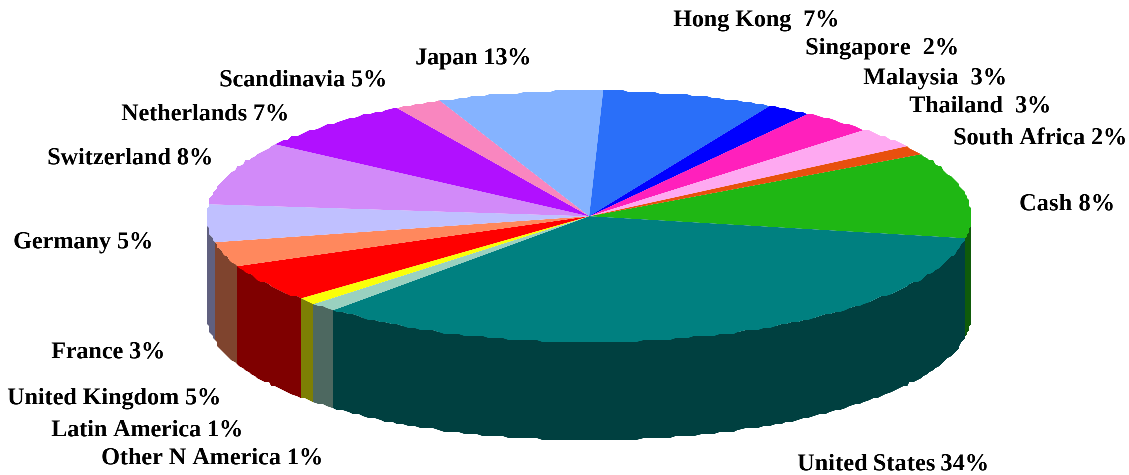
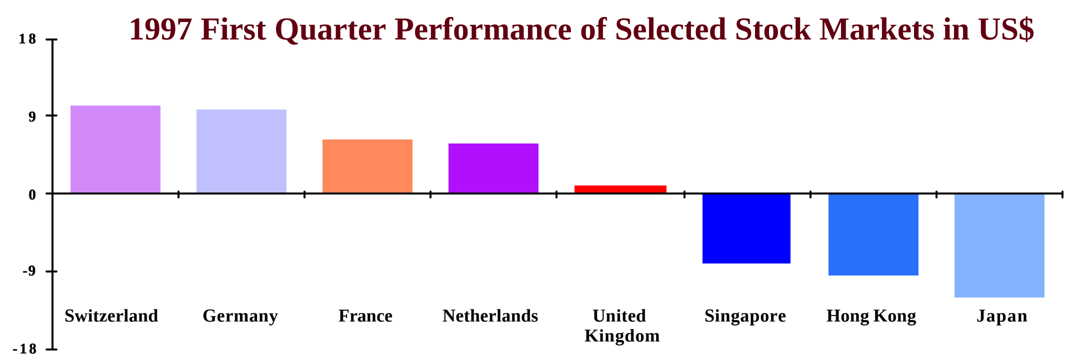
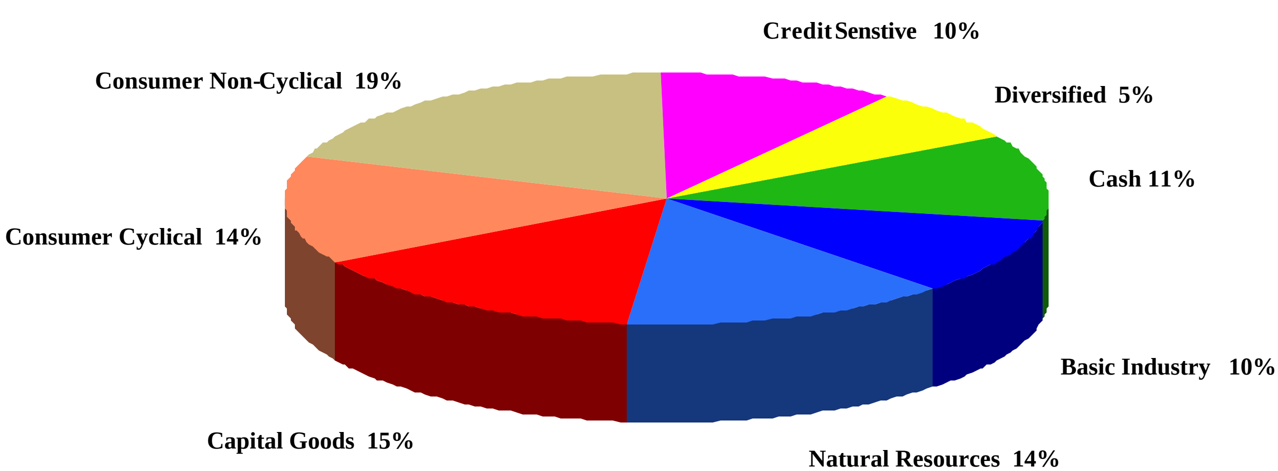
HARDING, LOEVNER MANAGEMENT, L.P.
GLOBAL EQUITY INVESTING
1997 First Quarter Report

COUNTRY ALLOCATION





SECTOR ALLOCATION



The charts above provide a ‘snapshot’ of the Portfolio at March 31, 1997. See inside for details of performance.

Performance

The global equity portfolio rose by 0.2% in the first quarter, before fees, in line with market indices but behind peer group indices: the FT World Index rose by 0.1% and the Lipper Global Fund Index was up 1.6%. Continued strength in US 'blue chips' was nearly offset by declines in Asian markets—amplified, in the case of Japan, by depreciation of the yen against the dollar. European equity markets were strong in local currency terms, but about flat when translated into stronger US dollars. Currency volatility and the strength of the US dollar so influenced equity markets during the quarter that country and currency allocations, rather than industry weightings or stock selection, dominated global portfolio results. Further details of performance, and a complete list of holdings, can be found in the Appendix.

Review

Equity market investors worldwide were preoccupied with the worry that Mr. Greenspan may have meant what he said when lecturing exuberant investors on the need for monetary policy to be preemptive. Smooth sailing for the US stock market requires a continuation not only of the 'Goldilocks economy,' with its low inflation and interest rates, but also of corporate earnings growth to meet ever-rising investor expectations. The critical earnings leg of the aging US bull market seems most fragile, and may already be faltering in the face of lower incremental returns on capital spending, intensifying competition in growth sectors such as technology and financial services, and a strong US dollar. The latter will crimp the 'headline' earnings comparisons of the multinational blue chip companies that have been the stock market's leaders. Failure by an otherwise healthy US company to meet the market's quarterly earnings expectations now frequently results in a swift and often astonishing share price decline—a telltale sign of a speculative and overvalued market.

We reduced the US exposure of the portfolio further in the first quarter. The US holdings now represent just over one third of the portfolio, the lowest weighting in many years. With an eye toward preserving principal, we are especially attentive to the industrial diversity and financial quality of the US holdings. Our US stocks performed well in the first quarter, with strength in both cyclical stocks such as **Cummins Engine**, **Allied Signal**, and **Schlumberger**, as well as more defensive, growth stocks such as **Abbott Labs**, **Colgate Palmolive**, and **Wrigley**.

We sold part of our holdings of **Cummins** and **Colgate**, whose first quarter rises came on top of strong share price appreciation last year. We also sold **Exel**, the Bermuda-based reinsurance company, for valuation reasons. A long-term, successful holding, Exel remains a well-managed company, but its core reinsurance business is facing increasing competition. This secular change is forcing the company to branch into more esoteric lines of insurance to maintain high returns on its capital. The trend of increasing competition is not confined to reinsurance, but is prevalent throughout the US financial services industry. It is an important reason why our US financial holdings are confined to **Fannie Mae** and **Allied Capital**. We sold the electrical-connector manufacturer **AMP** because we were troubled by a gap between their corporate relations 'talk' and the reality of the operating level 'walk'. Management was unable to explain why AMP has failed to match the performance of its global competitors.

We added opportunistically to the position in **Boeing** during the quarter. After its merger with McDonnell Douglas, **Boeing** looks increasingly dominant in a growing industry. Only the European Airbus consortium remains as its competitor. The only new investment during the quarter was **Airgas**, a rapidly-growing distributor of industrial gases. An earnings shortfall that we regarded as transient caused a sharp decline in the price of the stock, providing an opportunity to add these shares to the portfolio at an attractive valuation. We like the look and feel of all our US holdings and would add to them in the event of lower prices.

European companies also represent nearly one third of the portfolio. With companies such as **Royal Dutch**, **Nestlé**, **ABB**, and **Rio Tinto** (formerly RTZ), we continue to emphasize global leaders and will not settle for second best in the interests of geographic diversification. The underlying growth trend of earnings and dividends from these companies has been very satisfactory, more than meeting our expectations, despite the difficulties they have faced operating in the strong European currency environment of the last few years. We expect good corporate performance to continue, helped by the recent weakening of European currencies, which will boost these multinational companies' reported results. While several of the European holdings performed better than the market averages, overall returns were held back by declines in several shares, such as **Surveillance**, **Rentokil Initial**, and **Wolters Kluwer**, that were 'growth stock winners' in 1996.

We added to **Rentokil Initial** in the quarter on price weakness, and will probably soon add to Swiss inspection company **Surveillance**. We also added to the small holding of **Rio Tinto**, which we established late last year in the belief that it is not just the biggest, but also the best mining company in the world. The two European holding companies in the portfolio, Swedish **Investor** and French **Gaz et Eaux**, are classic value investments. Though they have performed well, they still trade at large discounts to their underlying asset values—evidence of the latent appreciation potential in European equity markets.

Asian equity markets declined dramatically in the first quarter, with Asia Pacific indices losing more than 10% in dollar terms. Southeast Asian markets remained deeply unfashionable in early 1997, but we are optimistic about the region's economic and financial prospects. More importantly, we are confident of the robust growth prospects of **Nestlé Malaysia**, **Hong Kong & China Gas**, **Siam Cement** and other first-rate Asian companies in the portfolio. The hard hit Thai stock market (down 54% over the past year) presents especially attractive value for us. We are delighted to own two of the biggest and best Thai companies, **Bangkok Bank** and **Siam Cement**, at single digit price-earnings ratios. Both companies are poised to take advantage of the regional growth we foresee. We purchased more Siam Cement, and more Bangkok Bank convertible bonds in the quarter with proceeds from the sale of the Indonesian consumer distribution company, **Wicaksana**.

Economic and financial conditions in Japan are finally beginning to improve, after years of fiscal and monetary stimulation aimed at reliquefying the distressed property and banking sectors. Now, rock bottom interest rates and the 'sure cure' of a dramatically weaker yen/dollar exchange rate is boosting economic activity and business confidence. Reform and deregulation—the 'Breaking of the 10,000 Commandments'—is accelerating, and may at last bring meaningful improvements in productivity. The Japanese equity market has more than halved in price over the last eight years; the crash scene is littered with potentially interesting bargains. We are sifting through the wreckage specifically for beneficiaries of the new (and bona fide) emphasis on domestic competition and productivity. The existing Japanese holdings in the portfolio, **Honda**, **Canon**, and **Mitsubishi Heavy Industries**, have all performed well, owing to the impact of the weaker yen on their global prospects. We reduced the position in **Honda**, perhaps the company with the greatest operational gearing to a weaker yen, following a strong rise in its share price. We sold completely our holdings in office equipment distributor, **Canon Sales**, out of concern for prospective equity dilution from the company's capital-raising plans. We added the proceeds temporarily to cash reserves, which now equal 11%.

Outlook

In the remainder of the year, we expect to see more of what we experienced in the first quarter: increasing equity market volatility, a decreasingly accommodative Federal Reserve pushing up short-term US interest rates, a stronger US dollar, and improving economic growth and corporate profitability overseas. Weaker local currencies will prove a wind at the backs of European and Japanese companies. Tight fiscal and loose monetary policies in Japan and Europe are providing a positive environment for their equity markets—just the opposite of the US. Liquidity in the portfolio has risen, reflecting our expectation that weakness in the US equity markets will provide buying opportunities during the second quarter. Global competition remains fierce, and the best foreign companies are now emulating their successful US counterparts in reducing their costs of production and capital, boosting their competitiveness, and improving their returns to shareholders. The companies in your portfolio remain focused on the pursuit of these goals.

GLOBAL EQUITY HOLDINGS

as of March 31, 1997

Company	Country	Weight	Description
Royal Dutch	NETH	4.7%	Premier oil company operating worldwide
Schlumberger	US	3.6%	Premier supplier of technical services & equipment to the petroleum industry
Hutchison Whampoa	HK	3.2%	Conglomerate involved in container terminals, housing, energy, telecoms, & retailing
Dover	US	3.1%	Diversified capital goods manufacturer
Nestlé	SWITZ	2.9%	World's largest food company
Fannie Mae	US	2.9%	Government-sponsored agency that buys & repackages mortgages
Abbott Labs	US	2.8%	Producer of broad range of health care products including pharmaceuticals
ABB	SWITZ	2.7%	Leading worldwide capital goods company with focus on power generation
Daimler-Benz	GER	2.7%	One of Europe's largest industrial concerns
Deutsche Bank	GER	2.6%	One of Europe's premier universal banks
Exxon	US	2.6%	Premier global oil company
Thermo Electron	US	2.5%	World leader in environmental monitoring, analysis instruments & biomedical products
Gaz et Eaux	FRA	2.5%	Investment company in Lazard Group, holding strategic stakes in major listed companies
Surveillance	SWITZ	2.4%	Worldwide provider of trade certification, testing & loss adjustment services
Bangkok Bank	THAI	2.4%	Thailand's largest & strongest bank
Wolters Kluwer	NETH	2.3%	Dutch publisher of legal, tax, medical & business information
Investor	SWE	2.3%	Holding company for Wallenberg family interests in Swedish industrial concerns
Rio Tinto	UK	2.2%	One of world's largest & most diversified mining companies
Rentokil Initial	UK	2.1%	Provider of wide range of services to commercial sector
Honda	JAP	2.1%	World leader in automobile production & largest manufacturer of motorcycles
HK Gas	HK	2.1%	Monopoly provider of piped towngas in Hong Kong
Union Pacific	US	2.0%	Second largest railroad & fourth largest trucking company in US
Cummins Engine	US	2.0%	Leading manufacturer of fuel-efficient diesel engines for trucks & industry
Mitsubishi Heavy	JAP	2.0%	Leader of the industrial segment of the Mitsubishi group
Sime Darby	MAL	2.0%	Largest conglomerate in Malaysia, with interests in plantations, manufacturing & banking
Motorola	US	1.9%	Electronics company producing semiconductors, communications equipment & computers
Colgate	US	1.9%	Leading global consumer products company
Boeing	US	1.9%	World's largest manufacturer of jet aircraft, & America's largest exporter
Wrigley, Wm. Jr.	US	1.8%	World's largest producer of chewing gum
Johnson Electric	HK	1.7%	Manufacturer of small precision motors used in cars & consumer products
Electronic Data Systems	US	1.6%	Computer services company & "solutions provider"
Canon	JAP	1.5%	World's leading producer of wide range of visual image & information equipment
Keppel	SING	1.5%	Conglomerate with main interests in ship repair, ship building, banking & property
Nestlé Malaysia	MAL	1.4%	Importer & manufacturer of branded food products such as coffee, cereals & candy
Partner Re	BERM	1.2%	Bermuda's most strongly capitalized property reinsurer
Libsil	S AFR	1.1%	Holding company with investments in South African Breweries & Standard Bank
Quilmes	ARG	1.1%	Leading producer of beer & soft drinks in Latin America
Allied Capital	US	1.0%	Financial institution making equity linked loans to small businesses
Allied Signal	US	1.0%	Aerospace, auto, chemical & fibre manufacturing company
Siam Cement	THAI	0.9%	Thailand's largest industrial group
Atlantis Japan	JAP	0.9%	Closed-end fund invested in smaller Japanese companies
Union Pacific Resources	US	0.8%	Domestic oil & gas exploration & production company
Airgas	US	0.8%	Largest independent distributor of industrial, medical and specialty gases in the US
Scania	SWE	0.1%	World class heavy-duty truck & bus manufacturer

GLOBAL EQUITY PERFORMANCE SUMMARY

as of March 31, 1997

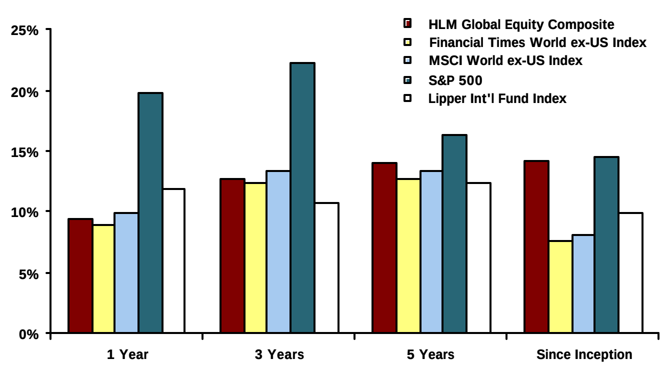
	Calendar Year Returns							
	YTD 1997	1996	1995	1994	1993	1992	1991	1990
HLM Global Equity Composite	**0.2**	**17.3**	**19.0**	**-0.1**	**24.2**	**9.1**	**31.6**	**3.6**
Financial Times World Index	*0.1*	*13.2*	*19.6*	*5.9*	*22.6*	*-5.1*	*19.6*	*-17.0*
Morgan Stanley Capital International World Index	*0.4*	*14.0*	*21.3*	*5.6*	*23.1*	*-4.7*	*18.7*	*-16.4*
S&P 500	*2.7*	*23.0*	*37.5*	*1.3*	*10.1*	*7.7*	*30.2*	*-3.1*
Lipper Global Fund Index	*1.6*	*16.3*	*14.0*	*-2.2*	*32.8*	*0.1*	*20.3*	*-9.1*

	Annualized Returns for Periods Ending 12/31/96 (%)				Volatility Annual Standard Deviation (%)
	1 Year	3 Years	5 Years	Since Inception*	Since Inception*
HLM Global Equity Composite	**9.3**	**12.7**	**14.0**	**14.3**	**11.4**
Financial Times World Index	*8.9*	*12.4*	*12.8*	*7.6*	*14.2*
Morgan Stanley Capital International World Index	*9.9*	*13.3*	*13.4*	*8.1*	*13.7*
S&P 500	*19.8*	*22.3*	*16.4*	*14.5*	*13.3*
Lipper Global Fund Index	*11.9*	*10.7*	*12.4*	*9.9*	*11.9*

*Inception Date: 11/30/89

NOTES:

1. Returns shown are time-weighted total returns in US$, and reflect reinvestment of dividends and interest.
2. All cash equivalents, bonds and/or convertible securities used in place of equities are included in return calculations.
3. Returns are weighted by account size in composite.
4. Composite includes all fee-paying international equity accounts under discretionary management, including accounts no longer in existence. Accounts are included from the first full month following the date at which the account is deemed to be fully invested.
5. Composite returns are presented after brokerage commissions but before management and custodial fees and foreign withholding taxes. Management fees are described in our Form ADV Part II. Inclusion of standard management fees would reduce composite returns by approximately 1.0% per annum.
6. 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.



7. Annual standard deviation of returns (volatility) is estimated from monthly returns using a continuous return model to derive annual periodic standard deviation.
8. A complete list and description of the firm's composites is available upon request.

	Composite Information								
	1997 YTD	1996	1995	1994	1993	1992	1991	1990	1989
Number of accounts included in the composite	14	13	13	17	17	14	7	†	†
Total market value at year-end of accounts included in composite ($M)	$218.8	$188.0	$147.1	$112.7	$93.2	$64.5	$36.6	$15.3	$1.6
% of total firm assets represented by composite	15.6%	15.0%	23.4%	30.7%	38.2%	32.9%	20.0%	23.0%	5.5%
Internal dispersion: standard deviation of calendar year returns	N/A	1.0%	2.0%	1.3%	6.5%	1.9%	5.8%	†	†

† Five or fewer accounts