinvested the proceeds from our sales in several existing holdings, including Brazilian cosmetics and personal products maker and marketer **Natura Cosméticos**, Indian cement manufacturer **Ambuja Cements**, and Mexican airport operator **ASUR**, as well as **Shandong Weigao**.

Returns (%) for the Periods Ending July 31, 2010¹

	1 Month	Calendar YTD	1 Year	3 Years ²	5 Years ²	10 Years ²	Since Inception ^{2,3}
HL Emerging Markets (gross of fees)	9.96	5.77	24.14	-0.50	13.54	14.37	17.76
HL Emerging Markets (net of fees)	9.84	5.18	23.02	-1.41	12.47	13.39	16.88
MSCI Emerging Markets Index ⁴	8.40	1.85	20.24	-1.28	13.35	11.82	13.49

¹The July 2010 Composite performance shown is preliminary; ²Annualized returns; ³Inception Date is November 30, 1998; ⁴The 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 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 received a firm-wide GIPS verification by Ashland Partners & Company, LLP beginning November 1, 1989. The most recent verification was for the Quarter ending March 31, 2010. 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.

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 21 emerging market countries. You cannot invest directly in this Index.

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. 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.

Contributors to Returns (%) for the Month Ending July 31, 2010

Largest Contributors	Sector	Portfolio Weight	Contribution
Banco Bradesco	Financials	2.0	0.53
Vale	Materials	2.7	0.38
MTN Group	Telecom Services	1.7	0.35
Transneft	Energy	1.4	0.33
HDFC Bank	Financials	2.1	0.33

Largest Detractors	Sector	Portfolio Weight	Contribution
Pão de Açúcar	Cons Staples	1.3	-0.08
Dabur India	Cons Staples	1.2	-0.08
Hankook Tire	Cons Discretionary	0.7	-0.01
NTPC	Utilities	1.0	0.00
Taewoong	Industrials	0.4	0.00

The portfolio holdings identified above do not represent all of the securities held in the portfolio. 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 charts above; and (2) a list showing the weight and contribution of all holdings during the month. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance over the period. The portfolio is actively managed therefore holdings shown may not be current. They should not be considered recommendations to buy or sell any security.

Sector Exposure (%) at July 31, 2010

Sector	HL EM	MSCI EM Index	Over/Under the Benchmark
Cons Staples	16.0	6.7	9.3
Cons Discretionary	11.2	6.6	4.6
Health Care	3.4	0.8	2.6
Cash	2.5	-	2.5
Info Technology	14.1	12.9	1.2
Industrials	5.2	6.9	-1.7
Telecom Services	6.4	8.2	-1.8
Utilities	1.0	3.7	-2.7
Financials	22.5	26.1	-3.6
Energy	9.9	13.8	-3.9
Materials	7.8	14.3	-6.5

Geographical Exposure (%) at July 31, 2010

Country	HL EM	MSCI EM Index	Over/Under the Benchmark
Other ¹	20.0	9.6	10.4
Mexico	7.0	4.3	2.7
Cash	2.5	-	2.5
India	9.8	7.8	2.0
Russia	7.4	6.5	0.9
Brazil	16.1	16.2	-0.1
Indonesia	1.5	2.4	-0.9
South Africa	6.6	7.5	-0.9
Taiwan	9.4	10.7	-1.3
Malaysia	0.7	2.9	-2.2
South Korea	7.5	13.5	-6.0
China/Hong Kong	11.5	18.6	-7.1

¹ Includes the remaining 12 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 and S&P. MSCI 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. Portfolio holdings and sector/geographic allocations are supplemental information only and complement a fully compliant Emerging Markets Composite GIPS Presentation, which is available upon request.

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