HARDING · LOEVNER®

Global Equity

Performance

The Composite underperformed its benchmark during the quarter.

Review and Outlook

The remarkable resiliency of the banks kept the recession shallow.

Expectations that market leadership will shift to companies with certain competitive advantages.

Misaligned incentives lie at the heart of accounting scandals – good news for non-US investing.

Activity

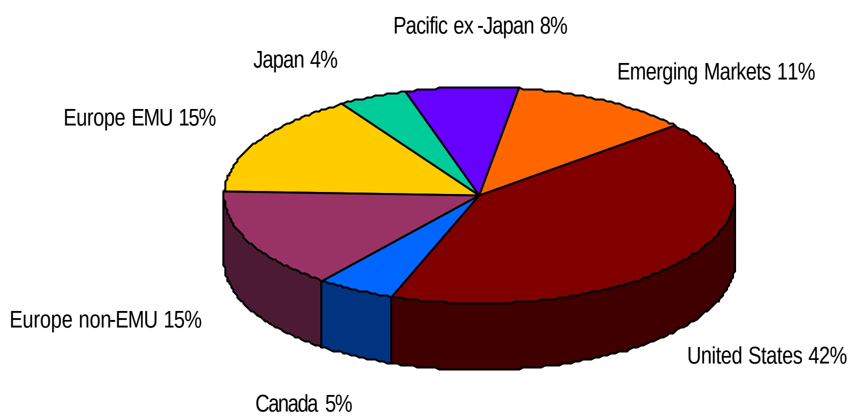
Bought: Honeywell International.

Sold: Amdocs, CGIP, Elan, IBM, SmartForce.

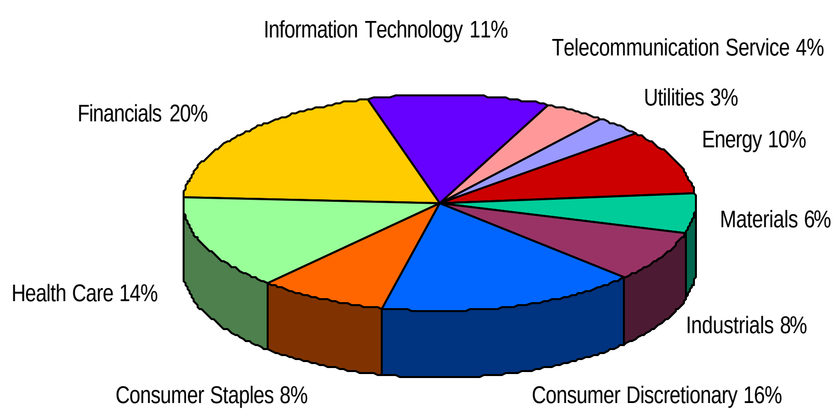
2002 First Quarter Report

Expectations of a coming upturn in economic activity drove market returns in the first quarter. Cyclical and small cap stocks performed especially well. The emerging markets turned in another convincingly strong quarter, and the US was lackluster, while Japan's recent good performance seems transitory. Our outlook is for a coming period of low growth and low inflation, with stock specific differentiation driving returns.

Region Distribution



Sector Distribution



The charts above provide a 'snapshot' of the Model Portfolio at March 31, 2002.

Executive Summary

We forsee a period of generally low growth ahead and an environment where company-specific competitive advantage can lead to rare and valuable growth rates.

The Composite fell 0.5% in the first quarter of 2002, underperforming its benchmark, even as signs of a global recovery began to build. While Japan's market rose markedly in the quarter, we think there was little fundamental improvement in that country's economy or politics to justify any optimism. The emerging markets index, on the other hand, had double-digit returns in the quarter, which were, we believe, justified not only by economic fundamentals but also by the recognition of attractive valuations for the many world-class companies domiciled there. The remarkable resiliency of banks outside of Japan has contributed importantly to the shallowness of the recession just passed. We foresee a period of generally low growth ahead, and an environment where company-specific competitive advantage, be it from the pricing power brought on by high market share, or from financial strength, can lead to rare and valuable growth rates.

The quality of corporate governance has been receiving renewed attention lately. We have always considered management quality one of the four key criteria in our research process. It is a subject on which we are unyielding in our high standards. We believe that wrongly aligned management incentives lie at the heart of the scandals in the US markets. We think the implications for the international markets are positive as the relative position of the US as a perceived safe-haven lessens in the minds of investors. Valuations offshore are generally more attractive than in the US, much is going right with Europe, and the emerging markets continue to renovate their financial and regulatory systems. We feel that the case for our bottm up style of investing has been considerably enhanced by the spate of troubling revelations about companies where incentives have replaced integrity as a basis for management ethos.

Performance

The portfolio *fell* 0.5% in the quarter, trailing the 0.9% rise of its benchmark, the MSCI All Country World Free Index, due primarily to a couple of instances of poor stock performance. During the quarter, financial markets welcomed the apparent end of a period of economic recession. As a result the stocks of companies that are smaller, or more cyclical, outperformed. By style, value outperformed growth, the All Country World Free Value Index rising by 2.0% and its Growth counterpart falling by 0.3%.

During the quarter, markets in general and cyclical stocks in particular welcomed the apparent end of the recession.

The tide of rising optimism is one that lifts all boats, and creates an easier operating environment in which the characteristics of growth companies that we prize—management's track record, financial strength, and competitive advantage—can be temporarily overlooked, as companies of lesser quality are able to exceed low expectations for earnings growth. For example, stocks in industries such as automobiles and shipbuilding, where we happen to think the long-term prospects are poor and where the portfolio is not represented, significantly outperformed the broad market this quarter. The portfolio does, however, have heavy representation in the Energy sector, and thus benefited from the prospects for greater economic activity, and from a rising oil price as our fear of increasing instability in the Middle East is, sadly, being realized.

A large influence on global returns this quarter was the rise in the Japanese market. It rose by 6% in March alone. There was little of fundamental importance to justify the rise: the country remains in a deflationary spiral that its impotent (but entrenched) politicians are unwilling to arrest. One consequence of that spiral has been the devastation of the banking system, as the banks reveal ever-higher levels of bad debts. Had the Japanese market not cooperated with a sharp bounce prior to the banks' March 31 year ends, their effective bankruptcy would have been revealed as they marked their very substantial loss-making equity portfolios to market. The Government, unable to face up to that reality, embarked on a series of measures to paper over the problems, including restrictions on short selling, to provide short-term support for stock prices—at the expense, yet again, of delaying the radical reconstruction that the Japanese financial system desperately needs.

Despite its markets recent run of positive performance, Japan remains in a deflationary spiral that politicians are unwilling to arrest.

The US market was lackluster, reflecting the common growth/value split.

The US market was a lackluster performer, with the S&P500 Index returning less than one percent for the quarter, although the performance of the old-fashioned Dow Jones Industrial Average was much better, rising 4%, while the post-bubble NASDAQ Index sank by another 5% in the quarter. That split reflects in part the value/growth split in performance that was echoed in most markets globally. European returns were also scant, with the MSCI Europe Index nearly unchanged.

Despite the poor reputation of emerging markets, those stocks outperformed their developed counterparts. . . and have done so for three years.

The MSCI Emerging Markets Free Index rose by 11%. Outperformance against the developed markets was consistent across geographies and substantial. Remarkably, this broad result came despite the devaluation of the Argentine Peso and the country's subsequent descent into chaos. Fears of contagion—of a widespread lack of confidence in the markets of similar developing countries—could not have been more misplaced. We think that emerging markets (holdings in which now amount to 11% of the portfolio) have much more compelling reasons for outperformance than simply the end of a brief recession. In particular, we believe that many companies of world-class quality have seen their share prices unduly punished by association with emerging markets, which, as an asset class, still have a poor reputation despite their good performance relative to their developed counterparts in the last three years.

Review and Outlook

As if anyone needed a reminder, the last quarter has demonstrated the uncertainty associated with economic forecasts, and the folly of using them as a basis for investment strategy. Only a few months ago, pundits were forecasting that the recession, which began in the US in 2001 and had spread to parts of Europe, would be long lasting and deep. Now there seems universal consensus that it is over, and that growth has resumed at the rates seen in the 1990s. The reality probably lies in between these two views. One reason for the shallowness of the recent recession has been the remarkable resiliency of the banks (outside of Japan), who, apparently having avoided the usual recession-induced destruction of their loan books, have kept on lending. Certainly, a borrower in the telecoms business, or one beset by asbestos liability claims is finding access to capital markets difficult or impossible to obtain. But even companies cut off from short-term commercial paper markets have been able to borrow from banks, or from the long-term bond market. The result has been that cutbacks in corporate investment have not been forced by denial of credit except in those sectors (notably, technology and telecom-related, of course) that were the beneficiaries of the easy money of the late 1990s. The banks' success in avoiding larger credit losses appears to be partly a function of increased securitization of debt—banks keep fewer of the loan assets they originate on behalf of their borrowing customers, selling them on to insurance companies, mutual funds and other participants in savings markets—and partly a function of increased use of credit derivatives, instruments that allow banks to hedge the credit risks inherent in their loan portfolios.

Looking forward, we see a world of neither 'fire' nor 'ice,' but the 'slush' of the middle way.

Whatever the reasons why this economic slowdown did not wreak its usual damage on banks' balance sheets, the result has been an apparent moderation of the severity of the downturn, to the benefit of all. Looking forward, we assume an environment that is characterized, as Morgan Stanley's Barton Biggs has put it, by neither the fires of inflation, nor the ice of deflation, but rather the slush of the middle way.

This probably implies that the growth industries that so attracted investors in the past ten years will no longer be seen as compelling areas of investment. In particular, during the boom, much attention was paid to growing demand for new, technology-based services and products—wireless telephony being a very good example. Industry dynamics, however, meant that growing demand was rarely translated into growing profits! The reverse has been true for many years in sectors such as the extractive industries (e.g., mining and oil) where demand has been at best stable, and at worst falling. In such an environment it was hard for companies just to survive. Customers were choosy, pricing was always poor and weak demand laid bare any managerial faults or financial weakness. Eventually, however, the industries began to consolidate as the strong acquired the weak, leaving fewer and fewer competitors. As a result, during periods of modest growth in economic activity, they are rare examples of companies who can raise prices, using their high market shares as bargaining chips with buyers.

Tough times forced consolidation in the mining industry, which has resulted in high market shares and price increases.

The competitive advantage of financial strength is not only low financing costs, but the ability to take advantage of weaker competitors.

Rio Tinto and **CVRD**, two portfolio companies, are very good examples. The former is one of the world's largest and best capitalized mining companies with a portfolio of metals in different geographies. The latter is a Brazilian producer of iron ore, and now the world's largest. Both are now seeing price rises for products in both nominal and real terms. Three to four percent annual rises in prices may appear modest, but added to 2-3% increases in demand, and a continuous ability to reduce costs, earnings can grow at 6-10% for several years. Given a high dividend yield in the case of CVRD, total returns to shareholders can easily be in double digits. For believers of the promises of many technology companies, this rate appears modest, but, in an era of low growth in demand, low inflation, and low nominal interest rates is, we believe, very attractive.

At the core of our investment philosophy is the belief that we should seek the best companies among those that are growing, have great financial strength, have a strong and durable competitive position, and are well managed. Often these criteria overlap. For example, financial strength can be a *source* of competitive advantage. Indeed Larry Ellison of software giant **Oracle** has described it as a source of 'unfair' competitive advantage. Unfair or not (and we note the strength and liquidity in Oracle's own balance sheet), it enables companies to take advantage of cyclically-depressed prices for acquisitions—important in industries where scale, as in mining, or global reach, as in advertising, are important. It also enables companies to enjoy lower interest costs relative to their competitors at times when perceived credit risk is high, and credit spreads between good and bad risks are wide. In the first quarter, the trend was in the reverse direction. Credit spreads narrowed, and the competitive advantage of financially strong companies lessened, one reason for their stocks' relative underperformance in this short period.

We wrote above about how growth may be achieved in industries with widely varying demand and supply conditions. Growth can also result from financial strength. A good example is **WPP**, one of the world's largest advertising and marketing services companies. We have long accepted that demand for these services is highly cyclical in the short term, but that, in the longer term, over multiple cycles, demand is growing. 2001 saw the worst

Bold indicates companies held in the model portfolio. The percentage of each position appears on page 12 of this report. Although these holdings, as well as others mentioned in this report, were viewed favorably at the end of the reporting period, all Portfolio holdings are subject to review and may vary in the future; and are not recommendations to buy or sell any security.

downturn in demand in the advertising industry since 1938 (by some measures). Despite that, the leading companies generate tremendous amounts of free cash flow (an important measure of financial strength) and can invest it at rates of return that enable growth to be maintained in even the worst of circumstances. Despite the 2001 downturn, WPP grew earnings per share by 2%, and raised its dividend by 20%. Successful reinvestment of free cash flow in acquisitions was partly responsible for this outcome. The company's stock price has risen by 15% since the 2001 results were announced in mid-February.

Good managers deliver returns to shareholders, but that means more than just making the share price go up.

Finally, this is an appropriate time for us to re-examine what we mean by 'good management'. In one sense, it means management that has a good track record of results, of delivering returns to shareholders over long periods of time. By shareholder returns, we mean those generated by investing shareholders' money so that it earns more than it costs. *We emphatically do not mean making the stock price go up.* Though many people wrongly confuse the two, we affirm our view that stock price appreciation is the *result* of value creation, and not the other way around.

Management and employees must act as stewards of their shareholders money.

Further, we believe that management must be committed to high standards of corporate governance. Accounting standards and disclosure requirements must be adhered to, managers should be properly incentivized, and company representatives must be forthcoming and truthful. Above all, management and employees must act in a way that is consistent with their being stewards of their shareholders' (our clients) money. When we approach the issues of proper management incentives, and the confusion of shareholder returns with stock price appreciation, we come close to the core of the sickness in US companies that was laid bare, *inter alia*, by the Enron scandal. Too many companies have given managers incentives related to rising stock prices, not to shareholder value creation. Even worse, too many of those incentives are based upon relatively short-term moves in stock prices—in the long term, stock prices and value creation are inseparable, in the short term the relationship is tenuous. Achieving stock price appreciation in the short term is indeed often incompatible with value creation in the long term. Twenty years ago, managers were criticized for having too little interest in the stock price of the companies for which they worked; now, in the US, they have too much.

Management incentives are wrongly aligned and have wrongly replaced integrity as guidelines for behavior.

Outside the US, of course, this transformation has barely begun. We have long espoused a better alignment of company managers' interests alongside those of its shareholders, and have been pleased to see such better alignment emerge in recent years. We do not yet see many instances of it being distorted and corrupted to the extremes of the US. Companies such as WPP have long-term plans based upon company performance relative to its competitors (and managers must put their own money at risk as well), while Danish services company, **ISS** is an exponent of the Economic Value Added® approach to judging, and rewarding its managers' performance. Neither scheme allows for repricing of options, if stock prices decline, nor does it create any incentive to manipulate numbers to achieve short-term targets adopted for the benefit of the investment community.

We believe that wrongly aligned incentives lie at the heart of the accounting scandals that are now besetting the US markets. That said, incentives have replaced integrity as guidelines for behavior. If a manager's incentives reward misleading accounting, then he is acting rationally, if those accounts are prepared in accordance with US GAAP, even if they conceal the true state of his company. He is not, however, acting with integrity, or, in the long run, in the interests of his company's shareholders. Even icons of the US economy, such as **IBM**, have fallen prey to this accurate, yet misleading accounting. In the first quarter of this year, it emerged that they had 'made their numbers' only as a result of using non-recurring gains on asset sales to boost reported ordinary income.

Wrongly aligned incentives can also lead to foolishly destructive behavior—we are hearing more and more anecdotes of companies being driven to cut product prices to generate revenues to ensure quarterly sales estimates are reached. We have always believed that cash flows are a better guide to true profitability than just earnings, but those who think that cash flows cannot be manipulated are simply wrong—a quick phone call at the end of the quarter offering a big discount for cash on the barrelhead can temporarily improve cash flows at the expense of profits. If investors focus more closely on cash flow, it, not sales or earnings, will become the focus of manipulation by those with the wrong incentives and lacking integrity.

In the first quarter we fell victim twice to questionable management behavior. The first was in the case of Irish pharmaceutical company **Elan**. In the late 1990s Elan's stock price fell sharply as the result of criticism of its accounting practices whereby it directed its research and development expenditure through various outside partnerships. This practice was investigated by the SEC, and, subsequently given the SEC's approval (before we first bought the stock). In January, it emerged that a transaction had taken place between the company and former employees, including a director, at prices that favored the employees over the shareholders. This was an unforgivable breach of fiduciary duty, which prompted our immediate sale, even at what appeared to be painfully low prices. Two days later, the accounting issues were again raised, and the stock fell much further.

We fell victim (twice) to questionable management behavior, which prompted immediate sales.

In the case of **SmartForce**, there was a less clear cut line between lack of integrity and too much attention to the share price. The company's detailed financial statements, which were released in March, contained several disclosures that alarmed us. In particular, the company's cash generation ability turned out to be far lower than we had understood after extensive contact with the company and its customers. This alone was sufficient reason to shake our confidence in the company's business model and its competitive position in the e-learning industry, but it also destroyed our confidence in the company's management. With the benefit of hindsight, we see that management was struggling in an environment of weaker-than-expected demand for their products to meet the promises they had made to investors. Again, our sale was particularly painful as we had only very recently bought back positions that we had sold at higher levels last year, but the sale has subsequently been justified by a further sharp fall.

We sold shares in SmartForce when it became clear management was struggling to meet the promises they made to investors.

What has happened in the US has important implications for non-US investing. Investing outside the US has long been considered 'risky', for reasons such as currency volatility, political uncertainty, poor accounting and regulatory standards, and so on. Above all, though, it was felt that US accounting, financial market regulation, and company managements were the best in the world at protecting the interests of shareholders. The events of the recent past suggest that this can no longer be the case. This is important, because it has been this belief—that the US offered high returns

__The relative merits of the United States as a safehaven for foreign capital have been lessened.__

to investors at low level of risk—that has enabled the US economy to sustain high levels of consumption, low levels of savings and an income deficit that now needs over a billion dollars a day of capital inflow to sustain it. At the very least, the *relative* merits of the United States as a safe haven for foreign capital have been lessened. The implications are that either the Dollar must fall, or that the US consumer (the main driver of economic growth) must save more. In either event, the case for non-US investing has been considerably enhanced, a thesis already reflected in our reduced holdings of US securities, barely 40% of the equity holdings versus 50% a year ago.

__The litany of what has gone right in Europe.__

This all comes after a long period in which international investing has suffered from a currency-related headwind, but also in which US equities have been significantly revalued upwards. The PE of the S&P 500 has roughly doubled in the period since the early 1990s. European markets trade at the same multiple of earnings as they did 15 years ago, and are 30% cheaper than those in the US! In that time, despite all the naysayers, much has gone right in Europe:

- ✓ Customs Union was established in 1993
- ✓ There has been a smooth path to a single currency
- ✓ A shareholder-oriented corporate culture has emerged, and a corresponding belief in equities as a legitimate savings, not speculative medium
- ✓ Rates of inflation and long-term interest rates are substantially lower
- ✓ Budget deficits are substantially lower, and their size constrained by treaty (Germany, of all countries, is now the biggest concern!)
- ✓ Deregulation and privatization have been the universal rule

In Japan, we await the ultimate crisis that is the only hope for galvanizing the reluctant politicians to embrace genuine reform. In the rest of Asia, the galvanizing crisis was in the late 1990s, and there has been significant, though not complete, renovation of financial systems, and the regulatory framework. Above all, capital allocation discipline is beginning to be embraced as a core management discipline. The same could be said of other emerging markets, in Latin America and South Africa.

Common to all geographic areas, however, is the clear emergence of globally leading companies, whose corporate goals and management methods are independent of the local environment and are, rather, driven by competition for customers and for capital on a global basis. This is as true of companies such as **Nestlé**, based in apparent safe havens such as Switzerland, and of companies such as **Taiwan Semiconductor** operating out of Taiwan, with all the risks (political, military and tectonic) that that implies. It is in companies such as these that we seek to invest.

Globally leading companies have emerged in all non-US geographies, which are driven by competition for customers and for capital on a global basis.

Activity

New Purchase:

Honeywell, the leading maker of aircraft electronics, security and automation systems, and turbochargers. The company, whose shares we had once owned but sold last spring, has undergone a series of restructurings, the latest under its returned former leader, Larry Bossidy, and is now well prepared for any economic upturn. Honeywell is winning new business in the military/space arena at a time when the commercial aircraft industry is suffering a severe slowdown, while its non-avionics businesses are seeing margin recovery, driven by restructuring effects, lower raw materials, and a more stable business environment. The shares had fallen when the proposed merger with General Electric was scotched by European regulatory authorities, and today do not adequately reflect the company's prospects.

During the quarter we purchased one new security, added to three, reduced one, and sold five.

We added to holdings in database software maker **Oracle**, to e-learning software maker **SmartForce** (subsequently sold, as mentioned), and to generic pharmaceutical manufacturer **Teva**.

Sales:

Amdocs, a leading provider of customized customer care and billing software and services for the global communications industry. Although the company's competitive position and product profile remain strong, we are increasingly concerned that the company's growth rate will fall victim to the more general malaise in the telecom industry. In particular, reports that the company has cut personnel in its core customer care and billing division suggest that the company is not as confident as it has been about the medium-term outlook for customer spending.

CGIP, the French investment holding company. We have been disappointed at the pace at which CGIP has addressed a key issue—the discount to the underlying holdings at which the shares in the holding company itself trade. A recent restructuring failed to convince us that it was the solution to this issue, but enabled us to sell at a more reasonable price.

We sold companies in which we had lost confidence in management actions.

Elan, the leading drug research and development company. Elan was sold due to a loss of confidence in management, as described above.

IBM, the world's largest integrated information technology company. IBM was a holding that has weathered outstandingly well the carnage of the technology sector over the past two years, but where we wrestled with worries about the lengths to which management has gone to deliver earnings growth in the absence of overall revenue growth. We also recognize that it is human nature to 'clean house' when there is a changeover of the CEO, which was now on the cards with the retirement of management icon Lou Gerstner. We concluded that this was a dangerous combination in the current environment of skepticism over accounting—a conclusion that has proven well founded in the days just following the end of the quarter.

SmartForce, a leading provider of integrated e-learning solutions to Global 3000 corporations. Again, as described above, we sold because we lost confidence in the company's management.

Finally we reduced the holding in **Taiwan Semiconductor**. The company's stock price has recently been driven more by the volatile and uncertain semi-conductor cycle than by the attractions of its foundry-based outsourcing business model. We thought it prudent to reduce what had become a large holding.

Global Equity Holdings as of March 31, 2002

Company	Country	Weight (%)	Sector	Description
Wrigley, Wm.	US	4.1	Consumer Staples	World's largest chewing gum maker
Taiwan Semiconductor	TAIW	3.8	Information Technology	Dedicated IC foundry
Allied Capital	US	3.6	Financials	Financial institution providing small business loans
Hutchison Whampoa	HK	3.2	Industrials	Ports, telecom, & property conglomerate
Suez	FRA	2.9	Utilities	Multi-utilities company
Baxter International	US	2.9	Health Care	Medical products supplier
Oracle	US	2.8	Information Technology	Database management software firm
Intel	US	2.7	Information Technology	Global semiconductor manufacturer
Rio Tinto Ltd.	UK	2.7	Materials	Diversified mining company
Royal Dutch Pet	NETH	2.5	Energy	Global integrated oil company
American Int'l Group	US	2.5	Financials	Insurance holding company
Imperial Oil	CAN	2.5	Energy	Integrated oil company
Viacom	US	2.3	Consumer Discretionary	Diversified media company
Exxon Mobil Corp	US	2.3	Energy	Global oil company
Li & Fung	HK	2.3	Consumer Discretionary	Trading & logistics company
Wells Fargo	US	2.2	Financials	Commercial bank
WPP Group	UK	2.2	Consumer Discretionary	Advertising & marketing services company
Schering-Plough	US	2.1	Health Care	Pharmaceutical & consumer product manufacturer
Nestlé Reg	SWITZ	2.1	Consumer Staples	World's largest food company
Teva Pharmaceutical	ISR	2.1	Health Care	Producer of branded & generic pharmaceuticals
Pearson	UK	2.0	Consumer Discretionary	Print & broadcast media company
Alberta Energy	CAN	2.0	Energy	Producer of natural gas
Automatic Data Proc	US	2.0	Industrials	Business services outsourcing company
Novo Nordisk	DEN	1.9	Health Care	Prescription drug manufacturer
Sony Corp.	JAP	1.8	Consumer Discretionary	Global entertainment media corporation
Berkshire Hathaway	US	1.7	Financials	Auto insurer & general reinsurer
Cerus	US	1.7	Health Care	Biotechnology company
Wal-Mart de Mexico	MEX	1.7	Consumer Discretionary	Consumer goods & food retailer
Munich Re	GER	1.7	Financials	World's largest reinsurance company
Air Liquide	FRA	1.7	Materials	Industrial gas company
Deutsche Bank	GER	1.6	Financials	Universal bank
Vodafone	UK	1.6	Telecommunication	Telecommunication services provider
JPMorgan Chase	US	1.5	Financials	Large money center bank
DBS Group	SING	1.5	Financials	Singapore's largest bank
Colgate-Palmolive	US	1.4	Consumer Staples	Consumer products company
Dassault Systemes	FRA	1.4	Information Technology	CAD/CAM software designer
Quintiles	US	1.4	Health Care	Outsourcing partner for healthcare companies
Luxottica	ITA	1.4	Health Care	Low cost producer of eyeglass frames
AOL Time Warner	US	1.3	Consumer Discretionary	Large media company
Deutsche Telekom	GER	1.3	Telecommunication	Incumbent telephone company & mobile operator
Atlantis Japan	JAP	1.3	Financials	Closed-end fund of small Japanese companies
CVRD	BRAZ	1.2	Materials	Iron ore exporter & private railway operator
Grupo Televisa GDR	MEX	1.1	Consumer Discretionary	Spanish language media company
ISS Int'l Service	DEN	1.0	Industrials	Cleaning services company
Asatsu	JAP	1.0	Consumer Discretionary	Advertising company
Honeywell International	US	1.0	Industrials	Industrial & engineering conglomerate
China Mobile	CHINA	0.9	Telecommunication Svcs	Cellular telephone operator
Close Brothers	UK	0.8	Financials	Small merchant bank

All portfolio holdings and sector allocations are subject to review and may vary in the future; and are not recommendations to buy or sell any security.

Global Equity Composite Performance

As of March 31, 2002

	Annualized Returns for Trailing Periods (%)					Volatility[2]
	1 Year	3 Years	5 Years	10 Years	Since Inception[1]	Since Inception[1]
Global Equity (gross of fees)	**-1.3**	**5.5**	**6.2**	**10.1**	**11.2**	**13.5**
Global Equity (net of fees)	**-1.9**	**4.7**	**5.4**	**9.2**	**10.3**	**13.4**
MSCI All Country World Free Index[3]	*-3.1*	*-3.8*	*5.2*	*9.1*	*6.9*	*14.3*
MSCI World Index	*-3.9*	*-4.1*	*5.7*	*9.5*	*7.1*	*14.3*

[1]Inception Date: 11/30/89 [2]Annual Standard Deviation (%) [3]Benchmark Index

	Calendar Year Returns (%)										
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Global Equity (gross of fees)	**-0.5**	**-14.9**	**1.3**	**38.9**	**2.3**	**11.0**	**17.3**	**19.0**	**0.0**	**24.3**	**8.9**
Global Equity (net of fees)	**-0.6**	**-15.5**	**0.9**	**38.2**	**1.6**	**10.1**	**16.3**	**18.0**	**-0.9**	**23.2**	**8.1**
MSCI All Country World Free Index[3]	*0.9*	*-15.9*	*-13.9*	*27.3*	*21.7*	*14.7*	*13.1*	*18.2*	*5.4*	*25.5*	*-4.3*
MSCI World Index	*0.4*	*-16.5*	*-12.9*	*25.3*	*24.8*	*16.2*	*14.0*	*21.3*	*5.6*	*23.1*	*-4.7*

	Composite Information										
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Total market value of accounts ($M)	$154.8	$152.5	$107.5	$95.7	$179.4	$251.3	$188.1	$146.8	$112.5	$80.2	$63.3
Total firm assets ($M)	$1188.2	$1154.5	$1392.4	$1423.3	$1371.5	$1520.8	$1247.3	$635.1	$369.1	$252.1	$161.1
% of total firm assets	13.0%	13.2%	7.7%	6.7%	13.1%	16.5%	15.1%	23.4%	30.5%	31.8%	39.3%
Number of accounts	7	7	†	†	11	15	13	13	17	16	14
Dispersion: asset-weighted standard deviation	NA	0.4%	†	†	0.5%	0.6%	0.2%	0.6%	0.4%	1.1%	0.7%

† Five or fewer accounts

Portfolio Characteristics	
Weighted Average Market Cap ($ million)	$49,370
Price/Earning (2002 forecasted)	20.9 times
Price/Earning (2001 historical)	23.6 times
Price/Cash Flow	14.5 times
Growth Rate	14.6%
Price/Book	2.8 times
Yield	1.7%
Return on Equity	11.5%
Number of Holdings	48
% annual turnover (5 year average)	30%

Ten Largest Holdings	% Portfolio
Wrigley (United States)	4.1%
Taiwan Semiconductor (Taiwan)	3.8%
Allied Capital (United States)	3.6%
Hutchison Whampoa (Hong Kong)	3.2%
Suez (France)	2.9%
Baxter Intl (United States)	2.9%
Oracle (United States)	2.8%
Intel (United States)	2.7%
Rio Tinto (United Kingdom)	2.7%
Royal Dutch (Netherlands)	2.5%

Global Equity Composite contains fully discretionary U.S. dollar-based global equity accounts and for comparison purposes is measured against the MSCI All Country World Free Index. Effective October 31, 2001, MSCI has discontinued the original version of the All Country World Index series in favor of the 'Free' version of the series, which excludes a portion of the market capitalization of several emerging markets that is restricted to foreign investors, but is otherwise identical. Returns include the effect of foreign currency exchange rates. Information regarding the benchmark, including the percentage of the composite invested in countries or regions not included in the benchmark, is available upon request.

Harding, Loevner Management, L.P. has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS®), the US and Canadian version of the Global Investment Performance Standards (GIPS®). AIMR has not been involved with the preparation or review of this report. Ashland Accounting, LLP has verified firmwide compliance as of October 31, 1989.

Harding, Loevner Management, L.P. is an independent registered investment advisor. 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. Non-fee-paying accounts are not included in this composite. Composite performance is presented gross of foreign withholding taxes. Past performance is not indicative of future results.

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 custodial fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part II of the firm's ADV. Actual investment advisory fees incurred by clients may vary. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

No balanced portfolio segments are included, nor is this composite a sub sector of a larger portfolio. Leverage is not used in this composite.

The Global Equity Composite was created on November 30, 1989.

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