



HARDING · LOEVNER

Global Equity

Performance

Portfolio outperformed passive and active benchmarks.

Market Review

Returns on telecom, media and technology ('TMT') stocks in the 'new' economy reflect global investor frenzy.

The distinction between TMT stocks and all the rest is partly real and partly market fashion.

Portfolio Review

We continue to seek companies – in both the 'new' and 'old' economies – with enduring business models, sustainable prospects and justifiable valuations.

Activity

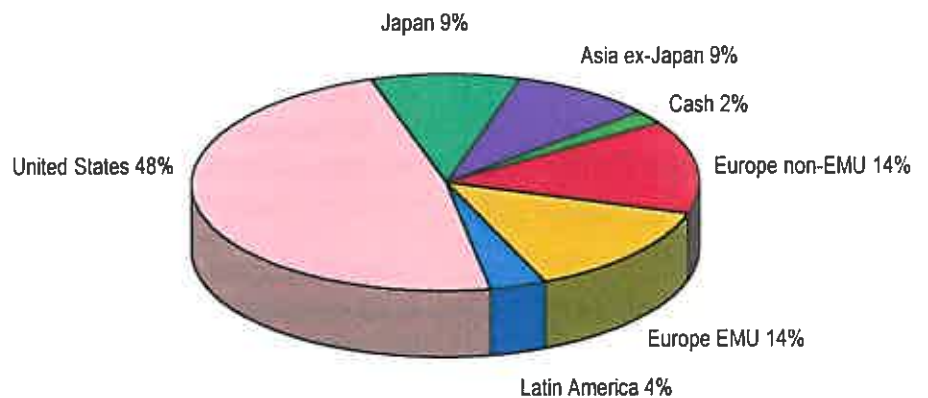
Bought: Asatsu, Enron, Getronics, Quanta Services, ServiceMaster, Shohkoh Fund, Suez Lyonnaise, Wal-Mart de Mexico.

Sold: Dover, Hirose Electric, Kimberly Clark de Mexico, Quilmes, SAP, Transocean Sedco Forex.

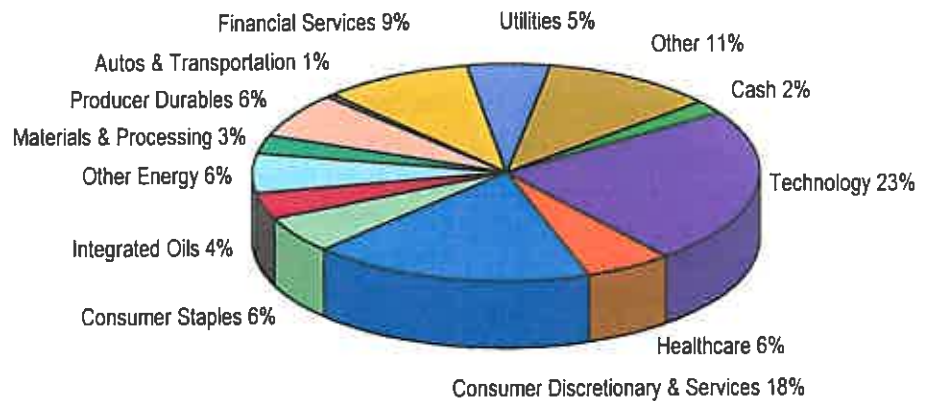
2000 First Quarter Report

The portfolio continues to deliver solid performance in an unprecedented period of share price divergence between companies in the 'new' economy and those in the 'old.'

Geographical Distribution



Sector Distribution



The charts above provide a 'snapshot' of the Portfolio at March 31, 2000.

*. . . Dow Jones
Industrial Average fell
5% . . . and the
NASDAQ rose 12% in
the quarter.*

*In Europe . . . by late
March, the growth
index outperformed the
corresponding value
index . . . by sixteen
whole percentage
points.*

Performance

The portfolio rose 5.7% in the quarter, outpacing the 1.3% return of the MSCI All Country World Index, and the 4.6% return of the Lipper Global Equity Fund Index. Until the last part of the quarter, investors continued their frenzied quest for companies in the 'new economy', loosely defined as those in the telecommunications, media, and technology ('TMT') sectors, and disdain for those in the 'old economy', loosely defined as all the rest.

Market Review

US stock indices reveal that dichotomy, with the 'old economy' Dow Jones Industrial Average falling 5%, the hybrid S&P500 index eking out a gain of 2% and the 'new economy' NASDAQ rising 12% in the quarter. This last was very volatile and suffered not one, but two corrections of more than 10% in the month of March. The two successive hikes in short-term interest rates by the Federal Reserve reflected its concerns that the strong economy and the buoyant stock market were likely to be stirring inflation pressures. The higher rates failed — at least until late in the quarter — to halt the speculative fervor for shares in TMT companies.

In Europe, the pattern was similar, except more pronounced. The MSCI Europe Index was flat during the quarter. By late March, the MSCI European *growth* index was outperforming the corresponding *value* index in the year to date by as much as sixteen whole percentage points. Markets whose indices are dominated by telecom companies, such as Sweden (with Ericsson) and Finland (with Nokia), up 18% and 12% respectively, were the strongest. Second market indices with concentrations of 'new economy' stocks and recent IPOs, such as Germany's Neuer Markt, up 33%, and France's Nouveau Marche, up 63%, rose even more dramatically than the NASDAQ. The UK and Switzerland, two markets whose large financial, pharmaceutical and food sectors far outweigh their 'new economy' TMT sectors were the weakest, both falling 6%.

The Japanese market behaved somewhat differently. The Nikkei 225 index — incorporating a large part of the 'old economy' — rose by 8% in the quarter, but the performance of TMT stocks was poor. Worst hit were the poster children of the new economy. Shares of many of the largest computer hardware and electronic components companies fell by more than a quarter. In Japan, the value half of the market rose, by 5%, while the growth half of the market fell 3% in the quarter.

Hong Kong joined in the world's Internet frenzy, formulating its own answer to the America Online-Time Warner merger. Just as upstart AOL

effectively took over long-established Time Warner, using highly priced paper to acquire recurring cash flows, so did Pacific Century Cyberworks ('PCCW') acquire phone monopoly Hong Kong Telecom. Of course, being Hong Kong, this deal was a parallel only up to a point. PCCW actually makes AOL look elderly, being less than a year old and having no customers, let alone profits. Rather, it owes much of its success to the China connections of its founder's father, Li Ka Shing, the controlling shareholder of **Hutchison Whampoa**. The Hong Kong market overall rose 1%, while Singapore fell 21%. The Taiwan stock market, volatile in the wake of the Presidential elections that led to hostile noises from China regarding 'independent' thinking, remained true to its technology character, rising 16% in the quarter.

We have seen, and written about divergent markets before: developed versus emerging market stocks, growth versus value stocks, large versus small company stocks. The divergence now is between companies that can generate some kind of e-commerce 'buzz' and those that cannot. The distinction is partly real, and partly market fashion: just as the Asian crisis was real, but its knock-on effects on stock prices of multinational companies were an over-reaction. Likewise, the small-cap versus large-cap divide partly reflected the reality that large companies had scale and financial muscle, but got carried to valuation extremes by market momentum. It *is* the case that nearly all companies will have to adapt to a world in which the Internet is both commonplace — in the sense of being interwoven into the way society interacts — and powerful — in the sense that its very nature will force changes in the habits of commerce. Companies whose managements adapt quickly will have an advantage, while those who adapt too slowly may perish. But the way forward is unclear, and billions will be misspent on solutions that are quickly superseded by others, faster or more elegant. Market fashion currently is set on surfing along these successive solutions, quick to jump to whichever holds out the most promise today, and to dump whichever promises of yesterday ring hollow today. Change is inevitable, but the present rate of change is perilously rapid.

Portfolio Review

Persuading investors that a company is in the sweet spot of the Internet revolution has become one of its management's most important — and most rewarding — communication tasks. Witness a few of this quarter's announcements by our portfolio companies: **Li and Fung** announced that their internet procurement platform would allow them to source economically manufactured products from their third world contacts for much smaller developed world buyers than they ever were able to

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countenance before. The market rewarded them with a 23% share price rise within 48 hours, despite their selling new shares at the same time. We reduced our holdings in the company. A new holding, **Enron**, announced that they would extend their gas and electricity trading activities into the telecommunications arena, and begin to trade units of capacity on fiber optic networks ('bandwidth'), and their stock rose 69% in the quarter. When a subsidiary of **Thermo Electron** was discovered to have a laser-based solution to switching data along optical networks, Thermo saw its stock rally 70% in six trading sessions. We have reduced our holding in Thermo.

Woe to the management that fumbles the propaganda job, quite apart from the job of getting the strategy itself right. **Wolters Kluwer** has spent years and millions making its tax, legal, medical and other professional knowledge content readily available to subscribers in multiple formats: print, CD-ROM, and on-line. But they have underestimated the pace at which all formats are fading next to the internet format, and also have not adapted quickly enough to the alternative revenue models that the Internet is making possible or even, perhaps, necessary. Its board replaced the CEO with an in-house rival whose calls for a faster pace were being ignored. The stock market has punished Wolters' shares, worrying that its valuable content may be imitated by new entrants who can capitalize on the level playing field brought about by the zero marginal costs of internet delivery of information. The lesson is that companies that don't move quickly to adapt to the new medium are in danger of squandering competitive barriers they have built up over decades.

Allow us a sidebar here about accounting — specifically, about the consequences of accounting for e-strategy expenditures as higher expenses rather than as venture capital investments. They are, after all, mostly software and marketing expenditures. Wolters Kluwer has warned that its decision to accelerate its internet delivery program will cost two years of earnings growth because of the added software expense. But other companies have dealt with this in a more 'creative' way. They have taken the same development funding, and started a dot.com venture, perhaps jointly with a software company with technical knowledge but no cash. This clever device allows them to capitalize what is essentially a software expense as an investment. When (and if) the product or service is ready and viable, they may contract to use it, and also float the company on the stock market. In the current environment, the market is punishing the former, and rewarding the latter accounting treatment. Last year we faced a similar growth postponement issue with **SmartForce** (the old CBT) moving to an internet revenue model from a contract revenue model, and chose to look through the accounting change, and so far we are doing the same with Wolters Kluwer.

One trend amidst all this frenzied surfing from solution to solution that does appear enduring to us is the expanding capability of massive data transfers via the Internet, such that video images can be transmitted rapidly and cheaply. This advent of 'broadband' will inevitably lead to the delivery of video-on-demand in the near future, a development that has dramatic implications for many companies. The value of media content — particularly video entertainment content — will continue to rise as the delivery of it becomes better, cheaper, and faster. We have invested in **CBS**, which has decades of TV production experience, and in **Televisa**, the world's largest producer of Spanish language television programming. The companies that can best deliver those massive amounts of data will control the most rapidly growing part of the telecommunications revenue pie. We own **WorldCom** and **Qwest** (through **US West**), two of the most aggressive data transmission companies operating (and investing) in the world today. Companies that enable better delivery will prosper. **Enron** has demonstrated that it can improve capacity utilization of both gas pipeline and electricity generation assets and transmission networks with its trading and optimization expertise, and has vowed to do the same to data transmission networks. **Quanta Services**, another new holding, is one of the largest service providers to utility and telecom transmission companies, supplying the logistics of installation for all the miles of new transmission capacity that the various players are scrambling to build. If that data can be transmitted without wires, wireless companies that can deliver or enable that transmission will grow beyond current estimates. We own **Ericsson**, whose wireless infrastructure division will supply a large portion of the required equipment.

Companies who create new businesses that were impossible before broadband will reap large fortunes. One such business has been created by **Pearson**, the owner of the Financial Times, which now offers company managements in, say, Stockholm, the ability to hold an investor conference with analysts all over the world, complete with management speeches, slide presentations and live Q&A. Another such business will be built by **SmartForce**, which has recognized that the Internet provides it with a tremendous delivery platform for its training software, putting it in pole position to exploit a potentially huge market for remote learning. Finally, we own **Sony**, which not only owns large film, game, and music programming and production assets, but makes sophisticated, yet popular, hardware for enjoying them — both of which it is moving aggressively to integrate with the new cable, internet, and wireless delivery channels. This position at the nexus of content and delivery is unique.

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We have previously written about the grave threat that the Internet poses to financial services companies, and why we have avoided large exposures to the sector. We own only three banks in the portfolio: **Wells Fargo**, the US bank with the highest number (and percentage) of internet banking customers; **Standard Chartered**, a UK domiciled bank with nearly all of its operations in the recovering Asian economies; and **Fuji Bank**, one of the three partners in one of the most ambitious merger/restructurings ever attempted in Japan. This quarter, the sector performed very poorly in almost every national market through the end of February — but was joined in lockstep, it seemed, with poorly performing stocks in other sectors, such as drugs, foods and consumer staples, which do not face the same threat. This financial sector slump coincided with the inversion of the yield curve as Mr. Greenspan's rate hikes at the short end were countered with the US Treasury's plans to buy back long term bonds. Hence, we are forced to ponder what portion of this poor performance is due solely to the competitive landscape changing, and what portion is a result of rising discount rates. We are looking for bargains in the sector, companies whose business franchises will withstand the threats more robustly, but whose share prices have been sold off indiscriminately with the rest.

We continue to own a number of what some call the 'arms dealers' in the war to dominate cyberspace — **Sun Microsystems, Oracle, IBM, HP, and Intel** — which have been excellent stock market performers, even by TMT standards, rising on average by 29% in the quarter. These companies' current rapid growth is propelled by the imperative facing all companies of adapting to an e-commercial world. But just how far into the future that growth can be forecast to continue is the subject of much debate within our firm. Their stocks' valuations, and, hence, our investment decision-making, are critically dependent on that single assumption.

Indeed, if there is a common thread to the transactions we have made in the first quarter, it is the thread of valuation and sustainable growth. We have begun to lean against the prevailing wind, selling shares of some of the most dramatically highly-priced TMT companies amongst our holdings, while adding to less aggressively-priced companies. These latter include sensible companies who have not yet achieved an 'e-buzz', and companies whose business models, while firmly 'old economy,' are not threatened by the advent of the Internet and broadband.

Activity

We have made an unusually large number of transactions this quarter, as we have tried to lock in profits on shares that have appreciated beyond

levels that would discount even optimistic assumptions about their fundamental performance.

We sold complete holdings of **Hirose Electric**, the Japanese electronic components maker, **SAP**, the German enterprise software writer, and **Dover**, the US diversified capital goods maker, while reducing holdings in **Li & Fung**, **Luxottica**, **Pearson**, **Sony**, **Thermo Electron**, and **WPP** — all for price reasons.

We also sold:

Kimberly Clark de Mexico, whose margins on the sale of their popular consumer goods are shifting to large scale distributors, and **Quilmes**, the Argentine brewer, which has not met our expectations of volume growth, *in order to buy Wal-Mart de Mexico* (formerly Cifra), Mexico's largest food retailer. Walmex operates a nationwide chain of over 200 hypermarkets, grocery stores, department stores, and restaurants, and is 51% owned by Wal-Mart. Despite aggressive store expansion over the past three years, the company still has over \$200 million in net cash on the balance sheet. The company benefits from dominant market share, strong technology and financial strength. Management has an impressive track record of prudently expanding the business throughout the economic cycle. Its hypermarket format capitalizes on moving large volumes across a controlled cost base, achieving lower prices for the consumer and better operating margins for the company; and

Transocean Sedco Forex, the oil drilling company received as a share distribution from Schlumberger. Our interest in Schlumberger has always laid in its technological expertise rather than in its drilling capacity, so we welcomed the opportunity to hold just the former and sell the latter.

We bought:

Asatsu DK, Japan's third largest advertising company, and the only one that is publicly listed, using proceeds from the partial sale of WPP, which happens to own 20% of it. Asatsu has a reputation for innovation that has led to gradually increasing market share in Japan. Its tie-up with WPP is designed to enable it to extend its services to Japanese multi-nationals in overseas markets, and to benefit from WPP's undoubted expertise in 'below the line' activities. Japan's advertising market is relatively undeveloped by Western standards, but growth will be driven by deregulation and the subsequent need to establish brand leadership in a series of industries ranging from healthcare to telecommunications;

Enron, the world's largest provider of energy management solutions. Enron combines expertise in sourcing, delivery, pricing and hedging to

We sold six companies, reduced another six, bought eight new companies, while adding to three holdings.

provide lower cost energy solutions to customers that had previously been dealing with regulated, often monopoly, energy suppliers, or else producing their own supplies. Enron allows customers to outsource completely their energy management functions, including the management of generation or production assets. The company has a strong presence in the US, Europe and Latin America, and is expanding rapidly in Asia, in an effort to capitalize on the global trend toward energy deregulation, a trend that is strong and durable, largely because the benefits to the consumer are both large and measurable;

Getronics, the Dutch IT maintenance and network integration services company, using the sale proceeds from SAP. Getronics recently doubled its size by acquiring Wang, the US-based hardware maintenance and IT service company. The combined company will improve its product mix with more high margin, non-maintenance related IT services, such as network management services, cross selling services to each other's customer base and offering global services to large companies from its expanded geographical base;

Quanta Services, a leading US provider of specialized contracting services to electric utilities, telecom and cable operators, and government entities. Deregulation in the electric utility industry is forcing companies to cut costs, but also to upgrade and expand their networks, and often to enter the telecommunications business. Meanwhile, the potential for delivering broadband services is driving many telecom and cable providers to lay extensive fiber optic cable networks. Quanta's growth is being driven by these strong secular trends, combined with that of increased outsourcing of this (and other) non-core functions;

ServiceMaster, the diversified business and consumer service company. ServiceMaster's collection of office cleaning, lawn care, and pest control services have provided high recurring revenues, strong cash generation and consistent earning for many years. Three quarters of its revenue is underpinned by long-term contracts. Recent acquisitions provide an expanded platform for growth and give the company large scope to leverage its customer base, logistics infrastructure and geographic reach by efforts to cross-sell and bundle services. We believe ServiceMaster will continue to generate mid-teens earnings growth, a growth rate not reflected in the share price;

Shohkoh Fund, a non-bank lender to small and medium-sized Japanese companies. Its focused attention on this diverse niche of customers, who have traditionally been ignored by Japanese banks, has allowed the company to grow assets and earnings during the past decade, when financial services generally have been contracting in Japan. It has a wealth

of credit experience and data in lending to small companies, and modern credit scoring practices. Led by an aggressive, entrepreneurial CEO, Shohkoh Fund has been well placed to grow its business rapidly, while earning high interest spreads for taking higher credit risks, a rarity in Japan. A scandal involving illegal loan collection practices of a competitor and negative publicity regarding its own loan guarantee policies have driven away loan business, and collapsed the valuation to one that implies much lower earnings growth than the company has historically been able to achieve; and

Suez Lyonnaise des Eaux, a leading European multi-utility company focused on electricity, gas, water and waste management. In addition, Suez is the largest cable TV operator in France and Belgium. Suez is rapidly evolving from an overly diversified conglomerate into a focused, shareholder-friendly utilities group. The company is well placed to benefit from growth opportunities created by deregulation and privatization in the global electricity, gas and water markets, and has adopted strict return on capital and expense control disciplines. In our opinion, Suez has the management vision, critical mass and financial strength to capitalize on the opportunities that deregulation will offer.

We added to holdings of **US West**, **MCI WorldCom**, and **Pfizer**, taking advantage of price weakness.

Global Equity Holdings as of March 31, 2000

| Company | Country | Weight (%) | Sector | Description |
|-------------------------|---------|------------|-----------------------------------|--|
| Hutchison Whampoa | HK | 3.4 | Other | Ports, telecom, & property conglomerate |
| Intel | US | 3.3 | Technology | Global leader in semiconductor manufacturing |
| Enron Corp | US | 3.2 | Other Energy | Integrated natural gas & electric company |
| Oracle | US | 3.2 | Technology | Leader in database management software |
| Tyco Intl | US | 2.7 | Producer Durables | Global industrial products manufacturer & supplier |
| Schlumberger | US | 2.6 | Other Energy | Petroleum industry service & equipment supplier |
| Pfizer | US | 2.6 | Healthcare | Pharmaceutical, veterinary & chemical company |
| Investor | SWED | 2.5 | Other | Industrial holding company |
| Sony Corp. ADR | JAP | 2.5 | Consumer Discretionary & Services | Global entertainment media corporation |
| CGIP | FRA | 2.2 | Other | Investment holding company |
| Ericsson ADR | SWED | 2.2 | Technology | Wireless communications equipment supplier |
| Sun Microsystems | US | 2.2 | Technology | Leader in internet computing |
| Royal Dutch Pet ADR | NETH | 2.2 | Integrated Oils | Global integrated oil company |
| SmartForce ADR | IRE | 2.1 | Technology | Leader in computer software training |
| IBM | US | 2.1 | Technology | Large integrated information technology company |
| American Int'l Group | US | 2.0 | Financial Services | Insurance holding company |
| Fujitsu | JAP | 2.0 | Technology | Leading computer services firm |
| Colgate | US | 2.0 | Consumer Staples | Global consumer products company |
| CBS | US | 2.0 | Consumer Discretionary & Services | Leading diversified media company |
| Li & Fung | HK | 2.0 | Consumer Discretionary & Services | Trading & logistics company |
| US West Communications | US | 1.9 | Utilities | Traditional telephone company |
| Allied Capital | US | 1.8 | Financial Services | Financial institution providing small business loans |
| Rio Tinto Ltd. | UK | 1.8 | Materials & Processing | World's largest diversified mining company |
| Baxter International | US | 1.8 | Healthcare | Medical products supplier |
| ABB Ltd. | SWITZ | 1.8 | Producer Durables | Global engineering & equipment maker |
| Mitsubishi Corp | JAP | 1.7 | Consumer Discretionary & Services | Leading trading company |
| Honeywell Intl | US | 1.7 | Technology | Industrial & engineering conglomerate |
| Jardine Strategic | SING | 1.6 | Other | Jardine Group investment holding company |
| Exxon Mobil Corp | US | 1.6 | Integrated Oils | Global oil company |
| Atlantus Japan | JAP | 1.5 | Other | Closed-end fund of small Japanese companies |
| Wells Fargo | US | 1.4 | Financial Services | Large commercial bank |
| Quntiles | US | 1.4 | Healthcare | Outsourcing partner for healthcare companies |
| Getronics | NETH | 1.4 | Technology | Computer products & services provider |
| Telefonos de Mexico | MEX | 1.4 | Utilities | Provider of telecommunications services |
| Taiwan Semiconductor | TAIW | 1.3 | Technology | Large dedicated IC foundry |
| Nestlé Reg ADR | SWITZ | 1.3 | Consumer Staples | World's largest food company |
| AXA | FRA | 1.3 | Financial Services | Global insurance company & asset manager |
| Quanta Services | US | 1.3 | Producer Durables | Utility contracting company |
| Grupo Televisa GDR | MEX | 1.2 | Consumer Discretionary & Services | Large Spanish-speaking media company |
| WPP Group | UK | 1.2 | Consumer Discretionary & Services | Advertising & marketing services company |
| Pearson | UK | 1.2 | Consumer Discretionary & Services | Print & broadcast media company |
| Wm. Wrigley | US | 1.2 | Consumer Staples | World's largest chewing gum maker |
| Unilever NV | NETH | 1.2 | Consumer Staples | Leading consumer products manufacturer |
| Rentokil Initial | UK | 1.2 | Consumer Discretionary & Services | Global business services provider |
| Hewlett-Packard | US | 1.1 | Technology | Global computing, measurement, & communications device maker |
| MCI Worldcom | US | 1.0 | Utilities | Global telecommunications provider |
| Johnson Electric | HK | 1.0 | Producer Durables | Maker of precision motors |
| Fannie Mae | US | 1.0 | Financial Services | Government-sponsored mortgage agency |
| Wal-Mart de Mexico | MEX | 1.0 | Consumer Discretionary & Services | Leading food retailer |
| Suez Lyonnaise | FRA | 0.9 | Utilities | Leading multi-utilities company |
| Air Products | US | 0.9 | Materials & Processing | Industrial gas company |
| Thermo Electron | US | 0.9 | Technology | Maker of environmental & biomedical instruments |
| Wolters Kluwer | NETH | 0.9 | Consumer Discretionary & Services | Legal, tax, medical & business news publisher |
| Standard Chartered Bank | UK | 0.9 | Financial Services | Multinational commercial bank |
| Bic | FRA | 0.8 | Consumer Discretionary & Services | Consumer goods producer |
| Asatsu | JAP | 0.8 | Consumer Discretionary & Services | Large advertising company |
| ServiceMaster | US | 0.8 | Consumer Discretionary & Services | Cleaning services company |
| Luxottica | ITA | 0.7 | Consumer Discretionary & Services | Low cost producer of eyeglass frames |
| Wisconsin Central | US | 0.7 | Autos & Transportation | Global railroad operator |
| Fuji Bank | JAP | 0.6 | Financial Services | Japan's largest bank |
| Shohkoh Fund | JAP | 0.2 | Financial Services | Commercial & industrial financier |

Global Equity Composite Performance

As of March 31, 2000

| | Annualized Returns for Trailing Periods (%) | | | | Volatility** | | | | | | |
|---|---|---------|---------|----------|------------------|---------|---------|--------|--------|--------|--------|
| | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception* | | | | | | |
| Global Equity (gross of fees) | 44.7 | 18.6 | 17.7 | 15.0 | 17.5 | | | | | | |
| Global Equity (net of fees) | 44.1 | 17.8 | 16.8 | 14.2 | 16.6 | | | | | | |
| MSCI All Country World Index*** | 24.0 | 21.2 | 18.5 | 13.3 | 14.1 | | | | | | |
| Lipper Global Fund Index | 36.3 | 21.6 | 19.5 | 13.7 | 14.9 | | | | | | |
| | * Inception Date: 11/30/89 ** Annual Standard Deviation (%) *** Benchmark Index | | | | | | | | | | |
| | Calendar Year Returns (%) | | | | | | | | | | |
| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
| Global Equity (gross of fees) | 5.7 | 38.9 | 2.3 | 11.0 | 17.3 | 19.0 | 0.0 | 24.3 | 8.9 | 29.4 | 7.9 |
| Global Equity (net of fees) | 5.6 | 38.2 | 1.6 | 10.1 | 16.3 | 18.0 | -0.9 | 23.2 | 8.1 | 28.3 | 7.0 |
| MSCI All Country World Index*** | 1.3 | 27.3 | 21.7 | 14.7 | 13.1 | 18.2 | 5.4 | 25.5 | -4.3 | 19.5 | -17.2 |
| Lipper Global Fund Index | 4.6 | 33.7 | 14.6 | 14.0 | 16.3 | 14.0 | -2.2 | 32.8 | 0.1 | 20.3 | -9.1 |
| | Composite Information | | | | | | | | | | |
| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
| Total market value of accounts (\$M) | \$101.2 | \$95.7 | \$176.3 | \$224.3 | \$188.0 | \$146.7 | \$112.4 | \$80.2 | \$63.3 | \$41.8 | \$15.3 |
| % of total firm assets | 7.2% | 6.8% | 12.9% | 16.5% | 15.1% | 23.4% | 30.5% | 31.8% | 39.3% | 30.0% | 26.6% |
| Number of accounts | † | † | 11 | 15 | 13 | 13 | 17 | 16 | 14 | 12 | † |
| Internal dispersion: standard deviation | NA | † | 1.7% | 1.5% | 0.8% | 2.0% | 1.4% | 6.5% | 2.1% | 2.5% | † |

† Fewer than five accounts

| Portfolio Characteristics | | Ten Largest Holdings | % Portfolio |
|------------------------------------|------------|-------------------------------|-------------|
| Weighted Average Market Cap | \$74,980 | Hutchison Whampoa (Hong Kong) | 3.4% |
| Price/Earning (trailing 12 months) | 28.3 times | Intel (United States) | 3.3% |
| Price/Cash Flow | 17.9 times | Enron Corp (United States) | 3.2% |
| Growth Rate | 12.0% | Oracle (United States) | 3.2% |
| Price/Book | 4.1 times | Tyco Int'l (United States) | 2.7% |
| Yield | 1.1% | Schlumberger (United States) | 2.6% |
| Return on Equity | 14.5% | Pfizer (United States) | 2.6% |
| Number of Holdings | 61 | Investor (Sweden) | 2.5% |
| % annual turnover | 30.0% | Sony Corp (Japan) | 2.5% |
| | | CGIP (France) | 2.2% |

Harding, Loevner Management, L.P. ('Harding Loevner') has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management Research ('AIMR-PPS™'). AIMR has not been involved with the preparation or review of this report. Harding Loevner is compliant with AIMR-PPS since 10/31/89. Compliance has been verified at Level II, one quarter in arrears, by Ashland Accounting LLP.

NOTES:

- Harding, Loevner Management, L.P. is an independent registered investment adviser.
- Composite includes all US\$ based, fee-paying global equity accounts under discretionary management, including accounts no longer in existence. Accounts are included from the first full month following the date on which the account is deemed to be fully invested. No subsector or segment of a larger portfolio is included.
- Returns shown are time-weighted total returns in US\$, and reflect reinvestment of dividends and interest. Returns include the effect of foreign currency exchange rates. Returns are weighted by account size in the composite.
- All cash equivalents, bonds and/or convertible securities used in place of equities are included in return calculations.
- Composite returns (gross and net) are presented after reduction due to brokerage commissions but before reduction due to custodial fees and foreign withholding taxes. Net of fees composite returns are presented after reduction due to actual management fees paid. Management fees are described in our Form ADV Part II.
- Returns of all indices (except Lipper) are presented before foreign withholding taxes, and do not reflect commissions or fees that would be incurred by an investor in the index portfolios. Lipper index returns are reported after all fees and expenses. Additional information regarding the benchmark, including the percentage of the composite invested in countries not included in the benchmark, is available upon request.
- Annual standard deviations of returns (volatility) are estimated from monthly returns using a continuous return model to derive annual periodic standard deviation.
- A complete list and description of the firm's composites is available upon request.
- Past performance is not indicative of future results.