



The Frontier Emerging Markets Composite rose 6.3% this month, while its benchmark, the MSCI Frontier Emerging Markets Index (“the Index”), rose 6.8%. Year to date, the Composite is up 13.0% compared to 10.0% for the benchmark.

Every region in the Index rose in July, with the exception of the Middle East. Sri Lanka was among the top performing markets following the announcement of the government’s budgetary reforms, which aim to increase investments in the country’s northern regions and reduce the overall deficit. Sri Lanka recently halved import taxes on automobiles and cut levies on electronic goods in an effort to spur economic growth to the government’s target of 7% this year. Moreover, the government announced that both corporate and personal income tax rates should be reduced in its new budget for 2010. The government expects faster economic growth should result in an increase in tax revenues and lower the budget deficit to 8% of GDP, down from 10% in 2009. Meanwhile, resettlement and redevelopment activities in the erstwhile war-ravaged northern region of Jaffna are progressing well. Tourism has been improving ever since the war ended in May 2009; according to government figures announced last month, tourist arrivals increased by 42% year-over-year in May of this year.

We are well positioned in Sri Lanka through **John Keells Holding (JKH)**. JKH has a strong competitive position in Sri Lanka and is the market leader in its transportation, leisure, and consumer businesses. JKH announced strong first quarter 2010 results last month. The company’s transportation business should continue to improve due to higher transshipment volumes into Indian ports, aided by improving trends in regional trade. As local tourism continues to improve, we expect JKH to do well with its portfolio of 860 city hotel rooms and 775 resort rooms in Sri Lanka. The company has a strong balance sheet as well as adequate liquidity to invest in growth opportunities in the rapidly growing northern region, in our opinion.

We recently visited Mauritius, an island nation of 1.3 million people and GDP of \$8.5 billion off the coast of East Africa. The Mauritian economy has three main drivers—Tourism, Sugar, and Financial

Services—and seems to be coming out of the slump experienced in 2009. Although still in early stages, the country’s economic rebound has been backed largely by better-than-expected results from the financial services industry, while the tourism industry remains weak. Despite the problems in tourism, economic indicators remain positive. Mauritius’s unemployment rate has been steady at about 7% and its budget deficit remains around 3%, while the current account deficit in 2010 is expected to be a relatively modest 7.9% of GDP.

Tourism in Mauritius has historically been dominated by European visitors, who typically constitute 66% of total tourist flows into the country annually. Europe’s financial problems have reduced the number of tourists from the continent, although African and Asian tourists have mostly picked up the slack. Per capita spending by this group is lower than their European counterparts, however, leading to the downgrading and discounting of services. The impact of lower tourist revenues over the last 18 months, has been very visible across the retail outlets, hotels and restaurants in the country.

Financial services are a key component of the Mauritian economy. Mauritius has a total of 14 tax treaties in place with African countries and with India, allowing a great deal of foreign investment into these countries to be routed through Mauritius. Foreign direct investment (FDI) flows into Mauritius have been strong this year. The country’s Board of Investment now forecasts that FDI inflows should reach MUR 10 billion in 2010, compared to MUR 8.7 billion last year.

Portfolio holding **Mauritius Commercial Bank (MCB)** is the largest bank in Mauritius with 45% market share of loans, almost twice the market share of its nearest competitor. The bank’s strong foothold in the local economy, combined with the aforementioned tax treaties, has enabled MCB to capture a large share of foreign capital flows into mainland Africa. Eighty percent of MCB’s lending is to corporate entities, resulting in high asset quality relative to its peers. MCB has consistently delivered a return on equity in excess of 20% and, in our view, has one of the best management teams in Africa.

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

	1 Month	Calendar YTD	1 Year	Since Inception ²
HL Frontier Emerging Markets (gross of fees)	6.29	12.97	26.98	-12.34
HL Frontier Emerging Markets (net of fees)	6.16	12.13	25.27	-13.46
MSCI Frontier Emerging Markets Index ³	6.79	9.97	13.83	-19.42
S&P Frontier Markets BMI	7.16	8.86	13.67	-22.89

¹The July 2010 Composite performance shown is preliminary ²Inception Date is May 31, 2008; ³The Benchmark Index.

The Frontier Emerging Markets Composite contains fully discretionary US dollar-based frontier emerging markets accounts investing in non-US equity and equity equivalent securities and cash reserves of companies domiciled predominantly in frontier and smaller 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 Frontier Emerging Markets Composite has not received a performance examination. 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 Frontier Emerging Markets Composite, please contact Harding Loevner at (908) 218-7900 or visit www.hardingloevner.com.

The MSCI Frontier Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index. The Index consists of 26 frontier markets and 5 emerging markets. The S&P Frontier Markets BMI Index measures the performance of relatively small and illiquid developing markets. The Index consists of 35 countries. You cannot invest directly in these Indices.

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 security 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
Katanga Mining	Materials	1.1	0.52
Bancolumbia	Financials	3.0	0.48
Banco Macro	Financials	1.7	0.44
Astarta	Cons Staples	1.7	0.32
John Keells Holdings	Industrials	1.3	0.28

Largest Detractors	Sector	Portfolio Weight	Contribution
Depa	Industrials	1.6	-0.14
Square Pharmaceuticals	Health Care	1.9	-0.07
Arab Bank	Financials	1.3	-0.04
Kazakhstan Kagazy	Financials	0.0	-0.03
Cementos	Materials	0.8	-0.02

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.

Geographical Exposure (%) at July 31, 2010

Region	HL FEM	MSCI FEM Index	Over/Under the Benchmark
Africa	30.9	18.8	12.1
Europe	14.8	6.4	8.4
Other ¹	1.5	—	1.5
Asia	15.0	12.5	2.5
Cash	1.5	0.0	1.5
Middle East	2.6	2.4	0.2
Latin America	18.2	27.8	-9.6
Gulf States	15.5	32.1	-16.6

Sector Exposure (%) at July 31, 2010

Sector	HL FEM	MSCI FEM Index	Over/Under the Benchmark
Cons Staples	12.3	3.1	9.2
Industrials	15.5	7.7	7.8
Cons Discretionary	7.8	0.8	7.0
Health Care	4.9	1.2	3.7
Cash	1.5	—	1.5
Info Technology	1.4	0.2	1.2
Utilities	3.4	3.4	0.0
Energy	4.6	7.4	-2.8
Materials	8.7	12.1	-3.4
Telecom Services	7.2	16.3	-9.1
Financials	32.7	47.8	-15.1

¹Includes countries outside the benchmark where some holdings that have operations and/or sales focused in frontier and small 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 Frontier Emerging Markets GIPS Presentation, which is available upon request.

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