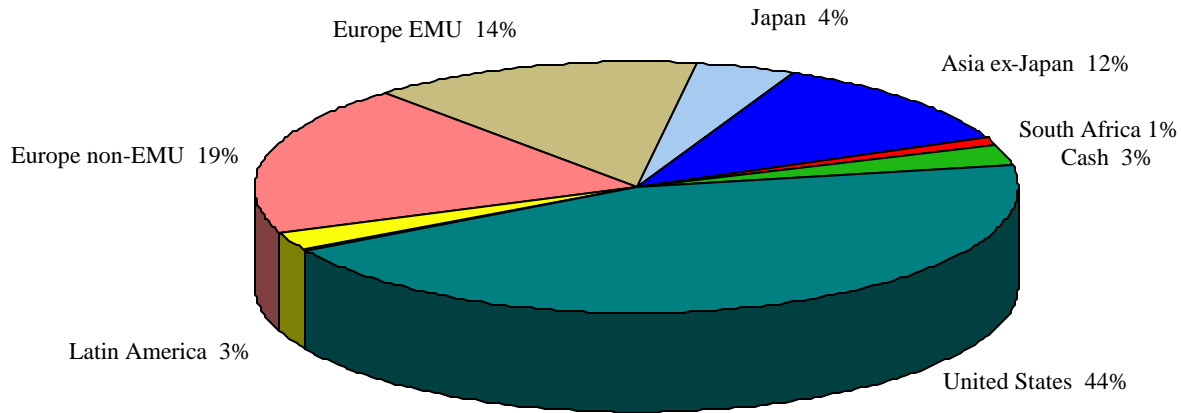


# HARDING, LOEVNER MANAGEMENT, L.P.

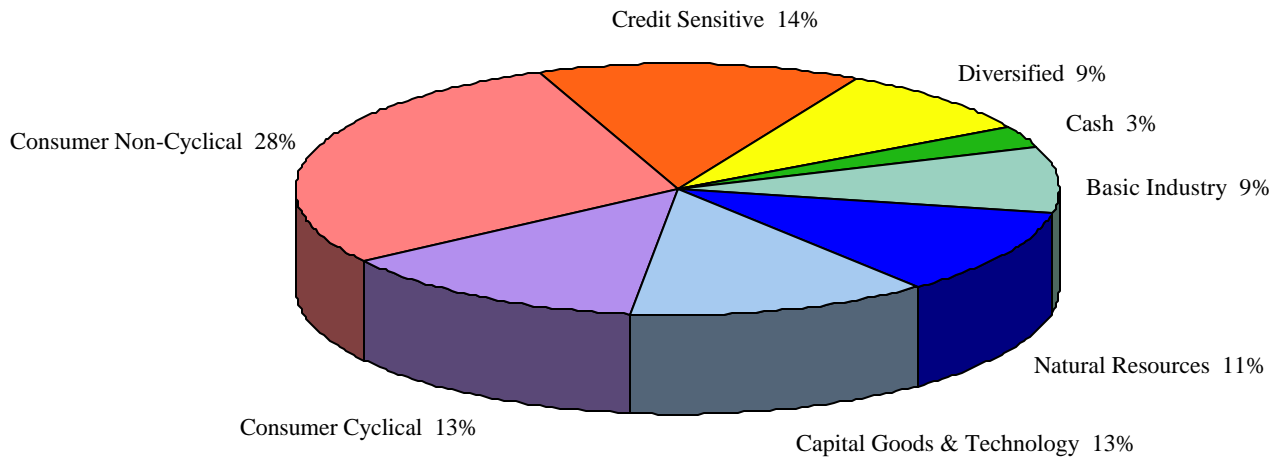
1999 First Quarter Report

## GLOBAL EQUITY PORTFOLIO

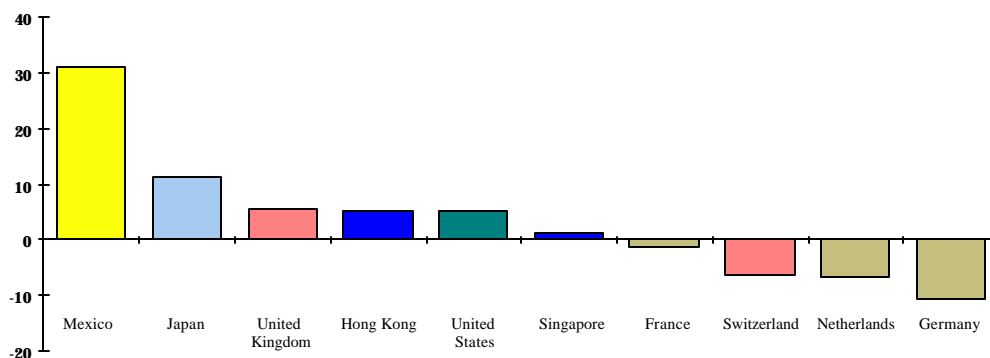
### Geographic Distribution



### Sector Distribution



### 1999 First Quarter Performance of Selected Stock Markets in US\$



The charts above provide a 'snapshot' of the Portfolio at March 31, 1999. See inside for details of performance.

## PERFORMANCE

The portfolio returned 1.5% in the first quarter. The remedial actions taken by the G-7 monetary authorities last fall in response to the incipient financial crisis continued to work a therapeutic effect on global markets. The MSCI All-Country World Index gained 4.1%, while the Lipper Global Index of actively-managed mutual funds rose 2.5%. Asian markets generally, and Japan in particular, rose amid improving sentiment for regional growth. European markets for the most part, with the important exception of the UK, fell in the quarter. After a weak start, the portfolio finished the quarter strongly, lifted by positive contributions from Asian holdings, energy and industrial cyclical stocks in the US, and growth stocks in the UK.

## REVIEW AND OUTLOOK

The quarter was remarkable for being filled with events that could have traumatized global financial markets — but didn't. They included a presidential impeachment trial, massive currency devaluation in the world's fifth most populous nation (Brazil), NATO's first attack on a sovereign nation in its fifty-year history, the forced resignation of Germany's finance minister and a 35% jump in oil prices. Investors were unperturbed, their positive sentiments underpinned by the continuing strength of the US economy and early signs of economic recovery in Asia.

US GDP grew in last year's final quarter at a breathtaking 6.1% annual rate — especially astonishing considering that the quarter began amidst the financial near-panic of the early autumn. Perhaps because the trauma was so brief, the expected 'wealth effect' on consumer behavior to curb demand and slow the economy did not materialize. Economic strength continued in the first quarter, as indicated by a decline in US unemployment to levels not seen in thirty years, auto sales at a record annual rate of seventeen million vehicles, and consumer confidence at an all-time high.

The S&P 500 returned 4.9% in the first quarter. US companies represent 44% of the portfolio. Performance leadership in the US market came from the familiar sources — technology and telecommunications stocks — as well as from some unaccustomed contributors, such as the natural resource stocks. Internet- and e-commerce-related demand is driving spending on information technology. Internet penetration in US households grew from 20% at year-end 1997 to 29% at the end of 1998, and e-commerce rose to \$29 billion from \$7.65 billion a year earlier, according to Morgan Stanley. Spending on Internet software and hardware, such as servers and storage devices, will grow at an estimated 25% this year. Portfolio holdings **Sun Microsystems** (+46% for the quarter), **Intel** (unchanged) and **MCI WorldCom** (purchased at the end of the quarter) are leading beneficiaries of these trends; yet, unlike firms in the speculative 'dot-com' sector, their shares sell at prices that do not stretch our credulity or require us to adopt new valuation metrics.

Likewise, it is our disciplined application of traditional valuation tools that leads us to perceive substantial appreciation potential in the natural resource sector. We had stuck by our four leading companies, constituting 11% of the portfolio, through a long unrewarding period. OPEC's mid-February agreement to reduce production was the catalyst for the spike in crude prices, but the economic stirrings in Asia are also helping bolster sentiment. **Exxon** (-4%), **Royal Dutch** (+9%), and **Schlumberger** (+28%) will benefit from higher oil prices. The sustainability of mid- to high-teens US\$ crude prices will largely be a function of production discipline/cheating within OPEC, and the speed of economic recovery in Asia. Mining giant **Rio Tinto** (+21%), with its broad portfolio of non-ferrous metals and industrial minerals, will similarly benefit from any pick-up in commodity prices as a result of increased economic activity in Asia.

The extreme divergence in performance of the largest companies' stocks versus medium- and small-size companies that characterized the US market in 1998 continued, and was even more pronounced, in the first quarter. Recall that in 1998, the large capitalization stocks represented in the S&P 500 returned nearly 31 percentage points more than the smaller capitalization stocks in the Russell 2000. This 'size' factor was a principal cause of last year's meager return from this portfolio, which comprises companies across a broad range of sizes. In the first quarter of 1999 the S&P 500 returned 10 ½ percentage points more than the Russell 2000.

As a consequence, stocks of large companies are now *much* more highly priced — in terms of multiples of earnings, cash flow and book value — than those of smaller companies. The question is, to what extent is this price gap a fair reflection of relative intrinsic value? Put another way, does the price gap reflect investors' expectations that large companies will earn much higher returns on their assets and grow their earnings much faster, far into the future, than smaller companies? And, if so, are these expectations realistic? Or, if not, is an alternative explanation for the price gap to be found in some aspect of investor behavior *not* related to their assessment of intrinsic value — perhaps the rapid rise in popularity of index investing among both retail and institutional investors and the trend toward 'closet indexing' by putative 'active' fund managers? It seems to us that both rational factors related to intrinsic value and irrational factors related to mass behavior of investors unconcerned with intrinsic value are at work.

The world today is characterized by near-zero rates of inflation for traded goods, due to an excess of manufacturing capacity brought about by technological advances, rapid industrialization of the emerging economies, and high savings rates in key economies such as Japan. In such a disinflationary environment, the largest companies — those that operate on a global scale — have certain inherent advantages over smaller competitors. They have information technology that enables them to know, in real time, not only their own cost structure but those of their suppliers as well. This, plus their global sourcing capabilities, enables them to

drive their suppliers' margins to minimally-acceptable levels. Large companies have the financial resources to build and maintain brands as a means of achieving pricing power. Barriers to entry that once shielded smaller companies such as

national borders, tariff protection, or uninformed customers have largely disappeared, and the inherent nimbleness of smaller companies does not appear as much of an advantage

#### LARGEST COMPANIES BY MARKET CAPITALIZATION

	March 31, 1999	Market Capitalization	March 31, 1989	Market Capitalization
1.	Microsoft (US)	\$452 billion	Sumitomo Bank (JPN)	\$78 billion
2.	General Electric (US)	\$362 billion	Ind. Bank of Japan (JPN)	\$74 billion
3.	Wal-Mart Stores (US)	\$205 billion	Dai-Ichi Kangyo Bank (JPN)	\$71 billion
4.	Intel (US)	\$198 billion	Fuji Bank (JPN)	\$69 billion
5.	Merck (US)	\$189 billion	IBM (US)	\$65 billion
6.	Pfizer (US)	\$179 billion	Bank of Tokyo (JPN)	\$63 billion
7.	AT&T Corp (US)	\$178 billion	Exxon (US)	\$62 billion
8.	Cisco Systems (US)	\$175 billion	Tokyo Electric Power (JPN)	\$60 billion
9.	Exxon (US)	\$172 billion	Sanwa Bank (JPN)	\$54 billion
10.	BP Amoco (UK)	\$164 billion	Tokyo Motor (JPN)	\$54 billion

in a deflationary environment as it did in an inflationary environment.

That a premium valuation should be accorded large companies over small, based on differential earnings growth potential, therefore seems entirely justified. What we wrestle with is how *much* of a premium is justified, and whether today's relative prices for large and small overstate the case for large companies' superior prospects. On balance, we think they *do* overstate the case, at least for many of the very largest capitalization companies. The size distribution of the portfolio — which contains relatively few of the largest companies — reflects that view. As a final note, it is remarkable how US corporations today dominate the rankings of the world's largest corporations by capitalization, and contrast that hegemony with the rankings of ten years ago as shown in the Table above.

Europe introduced its new common currency, the Euro, on New Year's Day. In mechanistic terms, the introduction was flawless, giving a boost to both popular and investor sentiment. European institutional investors began replacing their traditional domestic market indices with new, pan-European indices as the benchmarks for their funds, with positive consequences for the share prices of the very largest companies in the first days of the year. A brief period of 'Euro-phoria' shortly gave way, however, to more sober reflection, as the flow of economic news revealed renewed economic softness. Policymakers turned their attention back to structural problems, such as how, within the context of a single monetary policy, to goose the slowing German and French economies without overheating the already booming economies of Ireland and Spain. The Euro declined 8% from its inaugural value, reflecting investors' concern with the weakening European economy. For the quarter, the FT Europe Index rose 5% in local currency, but fell 1% in dollars.

German finance minister Oskar Lafontaine was one of unified Euroland's first political victims. An old-style leftist, Lafontaine had threatened increased taxes on German

corporations and jaw-boned the independent European Central Bank to lower rates. Most alarmingly, he urged 'tax harmonization' among the constituent EMU countries (i.e., convergence to German tax rates, the highest in Europe) as a means of eliminating the tax rate as a basis for pan-European competition for location of capital projects and jobs. In response to the higher corporate tax threat, several German corporations, led by portfolio holding **Allianz** (-17%), threatened to move their domiciles and operations from Germany. German Chancellor Schroeder finally capitulated, demanding and receiving Lafontaine's resignation.

Lafontaine's story epitomizes the challenges facing countries at the core of the EMU, especially Germany and France. Labor costs are too high, as are the promised social benefits and the taxes that fund them. Now, in a common market under a common currency, companies are largely unconstrained by national borders within Europe. They are free to locate facilities where they believe their workers will be most productive, taking direct and indirect costs into account. Consequently, companies are voting with their 'feet' in the location of their capital spending, avoiding high-cost places such as Germany and France in favor of such destinations as Spain, the UK, Ireland and the Netherlands. Germany faces slow growth and continued high unemployment because it remains an unattractive venue for corporations relative to other countries within the EMU. Traditional responses, such as those offered by Mr. Lafontaine, are not the answer; rather, fundamental tax and regulatory reform are required. Yet, what little progress in that direction had been visible under the Christian Democrats seems to have disappeared under the Social Democrats. Barry Riley last month wrote in the *Financial Times*, "Germany is a candidate for becoming the Japan of Europe. It lacks Japan's banking sector disasters but it seems to share an inability to restructure its economy and recognise the full price it must pay for adopting the Euro." The portfolio currently holds only two stocks in Germany, fewer than at anytime in the last five years. Both companies — enterprise software maker **SAP** and insurance/financial

service firm **Allianz** — are global in the scale and scope of their businesses, and therefore not so heavily dependent on the pace of growth in Germany.

The UK could serve as a model for Germany to emulate as it strives to lower unemployment and stimulate its economy. To the approval of the business community (but much to the consternation of ‘old Labour’), Prime Minister Blair has proven to be a ‘Thatcherite’, pro-business leader. Our UK holdings, dominated by growth stocks, account for 11% of the portfolio. **Pearson** (+15%), **Rentokil** (-18%) and **WPP** (+43%) are headquartered in the UK but have proliferated their successful business formulas around the world. Pearson is a media conglomerate, owning the *Financial Times* and the *Economist*. Following its recent acquisition of parts of Simon & Schuster, it is also the world’s largest educational publisher. Rentokil provides a variety of services including pest control, industrial laundry services, and security services. Operating in forty countries, Rentokil prides itself on managing more ‘blue-collar’ workers — some 140,000 — than any other company in the world. WPP is the world’s second largest advertising firm, and benefits from the increasing emphasis that corporations place on building ‘global brands’ as a means of achieving pricing power.

Each of these companies has outstanding long-term growth prospects. And, as growth companies, the value of their shares is highly sensitive to UK interest rates — short rates that are currently 150 to 200 basis points higher than EMU rates. If, as we expect, Mr Blair proves successful in his tacit effort to lead the UK into EMU, UK interest rates will decline to the level of EMU rates. Each of these growth stocks is presently priced well below what we estimate to be its ‘fair value’ when we apply the EMU discount rate to its future earnings stream, and thus represent a significant opportunity.

Asian markets generally had strong returns. In Southeast Asia (12% of the portfolio), palpable economic improvement inspired share price improvement. Hong Kong and Singapore reported fourth quarter year-over-year declines in their economies, but on a sequential basis showed quarterly improvements. Property markets — an important indicator of economic health in both city-states — have begun to revive. Property sales in Singapore have been strong and pricing is about 10% above year-end levels. In Hong Kong developers are once again bidding aggressively for undeveloped land at government auction. Thailand, the first country to plunge into the morass, has also begun to show signs of economic stabilization: the Baht has strengthened, the monthly current account is in surplus, and interest rates have declined. Parliament’s recent enactment of a credible bankruptcy law will facilitate more rapid rehabilitation of the banking system. The portfolio owns six companies in the region — three in Hong Kong, two in Singapore and one in Thailand. Each is the regional leader in its respective business, and all are emerging stronger relative to their local competition as a result of the crisis.

Perhaps most importantly for the region and the world, the near-comatose Japanese economy *may* be showing signs of life. Encouraging signs are tentative at best — several months of increasing consumer demand, and a month-over-month pick-up in industrial production between December and January — leaving bulls with thin empirical evidence to hang their hats on. However, if the stock market is being true in its role as a leading economic indicator, then a revival may be at hand: the Nikkei rallied 11% in the quarter. Skeptics point to the rally as a classic case of unnamed actors ‘window-dressing’ the balance sheets of Japanese financial institutions ahead of the March 31 close of the Japanese fiscal year. The rally also owes some of its strength to reactive buying by foreign institutions, which may be more nervous at the extent of their Japanese underweighting relative to their benchmarks than they are confident of nascent economic recovery. We are spending a growing proportion of our research efforts on Japanese companies — looking, as always, for fairly-priced, growth businesses run with intelligence and discipline for the benefits of their shareholders. Certainly, more companies are wrapping themselves in the mantle of shareholder friendliness, as evidenced by the proliferation of announcements of bold ‘restructurings’ involving layoffs, divestments and other ‘Anglo-Saxon’ measures for enhancing profitability. Sadly, our experience to date is that, upon examination of the details, these restructurings have invariably turned out to be more rhetoric than reality, aimed at appeasing unhappy shareholders without undergoing real cultural change. Today, our three holdings in Japan — **Atlantis Japan** (+80%), **Hirose Electric** (+20%) and **Mitsubishi Corp.** (+14%) — represent only 4% of the portfolio. If rhetoric turns out to be prelude to a changing reality, we expect to add Japanese companies to the portfolio.

Finally, a note on what we hope was the final chapter of the emerging markets debacle that started in 1997, the Brazilian devaluation that occurred in mid-January. This event is noteworthy for three reasons. First, devaluation was presaged to such a degree that most Brazilian corporations and financial institutions were well prepared and suffered little of the damage that devastated the corporate sector and banks in Southeast Asia. Second, the Brazilian stock market actually rose, in local currency terms, following the devaluation, in relief at the elimination of the currency uncertainty and in recognition of the effect of the devaluation on enhanced competitiveness. Third, there was no sustained knock-on effect from the Brazilian devaluation in other emerging markets, including others in Latin America; the Mexico stock market, for example, rose 31% in the quarter, and the Peso actually strengthened 5% versus the Dollar. Emerging markets as a whole turned in a strong quarter, with the MSCI Emerging Markets Index rising 12.8%. Our five emerging markets companies together constitute 5% of the portfolio.

## ACTIVITY

There were six new purchases in the portfolio this quarter. We bought:

**Li & Fung**, one of the oldest family-controlled trading houses in Hong Kong. Li & Fung has progressed from mere trading to 'virtual manufacturing', using its extensive logistics network to optimize every stage of the manufacturing process, helping its customers obtain finished products to their proprietary specifications at the lowest cost. In recent years Li & Fung has expanded its extensive sourcing network beyond China and Southeast Asia to include Eastern Europe, Latin America and India. Li & Fung is a beneficiary of the global trend toward outsourcing, as companies define their core competencies more narrowly and outsource less profitable aspects of the business. Customers include The Limited, Ralph Lauren, Reebok and Toys R Us. Nearly all the company's revenues — US\$2 billion in 1998 — are earned in US Dollars, and its balance sheet is in a net cash position.

**SAP** is the dominant global leader in Enterprise Resource Planning (ERP) software. Its dominant position as the information computing backbone in global companies to sell a widening array of add-on products and services. SAP shares had fallen over 50% from their highs as historical growth rates have slowed, and investors have become uncertain as to how the company will adapt to the trend toward Internet-based computing. We believe that SAP, with an R&D budget that dwarfs those of its nearest competitors, will succeed in this transition. We also expect that corporations will resume their purchase of ERP and related products as the focus on Y2K preparedness passes. These factors will allow SAP to achieve sustainable earnings growth in excess of 20% per annum.

**Sun Microsystems** is a global leader in open network computing technologies, products and services. The company is best known for its high-performance servers, its Solaris operating system and its creation and promotion of Java as the software standard for Internet programming. The Internet is changing the way businesses and individuals communicate. Sun is a leader in providing products and services to corporations and Internet service providers to help them optimize use of the Internet and to capitalize on the vast number of new opportunities arising from the move to a networked world.

**Telmex** is Mexico's leading telecommunications company. Telmex offers a full range of services covering local, domestic and international long distance and cellular, with dominant market shares in each area. We feel the major negative impacts from new entrants (long distance, mainly) and price reductions have already been felt, and that Telmex is now stronger and more stable financially than in the past. Providing new telecom services and containing costs should allow the company to grow earnings per share at a double-digit rate, especially with the aid of share buybacks. Perhaps most importantly, the stock is still valued as though it were an inefficient, slow-growth monopoly. Interestingly, this marks

the second time we have held Telmex, having sold it in 1992 for \$56 per share. We repurchased Telmex in the last quarter at \$66 per share — the company having bought back 30% of its outstanding stock in the interim!

As a result of its merger with Norwest, the new **Wells Fargo** is now one of the two largest super-regional banks in the US. With a market area stretching from the Mississippi River to the Pacific Ocean, it has a broad mix of retail banking business, along with mortgages, consumer finance, credit cards, and insurance and investment products. Wells Fargo will benefit from the imposition of Norwest's marketing-driven culture, with the proven effect on profitability of its cross-selling and lengthened customer retention. Wells' own reputation for product innovation and alternative delivery channels gives added reach to this culture. The potential for growing revenues without increasing costs will lead to profit growth, and also to excess capital, which can be re-deployed in high return businesses or returned to shareholders.

**MCI WorldCom** is a prime beneficiary of structural changes in the telecommunications industry. The company is focused on serving corporate customers through ownership of 'end-to-end' facilities. As a result of this strategy, WorldCom derives a greater proportion of revenues than its peers from the fastest growth areas in the industry — data, Internet and international — and thus enjoys faster revenue growth. In addition, the company is expanding margins and generating free cash as it gains economies of scale and captures synergies from the MCI acquisition. These factors position WorldCom to generate earnings growth in excess of 20% per annum for the foreseeable future.

There were three outright sales this quarter and seven reductions of positions.

We swapped our position in **DESC** for shares in Telmex. DESC had rallied sharply following the market crisis in the late summer, surpassing our estimate of fair value.

We sold **Wellman**, a producer of chemical-based polyester fiber and fibers from recycled plastics. Wellman is a commodity producer in an industry that has significant excess global — specifically Asian — capacity. We thought that it was undervalued by the market when we bought it two years ago, only to see it halved in price. We badly underestimated the extent of excess capacity, and the degree to which it would strip pricing power from all producers. We see no near-term prospect for a return of supply-demand balance in the industry.

We sold **Partner Re**, a Bermuda-based property & casualty reinsurer. We made our investment in Partner Re in 1995 when the re-insurance industry was suffering from a lack of capacity due to a spate of natural disasters including Hurricane Andrew and the Northridge and Bay Area earthquakes in California, and financial difficulties at Lloyd's. Since that time there has been a dearth of natural disasters and the reinsurance industry is awash in new capacity. Consequently, pricing is terrible. Partner Re is a well-managed company, and

has been a successful investment for us, but we believe that there are other investment opportunities in financial services with greater promise. The portfolio retains exposure to insurance via **AIG, Allianz** and **Zurich Allied**.

We reduced positions in **Dover, Exxon, Fannie Mae, Hutchison Whampoa, Johnson Electric, Siam Cement** and **Surveillance (SGS)**.

## GLOBAL EQUITY PORTFOLIO

as of March 31, 1999

Company	Country	Weight	Description
Royal Dutch	NETH	3.8%	Premier oil company operating worldwide
Baxter International	US	3.3%	Leading medical products supplier focused on blood transfusions & kidney dialysis
Colgate	US	3.2%	Leading global consumer products company
Pearson	UK	3.1%	UK print & broadcast media company
WPP Group	UK	3.0%	World's largest advertising & marketing services company
Pfizer	US	2.9%	US pharmaceutical, veterinary, specialty chemical & toiletries company
Schlumberger	US	2.9%	Premier supplier of technical services & equipment to the petroleum industry
Hutchison Whampoa	HK	2.9%	Conglomerate involved in container terminals, housing, energy, telecoms, & retailing
Allied Capital	US	2.8%	Financial institution making equity linked loans to small businesses
American Int'l Group	US	2.6%	Insurance holding company offering insurance, risk management & agency services
Investor	SWE	2.5%	Holding company for Wallenberg family interests in Swedish industrial concerns
Gaz et Eaux	FRA	2.5%	Investment company in Lazard Group, holding strategic stakes in major listed companies
Rentokil Initial	UK	2.5%	Provider of wide range of services to commercial sector
Wolters Kluwer	NETH	2.5%	Dutch publisher of legal, tax, medical & business information
Sun Microsystems	US	2.3%	Leading beneficiary of move to internet computing
Singapore Press	SING	2.3%	Dominant newspaper publisher in Singapore
Allied Signal	US	2.3%	Aerospace, auto, chemical & fiber manufacturing company
Intel	US	2.1%	Global leader in semiconductor manufacturing
Rio Tinto	UK	2.1%	One of world's largest & most diversified mining companies
Johnson Electric	HK	2.1%	Manufacturer of small precision motors used in cars & consumer products
Exxon	US	2.1%	Premier global oil company
Wrigley, Wm. Jr.	US	2.0%	World's largest producer of chewing gum
Nestlé	SWITZ	2.0%	World's largest food company
Jardine Strategic	SING	1.9%	Investment holding company of Jardine Group Asian investments
Deere & Co	US	1.8%	World's leading producer of farm equipment
ABB	SWITZ	1.8%	Leading worldwide capital goods company
Siam Cement	THAI	1.8%	Thailand's largest industrial group
Fannie Mae	US	1.8%	Government-sponsored agency that buys & repackages mortgages
Wells Fargo	US	1.8%	California's largest commercial bank
Mitsubishi Corp.	JAP	1.8%	One of Japan's leading trading companies
Thermo Electron	US	1.7%	World leader in environmental monitoring, analysis instruments & biomedical products
Dover	US	1.7%	Diversified capital goods manufacturer
Air Products	US	1.6%	Leading industrial gas company
Monsanto	US	1.6%	Life sciences company with leadership position in genetic engineering
Bic	FRA	1.5%	Producer of disposable razors, disposable lighters & ballpoint pens
Quintiles	US	1.5%	Outsourcing partner for healthcare companies
Hirose Electric	JAP	1.3%	Japanese manufacturer of electrical connectors & components
Atlantis Japan	JAP	1.2%	Closed-end fund invested in smaller Japanese companies
Zurich Allied	SWITZ	1.1%	Global provider of insurance & asset management services
Luxottica	ITA	1.1%	World's largest & lowest cost producer of high-quality eyeglass & sunglass frames
Wisconsin Central	US	1.0%	Railroad operator in US & overseas
Li & Fung	HK	1.0%	Hong Kong-based trading & logistics company
MCI Worldcom	US	1.0%	Global provider of fully-integrated local, long distance, international, & internet services
UBS Reg.	SWITZ	1.0%	Europe's largest bank, & world's largest asset management firm
Telefonos de Mexico	MEX	1.0%	Mexico's dominant provider of telecommunications services
Allianz	GER	0.9%	One of world's leading general insurance companies
Kimberly-Clark Mex.	MEX	0.8%	Mexican subsidiary of US-based Kimberly-Clark Corporation
SAP ADR	GER	0.8%	Global leader in computer-based enterprise software
CBT Group	IRE	0.8%	World leader in computer-based software training
Quilmes	ARG	0.7%	Leading producer of beer & soft drinks in Latin America
Liblife Strategic Inv.	S AFR	0.7%	Holding company with investments in South African Breweries & Standard Bank
Surveillance	SWITZ	0.4%	Worldwide provider of trade certification, testing & loss adjustment services
Aspen Technology	US	0.4%	Leading provider of process optimization software
Scania	SWE	0.0%	Premium heavy-duty truck & bus manufacturer

## GLOBAL EQUITY COMPOSITE PERFORMANCE SUMMARY

as of March 31, 1999

	Annualized Returns for Trailing Periods (%)					Volatility
	1 Year	3 Years	5 Years	8 Years	Since Inception*	Since Inception*
<b>HLM Global Equity Composite</b>	<b>-6.4</b>	<b>7.9</b>	<b>10.5</b>	<b>12.3</b>	<b>13.1</b>	<b>12.0</b>
<i>FT World Index</i>	11.8	17.0	15.9	13.0	10.4	14.6
<i>MSCI All Country World Index</i>	11.2	16.4	15.3	13.0	10.4	14.1
<i>Lipper Global Fund Index</i>	3.6	13.8	12.3	12.4	10.9	12.5

\*Inception Date: 11/30/89

	Calendar Year Returns (%)										
	YTD 1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	
<b>HLM Global Equity Composite</b>	<b>1.5</b>	<b>2.3</b>	<b>11.0</b>	<b>17.3</b>	<b>19.0</b>	<b>0.0</b>	<b>24.3</b>	<b>8.9</b>	<b>29.4</b>	<b>7.9</b>	
<i>FT World Index</i>	3.7	23.0	15.4	13.2	19.6	5.9	22.6	-5.1	19.6	-17.0	
<i>MSCI All Country World Index</i>	4.1	21.7	14.7	13.1	18.2	5.4	25.5	-4.3	19.5	-17.2	
<i>Lipper Global Fund Index</i>	2.6	14.6	14.0	16.3	14.0	-2.2	32.8	0.1	20.3	-9.1	

	Composite Information										
	YTD 1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Number of accounts included in the composite	10	11	15	13	13	17	16	14	12	†	†
Total market value of accounts included in composite (\$M)	\$167.1	\$176.9	\$251.1	\$188.0	\$146.7	\$112.4	\$80.2	\$63.3	\$41.8	\$15.3	\$1.6
% of total firm assets represented by composite	12.5%	12.9%	16.5%	15.1%	23.4%	30.5%	31.8%	39.3%	30.0%	26.6%	4.9%
Internal dispersion: standard deviation of calendar year returns	NA	1.7%	1.5%	0.8%	2.0%	1.4%	6.5%	2.1%	2.5%	†	†

† Five or fewer accounts

Harding, Loevner Management, L.P. ("HLM") 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. HLM is compliant with AIMR-PPS since 10/31/89. This composite has been verified compliant at Level II by Ashland Accounting LLC.

### 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 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 management fees result in composite returns for trailing periods, as follows: 1 yr -7.0%, 3 yrs 7.1%, 5 yrs 9.7%, 8 yrs 11.4%, since inception 12.2% .
- 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 benchmarks, including the percentage of the composite invested in countries not included in the benchmarks, is available upon request.
- Annual standard deviations of returns (volatility) is 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.

**Annualized Returns for Trailing Periods (%)**

