



Composite Performance (%) For Periods Ending June 30, 2010¹

	3 Months	Calendar YTD	1 Year	Since Inception ²
HL Frontier Emerging Markets (gross)	-5.76	6.29	26.83	-15.32
HL Frontier Emerging Markets (net)	-6.07	5.64	25.13	-16.40
MSCI Frontier Emerging Markets Index ³	-6.09	2.98	11.83	-22.61
S&P Frontier Markets BMI	-8.18	1.59	7.24	-26.19

¹The Composite performance returns shown are preliminary; ²Inception Date: May 31, 2008; ³The Benchmark Index.

Please read the above performance in conjunction with the footnotes on the back page of this report. Past performance does not guarantee future results.

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 this Index.

Geographical Exposure (%)

Region	HL FEM	MSCI FEM Index	Over/Under The Benchmark
Africa	31.2	19.1	12.1
Europe	13.2	6.5	6.7
Other ¹	2.5	-	2.5
Cash	1.9	-	1.9
Asia	14.7	12.9	1.8
Middle East	2.8	2.6	0.2
Latin America	17.5	26.7	-9.2
Gulf States	16.2	32.2	-16.0

¹Includes countries outside the benchmark where some holdings that have operations and/or sales focused in frontier and small emerging markets are domiciled.

Sector Exposure (%)

Sector	HL FEM	MSCI FEM Index	Over/Under The Benchmark
Cons Staples	11.6	3.1	8.5
Industrials	15.7	7.5	8.2
Cons Discretionary	8.0	0.8	7.2
Health Care	5.1	1.2	3.9
Cash	1.9	-	1.9
Info Technology	1.5	0.2	1.3
Utilities	3.6	3.5	0.1
Energy	4.4	7.2	-2.8
Materials	8.1	12.1	-4.0
Telecom Services	7.3	16.4	-9.1
Financials	32.8	48.0	-15.2

Region and sector allocations are supplemental information only and complement the fully compliant Frontier Emerging Markets Composite GIPS Presentation. Source: MSCI 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.

Commentary Highlights

- Greek debt crisis led to sharp declines in European frontier markets, creating good buying opportunities in quality companies.
- Economic growth in Ghana should accelerate as new oil discoveries begin production within a year.
- Argentina successfully completes debt restructuring, renewing its access to capital markets.
- Colombia's improving growth outlook bodes well for infrastructure investments.
- New telecom holding provides exposure to the Philippines' healthy growth.

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Performance Summary

The Frontier Emerging Markets Composite declined 5.8% this quarter, while its benchmark, the MSCI Frontier Emerging Markets Index, declined 6.1%. Year to date, the Composite has risen 6.3%, ahead of the benchmark, which has risen 3.0%.

Market Review and Outlook

Equity markets worldwide fell in the quarter, mainly in response to the heightened perception that Greece would not be able to meet its near-term debt maturities, potentially dragging down its creditors in developed Europe. Greece's travails raised big questions about its frontier European neighbors' continued access to loans and ability to service their own substantial debts. This was evidenced by a widening of sovereign credit default swap spreads throughout emerging and frontier Europe, and double-digit stock market declines in anticipation of the consequences for corporate earnings of the harsh fiscal tightening now underway.

Still, returns ranged widely among frontier markets in the quarter, with Ghana, Kenya, Bangladesh, Sri Lanka, Colombia, and Peru rising strongly despite the ugly picture in Europe. The wide dispersion of returns points to the highly diverse nature of the markets that constitute the frontier emerging markets investment universe. As we saw this quarter, returns to stocks in frontier Europe and the Middle East are strongly correlated to returns in developed markets. Meanwhile, returns in sub-Saharan Africa, frontier Asia, and Latin America are much less correlated to the developed markets.

Market Performance (%)			
Region/Country	2Q 2010	Trailing 12 months	
	USD	USD	
Kuwait	-10.6	-10.6	
Colombia	3.6	53.8	
Peru	4.2	49.0	
Egypt	-13.2	11.0	
Philippines	3.1	37.7	
Qatar	-3.5	14.1	
UAE	-21.1	-4.8	
Nigeria	0.0	1.9	
Morocco	-3.8	-10.2	
Argentina	-6.1	46.7	
MSCI FEM Index	-6.1	11.8	

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2010)
Selected countries are the 10 largest by weight, representing 80% of the MSCI Frontier Emerging Markets Index.

Sector Performance (%) of the MSCI FEM Index

Sector	2Q 2010	Trailing 12 months
	USD	USD
Consumer Discretionary	-8.6	117.0
Consumer Staples	-4.7	70.6
Energy	-6.6	87.6
Financials	-6.6	80.7
Health Care	-0.3	41.7
Industrials	-3.7	59.3
Information Technology	-5.7	109.7
Materials	-7.0	108.4
Telecom Services	-2.2	25.5
Utilities	-1.3	56.8

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2010)

The wide dispersion of returns this quarter points to the highly diverse nature of the markets that constitute the frontier emerging markets investment universe.

Inflation is on a downward trend across frontier countries in sub-Saharan Africa, driven primarily by declining food prices. We therefore expect short-term interest rates to remain around current low levels in these countries. In fact, central banks in some African countries such as Ghana and Nigeria have cut interest rates significantly over the last year in order to stimulate domestic demand. This disinflationary trend augurs well for banks since they are likely to enjoy healthy growth in their loan portfolios. They may see higher net interest margins as well because there is ample liquidity in the economies and not much competitive pressure for deposits. Low interest rates and falling inflation could result in increased stock market valuations, as investors apply lower discount rates to future corporate earnings and dividends. This trend of strengthening financial condition is clearly different than in most developed markets, and presumably accounts for the uncorrelated returns seen in sub-Saharan Africa. Looking forward, rising domestic consumption and continuing infrastructure investments, aided by ample liquidity in their domestic banking systems, should continue to support growth in sub-Saharan countries like Ghana, Kenya and Nigeria.

Bold indicates companies held in the portfolio during the quarter. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings 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. A list of the ten largest holdings at June 30, 2010 is available on page six of this report.

Frontier Europe – Continuing to deleverage

For the past year, deleveraging has been the overarching theme and source of problems in eastern European countries like Ukraine and Kazakhstan. Through 2008, excessive borrowing by eastern European governments, companies, banks, and households left them highly leveraged and thus poorly positioned to withstand global recession, falling asset values, and prospects of continuing slow global growth. This year, Greece became the most dramatic example of the ill effects of excessive leverage when it became clear that its external debt of 176% of GDP could not be serviced nor its fiscal deficit of 8% of GDP funded without the help of the European Union and the International Monetary Fund (IMF). Revelation of Greece's financial position infected perceptions of other European countries. Investors feared that bailing out Greece could pose great fiscal and political risks to its rescuers, who are themselves struggling with their own fiscal challenges. Frontier European countries such as Romania and Croatia, whose capital markets have a large presence of Greek, Austrian, and French banks, were not immune, and their stock markets came under severe selling pressure.

The sell-off, however, presented us with some good buying opportunities in two high-quality Slovenian companies. **KRKA** is one of the fastest-growing generic pharmaceutical companies in Europe. The company has a significant pipeline of ready-to-deploy generic versions of proprietary drugs that are due to go off-patent between 2011 and 2013. KRKA has a high EBITDA margin of approximately 32% and a strong balance sheet, with a low debt/EBITDA ratio of 0.5x. KRKA's expansion into western Europe and Russia should support strong revenue and earnings growth over the next two years. We also purchased Slovenian white goods company **Gorenje**, which manufactures and sells a wide range of products tailored specifically to fulfill needs of customers in developing European countries. In our view, Gorenje is a well-managed company and its large distribution reach is a source of competitive advantage. We estimate that the company's earnings growth in the next two years will come predominantly from its distribution expansion into new markets in southeastern Europe and Russia.

Sub-Saharan Africa – New oil production signals accelerating growth in Ghana

This quarter we visited companies in Ghana, a country of 23 million people that is among the most stable democracies in sub-Saharan Africa. Ghana has recently been in the news due to the discovery of an estimated 1.8 billion barrels of oil in its Jubilee fields. Production is expected to start in December 2010. Government sources indicate that exploration activity in other areas like the Balta Basin could possibly reveal more oil reserves in the future. Adding to the good news in the oil & gas sector, Ghana's power sector is also likely to see a large inflow

of investments as the government plans to build power plants that use the natural gas produced in conjunction with oil. The IMF estimates that the growth of Ghana's \$15 billion economy should accelerate from 6.5% in 2010 to 10.5% in 2011, with the bulk of this growth driven by the oil sector. To further stimulate the economy, Ghana's Central Bank has steadily cut its policy rate, from 19% in February 2009 to 15% currently. Ghana's currency, the cedi, has been fairly stable against the US dollar since early 2009 due to steadily decreasing inflation—down from 24% in mid 2009 to 10% in June of this year—and further aided by Ghana's ample foreign exchange reserves, which are currently equivalent to \$3.2 billion or enough for three months of imports. There is a likelihood that the currency will appreciate over the next two years due to inflows of foreign currency in the form of direct foreign investment into oil exploration and production.

Ghana's most ominous macroeconomic issue has been its high fiscal deficit, which is close to 20% of GDP. However, steps taken by the government, such as public sector wage reforms and the beginning of oil revenues in 2011, should help to diminish the country's chronic fiscal problems. There is a possibility that the commencement of oil production could mark the beginning of large-scale corruption and asymmetric wealth distribution in Ghana, similar to the events played out in the more mature oil producing African countries like Nigeria. However, initial indications are that the Ghanaian government is working towards the prudent use of its oil wealth to develop the country's infrastructure. Ghana has also announced intentions to set up a sovereign wealth fund for investing its budgetary surpluses, which would accrue once Ghana's oil-linked revenues start. We consider this a positive step, especially considering that neighboring Nigeria still does not have a sovereign wealth fund despite having discovered oil more than 50 years ago. As a result, Nigeria has largely squandered its oil revenues earned over these years.

Rising domestic consumption and continuing infrastructure investments, aided by ample liquidity in their domestic banking systems, should continue to support growth in sub-Saharan countries.

The portfolio is invested in Ghana through our holding in **Ghana Commercial Bank (GCB)**. GCB began operations in 1953 and is now the country's largest bank, with 14% market share by assets and 157 branches. GCB is the main lender to the cocoa sector in Ghana, the world's second-largest exporter of the commodity. The Ghanaian government owns 51% of GCB, which we believe confers a formidable competitive advantage. GCB's government connections, its large balance sheet relative to peers, and its status as already the largest lender to the oil & gas sector position it to benefit from new investments in

this sector. GCB also stands to benefit from Ghana's expected accelerated economic growth and increasing banking penetration from its current low level, where only 10% of adults in the country are estimated to have bank accounts.

Latin America – Improving macroeconomic landscape

Argentina restructures debt

Argentina, which defaulted on nearly \$95 billion of external debt in 2001, has taken a positive step towards rectifying its international financial standing following the conclusion of a successful debt restructuring this quarter. Prior to this restructuring, Argentina held approximately US\$18.3 billion of eligible defaulted debt. Creditors holding 66% (US\$12.1 billion) of the eligible debt tendered in the recent swap at a price of 34 cents on the dollar. Both the acceptance rate and price were in line with Argentina's expectations. Completion of this restructuring allows Argentina to return to international debt markets, thus allowing the country more flexibility in funding its economy.

Argentina's debt restructuring this quarter allows it to return to international debt markets, thus allowing the country more flexibility in funding its economy.

We added to our investments in Argentina this quarter through a new position in **Banco Macro**. Banco Macro is the largest private sector bank in Argentina. It has a favorable competitive position, with over 80% of its 408 branches located in the interior of the country, giving it good exposure to towns and small cities where competition is light. More than half of Banco Macro's loan book is comprised of consumer loans, which are primarily payroll-linked personal loans. Asset quality for these loans is very high as the bank gets first access to the debtor's wages for any interest and principal that is due.

Colombia's presidential election removes political uncertainty

Former Colombian defense minister Juan Manuel Santos garnered 69% of the votes in a landslide victory in the country's recent presidential election. Santos has been a key member of outgoing President Alvaro Uribe's team, which is largely credited with Colombia's success in suppressing insurgencies as well as its rapid economic growth over the last eight years. Santos' victory stems any political uncertainty and is seen as a referendum supporting the continuation of current economic policies.

The Colombian economy has rebounded strongly: GDP and domestic demand grew 4% and 5%, respectively, year-on-year, in the first quarter of 2010. Underpinning this growth is household consumption, which increased 4%, and capital investment,

which grew 8%—the latter driven by the construction and mining sectors, which grew 16% and 13%, respectively. However, export volumes declined 6% during the quarter and are likely to be a drag on the economy for the balance of the year. Santos' victory is likely to aggravate tensions with leftist neighbors Venezuela and Ecuador, causing exports to these countries to likely decline further. Colombia's poor relations with its neighbors can be traced in part to its push to suppress drug trafficking and related corruption within its borders, a mission led by Santos that, for a time, spilled over into Venezuela and Ecuador. A potential positive catalyst for Colombian exports is the US-Colombia Free Trade Agreement (FTA), which could be approved by the US Congress in 2011. The Harvard-educated Santos has been a vocal proponent of closer trade relations with the US. The FTA would ease tariffs and improve Colombia's exports.


On the currency front, the Colombian peso has strengthened significantly over the last year. Foreign investment flows into Colombia are expected to exceed US\$10 billion this year, matching the all-time high reached in 2007. Further inflows of foreign capital threaten to strengthen the currency to below the 1900 peso/US\$ mark, sapping competitiveness and increasing the risk of capital controls. Inflation has remained under control and is likely to end the year below the Central Bank's target rate of 3%. Therefore, we expect the Central Bank to hold rates at the current 3% level.

The IMF estimates that the Colombian economy will grow 2% in 2010 and 4% in 2011. However, based on first quarter figures, economic experts at Colombia's National Association of Financial Institutions are now expecting roughly 5% growth in 2010.

The portfolio is exposed to growth in Colombian infrastructure investment through **Cementos Argos**. Cementos Argos is the largest cement company in the country with 51% market share. It has a strong competitive position in the domestic market and will likely be a major beneficiary of large government investments in roads, bridges, and tunnels. The company's newest plant, which began operation in December 2009, produces cement at half the cost of its older plants and should consequently improve margins significantly. Expansion into Caribbean countries is likely to be another contributor to earnings growth.

Asia – Political events dominate headlines in Philippines

Political uncertainty in the Philippines has subsided following the victory of Benigno S. Aquino III—son of national heroes "Ninoy" and Corazon Aquino—in the presidential election held this quarter. Aquino campaigned on a platform of improving transparency and reducing corruption in government, which resonated with investors. The Philippines score well on our



country assessment factors, due largely to its current account surplus of around 5% of GDP. The economy is experiencing 7% growth this year, perhaps the fastest rate in 30 years. A key to the Philippines' economic success is remittances from Filipinos working abroad, which, despite the global economic uncertainty, grew 6.6% year-over-year, in the first four months of 2010. These remittances account for approximately 10% of the country's GDP. Two other big components of the Philippine economy are its business process outsourcing and tourism sectors, both of which have been healthy this year.

A key to the Philippines' economic success is remittances from Filipinos working abroad, which account for approximately 10% of the country's GDP.

We bought a new position in **Philippine Long Distance Telephone Company (PLDT)** this quarter. PLDT provides fixed-line, wireless, and internet telecommunication services. It is the market leader in both the fixed-line business, with 60% market share, as well as in the wireless business, with 55% market share. PLDT has a strong balance sheet with net debt/EBITDA of 0.5x and a rich dividend yield of approximately 9%. The company has an excellent management team, in our opinion, and is competitively positioned within its industry.

Frontier Emerging Markets Ten Largest Holdings at June 30, 2010

	Country	Sector	End Weight (%)
Bancolombia	Colombia	Financials	2.8
Credicorp	Peru	Financials	2.6
Equity Bank	Kenya	Financials	2.5
Kuwait Investment Project	Kuwait	Financials	2.4
Safaricom	Kenya	Telecom Services	2.4
Jarir Marketing	Saudi Arabia	Industrials	2.3
Square Pharmaceutical	Bangladesh	Health Care	2.2
Home Product Center	Thailand	Consumer Discretionary	2.1
Almarai	Saudi Arabia	Consumer Staples	2.0
Cementos Argos	Colombia	Materials	1.9

Source: Harding Loevner Frontier Emerging Markets Model.

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Last Quarter**Largest Contributors (%)**

	Sector	Weight	Contribution
Equity Bank	FINA	2.1	0.71
Home Product Center	DSCR	1.7	0.41
Ghana Commercial Bank	FINA	0.5	0.25
Bancolombia	FINA	2.6	0.25
Managem	MATS	0.6	0.24

Largest Detractors (%)

	Sector	Weight	Contribution
Kuwait Investment Project	FINA	2.8	-1.04
Halyk Savings Bank	FINA	1.4	-0.52
Kazakhmys	MATS	1.2	-0.51
Arabtec Holding	INDU	1.2	-0.50
Diamond Bank	FINA	1.8	-0.45

Last 12 Months**Largest Contributors (%)**

	Sector	Weight	Contribution
Home Product Center	DSCR	1.4	2.12
Astarta Holding	STPL	1.8	2.04
Bancolombia	FINA	2.7	1.63
Credicorp	FINA	2.5	1.38
Safaricom	TCOM	2.3	1.24

Largest Detractors (%)

	Sector	Weight	Contribution
Kuwait Investment Project	FINA	1.7	-1.18
AccessKenya	INFT	0.9	-0.37
Arab Bank	FINA	1.8	-0.33
Cresud	STPL	0.6	-0.31
Douja Promotion Groupe	FINA	0.7	-0.30

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 quarter and the last 12 months. 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. Quarterly data is not annualized.

Portfolio Characteristics (%)¹

	HL FEM	MSCI FEM
Wtd Median Mkt Cap (\$Mil)	\$1,718	\$4,523
Return on Assets	5.0	3.4
Return on Equity	17.9	14.7
Std Dev of 5 Year ROE	4.4	4.5
Debt/Equity	29.0	29.5
Profit Margin	14.7	16.9
Sales Growth ²	25.7	23.9
Earnings Growth ²	5.0	2.8
CF Growth ²	11.1	4.3
Dividend Growth ²	6.1	0.9

Portfolio Characteristics

	HL FEM	MSCI FEM
Avg Wgted Mkt Cap (\$Mil)	\$3,850	\$7,933
Price/Earnings ³	14.1	13.7
Price/Cash Flow ³	10.4	9.1
Price/Book ³	1.9	1.7
Dividend Yield ³	3.1	4.1
Alpha ⁴	6.61	–
Beta ⁴	1.12	1.00
R-Squared ⁴	0.90	1.00
Sharpe Ratio ⁴	-0.08	-0.14
Standard Deviation ⁴	33.36	28.18

¹Weighted median; ²Trailing five years, annualized; ³Harmonic mean; ⁴Trailing two years.

Portfolio holdings, attribution and statistics are supplemental information only and complement the fully compliant Frontier Emerging Markets Composite GIPS Presentation. The portfolio is actively managed therefore holdings shown may not be current. Portfolio Holdings should not be considered recommendations to buy or sell any security.

Source: Wilshire Atlas (Run Date: July 8, 2010); Harding Loevner Frontier Emerging Markets Composite; MSCI Barra

Frontier Emerging Markets Composite Performance (as of June 30, 2010)

	HL FEM (Gross)	HL FEM (Net)	MSCI FEM Index ¹	Internal Dispersion ²	Number of Accounts	Composite Assets (\$M)	Firm Assets (\$M)
2010 YTD ³	6.29%	5.64%	2.98%	N.A. ⁴	1	22	6,703
2009	42.83%	41.02%	25.85%	N.M. ⁵	1	10	6,400
2008 ⁶	-53.41%	-53.77%	-54.74%	N.A.	1	5	3,266

¹The benchmark Index; ²Asset-weighted standard deviation (gross of fees); ³The 2010 YTD performance returns and assets shown are preliminary; ⁴N.A.—Internal dispersion is less than a 12-month period; ⁵N.M.—Information is not statistically significant due to an insufficient number of portfolios in the Composite for the entire year; ⁶2008 represents the partial year, June 1, 2008 to December 31, 2008.

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, and for comparison purposes is measured against the MSCI Frontier Emerging Markets Index (gross of foreign withholding taxes). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark index is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark index, including the percentage of composite assets invested in countries or regions not included in the Index, is available upon request.

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. You cannot invest directly in this Index.

Harding Loevner LP has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner is GIPS compliant and is verified by Ashland Partners & Company, LLP. Harding Loevner has received a firm-wide GIPS verification beginning November 1, 1989. The most recent verification was for the Quarter ending March 31, 2010.

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. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains. Past performance is not indicative of future results. Additional information regarding the policies for calculating and reporting returns is available upon request.

The US dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The standard fee schedule generally applied to Frontier Emerging Markets Equity accounts is 1.50% annually of the market value of up to \$20 million; 1.20% of amounts exceeding \$20 million. Actual investment advisory fees incurred by clients may vary.

The Frontier Emerging Markets Composite was created on May 31, 2008.

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