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Global Equity
2006 Second Quarter Report

Table of Contents

Market Environment Highlights

- Markets react to central banks withdrawing liquidity from financial systems.
- US index continues to lag behind international.
- Cyclical industries underperform non-cyclical industries.

Composite Performance (as of June 30, 2006)

	Last Quarter	Last 12 Months	3 Years[1]	5 Years[1]	10 Years[1]	Since Inception[1,2]	Volatility[3]
Global Equity (gross)	(2.1%)	23.1%	17.4%	6.6%	7.6%	10.7%	13.5%
Global Equity (net)	(2.1%)	22.7%	16.8%	6.1%	6.9%	9.9%	13.4%
MSCI ACW[4]	(0.6%)	18.6%	18.3%	6.9%	7.3%	7.6%	14.0%
MSCI World	(0.3%)	17.5%	17.4%	6.2%	7.4%	7.6%	13.9%

[1]Annualized Returns; [2]Inception Date: November 30, 1989; [3]Annual Standard Deviation; [4]The Benchmark Index
Please read the above performance in conjunction with the footnotes on the back page of this report.

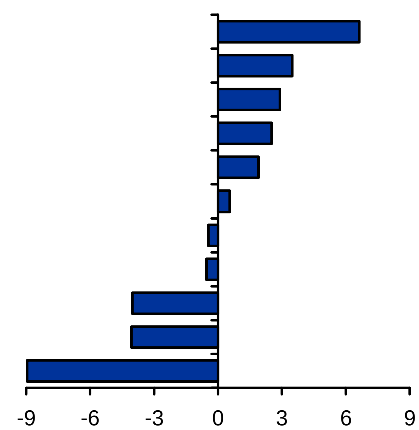
Outlook Highlights

- Less robust economic growth will favor our type of companies.
- Trade surpluses diminish perceived risks of developing countries.
- A little more fear and a little less greed.

Current Portfolio Sector Exposure[5]

Sector	HL Global	MSCI ACW
Health Care	15.7%	9.1%
Info Technology	14.2%	10.8%
Materials	9.5%	6.6%
Energy	12.9%	10.4%
Industrials	12.5%	10.6%
Cash	0.6%	--
Consumer Staples	7.4%	7.8%
Telecom Services	4.1%	4.6%
Cons Discretionary	6.9%	10.9%
Utilities	--	4.0%
Financials	16.2%	25.2%

Over/Under the Benchmark (%)



Purchases and Sales

Purchases	Sector	Sales	Sector
China Mobile	Telecom Services	Berkshire Hathaway	Financials
Fanuc	Industrials	Mitsubishi Corp.	Industrials
		Wal-Mart de Mexico	Consumer Staples

All holdings and sector allocations are subject to review and adjustment in accordance with our investment strategy and may vary in the future and are not recommendations to buy or sell any security. A complete list of holdings appears on page 9 of this report.

[5]The current portfolio sector exposure is shown as supplemental information only and complements the Global Equity Composite presentation which is located on the front and back covers of this report.

Market Environment

Gains at beginning and end of quarter offset declines in May.

During the second quarter of 2006, the Global Equity Composite fell in value by 2.1% behind the return of its benchmark, the MSCI All Country World Index, which fell 0.6%. For the year to date, the portfolio remains just ahead of its benchmark, returning 6.6% versus 6.4% for the MSCI All Country World Index.

The quarter was marked by five weeks of broad declines in all of the world's equity indexes beginning in May, during which commodity prices and emerging market stocks fell sharply. Gains at the beginning and end of the quarter obscure that weakness in the full quarter's performance figures. Investors, who had witnessed 15 successive rate hikes by the US Federal Reserve as the economy recovered, lost their nerve when inflation data suggested that rises in energy and raw material prices might be feeding through to other parts of the US economy. Whether or not the inflation dragon has reared its head, the world's major central banks were intent upon withdrawing liquidity from the world's financial systems. The Fed responded with two additional rate hikes during the second quarter, and was joined by central banks in Europe, the UK, Canada, Australia, and a number of developing countries, including China. Even Japan withdrew liquidity from its money markets, although it has not yet officially raised interest rates.

Federal Reserve raises rates twice.

During that five week correction period, bond markets, which had been stable throughout the first quarter, sank at the prospect of further increases in short term interest rates. The emerging market benchmark fell by 20%, with Turkey's stock market declining 40% in dollar terms, South Africa's by 20%, and Brazil, Russia, and India's by 25%. Japanese stocks fell almost as much as the emerging market benchmark, while European stocks fell roughly 12% on average. The US market fell less than most others in the decline—falling less than 8%.

Market Performance (% Total Return)

	Trailing 12 Months		2Q 2006	
Market	**USD**	**Local**	**USD**	**Local**
Canada	32.2	20.0	0.5	-4.2
Germany	30.7	23.8	0.2	-5.2
Japan	35.5	39.7	-4.6	-7.6
United Kingdom	21.2	17.5	4.9	-1.6
United States	8.8	8.8	-1.6	-1.6
Europe EMU	26.7	20.2	1.8	-3.6
Europe ex-EMU	23.9	19.2	3.9	-2.6
Pacific ex-Japan	19.2	20.7	2.5	-0.5
Emerging Markets	35.9	32.6	-4.3	-3.3

Source: Wilshire Atlas, MSCI (as of June 30, 2006)

As the quarter ended, there were few signs that it had been so volatile. The non-US benchmark finished the quarter virtually unchanged and a sharp rally of the worst hit markets in the final week of June caused the US market to chalk up yet another quarter of underperformance relative to the rest of the world, posting the same negative 1-2% returns for the quarter overall as Brazil or Indonesia. Certain countries posted modest gains during the quarter, primarily Switzerland and the UK.

Currency values aid non-US returns, except in emerging markets.

Currency values aided non-US returns during the second quarter, except in emerging markets. The Euro rose 5% and the Yen gained 3%, but the rush to reduce risk in emerging market debt and equity positions led to one-sided outflows, which forced a number of currencies down significantly. South Africa's currency fell by 14%, India's by 3%, and Mexico's by 4%.

The Pharmaceutical and Biotech industries remain resilient throughout second quarter.

Cyclical industry groups, particularly Autos & Components, Consumer Durables & Apparel, Semiconductors & Equipment, Tech Hardware & Equipment, and Materials were the worst performing stocks among industry groups in the month-long correction. Many of these same groups were also among the worst performers during the full quarter (excluding Materials, which experienced strong gains in April). In addition, Software & Services and Health Care Equipment & Services performed poorly for the quarter. Food & Staples Retailing, Food Beverage & Tobacco, Pharmaceuticals & Biotech, Telecom Services, and Utilities proved to be the most resilient industries throughout both the correction and the quarter. Clearly, the market was differentiating between cyclical and non-cyclical industries, fearing that the engagement of central banks in a struggle against inflation could choke off the current economic expansion with interest rate increases.

Sector Performance of the MSCI All Country World Index (%Total Return in USD)

	Trailing 12 Months	2Q 2006
Consumer Discretionary	11.8	-1.6
Consumer Staples	14.1	3.6
Energy	27.6	4.1
Financials	23.8	-0.3
Health Care	7.9	-0.9
Industrials	23.7	-1.1
Information Technology	8.2	-8.5
Materials	41.6	1.6
Telecom Services	8.6	2.7
Utilities	18.8	6.1

Source: Wilshire Atlas, MSCI (as of June 30, 2006)

Investment style results were mixed for the quarter as a whole and, from our perspective, did not affect performance during the period of sharp decline. "Growth" stocks underperformed "Value" stocks , although underperformance in Japan and the US was pronounced, lagging behind by more than 400bp. Small cap stocks missed the overall benchmark by roughly 400bp. Fundamental quality factors had little impact on the quarter as a whole, with only small differences between the highest and lowest quintiles of companies ranked on objective measures of quality.

Portfolio Attribution

Our stocks outperform the emerging market sub-index.

While our emerging market exposure might have been expected to cause damage to the portfolio, it actually had no negative effect on relative returns for the quarter. Our substantial holdings were larger than the benchmark weight, but our stocks performed 200bp better than the emerging market sub-index, thus offsetting the allocation effect with good stock selection. South Africa's refined petroleum products producer, **Sasol,** stood out, as did our two Chinese holdings, port operator, **China Merchants,** and mobile phone operator, **China Mobile**. Where we lost relative performance was mainly in Japan, where our stocks performed worse than the Japanese market, causing a drag of roughly 100bp on overall performance. We also lost ground in the UK, where we had a light weight (it was a resilient market) and poor stock selection.

The Energy sector continues to do well in emerging markets.

From a sector perspective, we suffered from poor stock selection in four areas: Materials, Tech Hardware & Equipment, Real Estate, and Diversified Financials. Leading this group of stragglers were the following Japanese holdings: LCD film coatings maker **JSR** in Materials, process control specialist **Yokogawa Electric** in Tech Hardware & Equipment, **Sumitomo Realty** in Real Estate, and **Nomura Securities** in Diversified Financials. We had poor stock selection in Technology generally, and were also hurt by emerging market holdings within Telecom Services (**América Móvil**) and Pharmaceuticals & Biotech (**Teva Pharmaceutical**).

Outlook

The strong performance of global markets over the past few years has encouraged investors to accept risks uncritically as they have reaped good rewards for the risks they have already taken. With global economies moving forward, a rising tide of liquidity has "lifted all boats." While we believe that the outlook for global economies and corporate profits remains solid, we also suspect that the liquidity will be receding, exposing the weaknesses of certain investments. This time of increasing scrutiny and less robust economic growth will favor our type of investments – companies with solid and lasting growth prospects emerging from a durable competitive advantage, strong balance sheets, and a track record of competent managerial performance.

Bold indicates companies held in the portfolio during the quarter. The percentage of currently held positions appears on page 9 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 holdings are subject to review and adjustment in accordance with our investment strategy and may vary in the future; and are not recommendations to buy or sell any security.

Last quarter, we stated:

> "Such strong equity returns in the face of rising global interest rates presumes investors who are either highly optimistic about policy makers' ability to dampen inflation risks without damaging underlying economic growth, or else simply don't care about the risks at all."

Current economic environment favors companies with solid growth prospects.

The sound of investors rushing for the exits this quarter was the result of that *sangfroid* deserting the investment community. What characterized the broad decline of markets beginning the second week of May was its uniformity and relative orderliness. Investors simply decided that the risks to future returns were higher than imagined if central banks were going to fully engage in a battle to contain an outbreak of an inflation virus that was proving to be more resistant to treatment than previously forecast. Investment theory describes such a sudden decrease in the appetite for risk as a shift in the risk premium, which is the factor (in addition to bond yield) that determines the discount rate applied to future cash returns in assessing present value.

Why should investors choose now to worry about the balance of inflation risks, interest rate increases, and cycle turning points, when the Fed has been raising interest rates and withdrawing excess liquidity for two years, and European and Japanese central banks have signaled before now that they were screwing down the taps of monetary liquidity growth? We cannot say, although the proximate trigger seems to be evidence of substantial Japanese monetary contraction coupled with the US monthly core inflation report from April, which implies that what had previously been specific commodity and energy inflation might now be transmitted more broadly across the US economy. It is evident that fixed income investors have been increasingly nervous about the inflation demonstrated over the past year by the widening spread between the yields of fixed rate government bonds and the real yields of US inflation indexed bonds (the "TIPS spread"). Equity investors have chosen to ignore that nervousness and focus on the strong economic growth and general macroeconomic and political stability that has prevailed in most of the investable world, conditions that render revenue growth easy to pursue and that put sustained profitability within the grasp of most companies.

Fixed-income investors are nervous about inflation.

Expected inflation as measured by the TIPS spread began to shrink and the price of gold and other commodities started to fall sharply once it became clear that the Fed was waging a serious battle against developing generalized inflation at the same time that the Bank of Japan was greatly increasing its liquidity withdrawals. Equity investors had strong reactions to these developments. The markets recognized that central banks possessed a potent arsenal of weapons to use in the fight against inflation, but they were concerned that using these weapons could be hazardous to the health of debt-financed consumption and corporate profits.

In order to look forward, it is instructive to look back at the origins of the extended trend of declining worries about risk and the increased risk appetite that has prevailed for several years. The end of the 2002-2003 recession, sparked by historically low interest rates, ushered in an extremely benign economic environment. Not only were interest rates low, but developing economies were coming out of their long period of recovery from the crises of 1997-1998. They were exporting goods (and, increasingly, services) to the US and other developed economies, which helped keep inflation low despite a strong economic recovery from the post-bubble, capex-led recession. Inflation risks were low in the developed world; growth and debt risks were low in developing economies; and growth-friendly political stability was well entrenched around the globe, even in countries such as Brazil, with formerly 'anti-business' leaders in power, i.e., Mr. (Lula) da Silva. Demographic trends that fostered global pursuit of fixed income yield combined with a history of the Fed (and other central banks) providing liquidity injections to any market decline that threatened to affect the real economy (the "Greenspan put"), caused investors to experience a virtuous circle of falling interest rates and rising asset prices, especially equity prices. Layered on top of that was a nearly universal belief that diversification alone is sufficient to reduce risks—a belief that disregards the risk that all assets have become both more correlated and overpriced due to the heroic liquidity accommodations made by monetary authorities in response to the deflation risks that so threatened the global economy during the last recession. The natural response by investors was a sustained pursuit of previously uncorrelated assets (broadening to include real estate and, more recently, commodities, leveraged by hedge funds and other) in the belief that ample liquidity meant not just low cost of carry, but low risks of systemic loss.

Debt reduction in developing countries lessens dependency upon fickle capital markets.

We are the first to agree that the real risks of investing in many developing countries or industries, as well is much lower than in the past. Banking systems have been restructured; trade deficits have turned to trade surpluses; and indebtedness has been reduced in order to become less dependent on the fickle capital markets to sustain their economic progress. Until now, the flood of portfolio flows into emerging markets has differentiated little between houses that are in good order and those that are not. The diverging experience between Turkey and Brazil this quarter is instructive. Brazil, having already flexed its monetary muscle last quarter by buying back some of its foreign debt, responded to the stock, bond, and currency decline this quarter by announcing that it would use its surging foreign currency reserves to retire *all* of its foreign currency debt. This move was made possible by the large trade surpluses that resulted from its strong industrial links to the global economy, including Japan and, especially, China, hungry for its commodity exports.

Commodity prices remain comparatively high.

Turkey (or Hungary, for that matter), even with the prospect of membership in the EU and potentially the European monetary union, has not managed to assemble a robust enough economic position to free it from dependence on foreign capital. Turkey's external deficit, nearing 10% of GDP, means that when the portfolio flows financing the deficit evaporated so quickly, the Turkish Lira had to absorb the pressure, plunging as much as 25% to levels where new buyers could be attracted, exacerbating the woes for non-domestic investors. Worse, the inflationary risks of such a sharp exchange rate decline triggered a sharp interest rate hike by the central bank, which will inevitably impact the real economy. This mirrors the pattern of previous emerging markets (and general balance of payments) crises, but we think that the pattern is not likely to be repeated in most developing economies this time around.

Rising energy prices demand industry-wide research and development.

Our belief is that the real risks have been present all along in varying degrees in different markets, but that the secular trends tempering actual risk, along with the trends lowering perceived risk, have overwhelmed investors who bothered to differentiate between low and high-risk alternatives. This caused the difficulties experienced by Iceland's markets last quarter when an emerging market wobble sent its currency reeling—it was caught in the wrong place (speculators' trade blotters) at the wrong time (a preview of this quarter's sudden risk aversion).

We do not believe that there is significant risk of inflation becoming out of control, given the focus now directed on it by monetary authorities who have experienced their success at dealing with it during the past quarter century. Commodity prices may remain relatively high until supplies can be brought to the market, but that process is underway, although the rush to exploit high prices with large expansion has been more disciplined or less readily achievable this time. Energy has a more extended path still, perhaps, as supply growth has been difficult to achieve in recent years. However, high prices are already encouraging both conservation and substitution by alternatives, as well as spurring spending on exploration and development. The degree to which core inflation incorporates the specific inflation of raw materials is based upon the power of producers to pass on their higher costs to their customers. As long as the competitive forces of the integration of large pools of labor from China, India, and other emerging economies remain in place, accelerated by technology and telecommunications, the power to pass on price increases will be limited. If consumer demand in the US and other economies is dented by higher interest rates, that ability will be tempered even more. The corollary of that belief is that there is little risk of interest rates rising to the point where they become unmanageable, thus forcing wholesale corporate retrenchment.

Observe little change in the outlook for corporate earnings.

We have seen little change in the long-term fundamental outlook for corporate earnings, in spite of the potential for a cyclical downturn arriving sooner than forecast. All companies with cyclical earnings streams suffer variations in their earnings over the cycle. Investors attempt to price their stocks based upon some estimate of the trend of earnings through the cycle with stocks of less cyclical companies pricing earnings streams far into the

Corporate leverage is low in riskier geographical locations.

future. Importantly, corporate leverage is low, especially in the more cyclical industries or the riskier geographies, with certain exceptions. However, as we have asserted before, growth prospects seem to be the most precarious ingredients in the recipe for prosperity. Central banks fighting inflation are just one more negative to be added to the list of risks to growth. Asset markets with extended prices, accompanied by leverage, are a key risk mentioned here before. The largest and most important of these is the US housing market, which has already begun to cool. Given the US consumer's importance to manufacturers in Japan, China, and developing economies in general, it is critical to recognize the links between the (leveraged) US housing market and consumer confidence. We believe that the single most important change in the outlook is that (earnings) growth must necessarily become more scarce.

Behind the mixed nature of the quarter's performance statistics is likely to be an inflection point in investor behavior. Before May, there was confidence that high risk meant high returns; that a credit loss cycle was far in the future; and that operating leverage was a positive attribute. Now, we suspect that the engagement of central banks in a battle to retain price stability, the hard-won achievement of the past 25 years, will prompt more circumspect attitudes, such as a little more fear and a little less greed.

Portfolio Structure

We remain confident in our portfolio companies.

There is little in the recent market turmoil that prompts us to change the portfolio in any dramatic way. We already have concentrated holdings in high quality companies whose earnings and ability to grow should place them among the most resilient stocks if our outlook of scarcer growth is accurate. We are overweight in some of the less cyclical industries, notably Household & Personal Products, Health Care Equipment & Services, and Pharmaceuticals & Biotech. We are lightly weighted in Autos & Components, Consumer Durables & Apparel, and Consumer Services, along with all Banks and Diversified Financials. We assume that the first casualties of a more aggressive central bank response to inflation would be those related to debt-financed consumption or to more indebted companies. We have believed, wrongly and for some time, that the growth of financial services in developed economies, especially the US and UK, cannot continue at the pace it has maintained over the past quarter century. Banks in the developed world, and consumer lenders in particular, should face rising pressure on profits as volume growth slows. Apart from any group weightings, we are confident that our portfolio companies, which have nearly a third less debt than the average of the benchmark, will not only suffer less interest burden pain than their competitors but also may be able to exploit the others' weakness by pursuing market opportunities more flexibly and aggressively than those constrained by their finances.

We continue to look for opportunities to upgrade the portfolio in quality terms in cases where indiscriminate selling has offered a bargain and we continue to look for more holdings in the US, where the best companies are very high quality in terms of profitability, leverage, and stability.

Sector	Company	Country	Weight (%)	Description
Consumer Discretionary	Li & Fung	Hong Kong	2.2	Trading company
	LVMH	France	1.1	Luxury goods group
	Pearson	United Kingdom	1.4	Education & publishing company
	TJX Companies	United States	1.2	Off-priced name brand stores
	Viacom	United States	1.1	Media & entertainment group
Consumer Staples	Coca-Cola	United States	0.9	Soft drinks company
	Colgate-Palmolive	United States	2.4	Consumer products company
	L'Oreal	France	2.3	Personal care products manufacturer
	Nestlé	Switzerland	1.9	Global food company
Energy	EnCana	Canada	3.7	Producer of natural gas
	Exxon Mobil	United States	1.2	Global oil company
	Kinder Morgan	United States	2.9	Natural gas transportation & logistics company
	Sasol	South Africa	1.7	Refined petroleum products producer
	Schlumberger	United States	3.6	Oil services company
Financials	American Int'l Group	United States	2.5	Insurance holding company
	Bankinter	Spain	1.2	Small commercial bank
	Erste Bank	Austria	1.0	Savings & retail bank
	Kookmin Bank	South Korea	1.1	Retail-oriented bank
	Nomura Holdings	Japan	1.1	Brokerage firm
	Standard Chartered	United Kingdom	2.4	Multinational commercial bank
	Sumitomo Realty & Dev	Japan	4.3	Real estate developer
	Swiss Re	Switzerland	1.1	Reinsurer
	Wells Fargo	United States	1.7	Super regional bank
Health Care	Abbott Labs	United States	2.0	Health care products & pharmaceuticals producer
	Alcon	Switzerland	1.3	Eye care company
	Medco Health Solutions	United States	2.2	Pharmaceutical benefits manager
	Medtronic	United States	1.5	Medical devices company
	Novartis	Switzerland	1.3	Multinational life sciences company
	Qiagen	Germany	2.0	Laboratory equipment supplier
	Roche Holding	Switzerland	1.2	Pharmaceutical company
	Sanofi-Aventis	France	2.1	Pharmaceutical company
	Synthes	Switzerland	1.0	Medical device company
	Teva Pharmaceutical	Israel	1.2	Pharmaceutical company
Industrials	3M Co.	United States	1.6	Industrial technology firm
	Caterpillar	United States	3.1	Producer of earthmoving equipment
	China Merchants	China	2.7	Global port operator
	Emerson Electric	United States	3.1	Global industrial & electronics controls company
	Fanuc	Japan	1.0	Machine tool maker
	General Electric	United States	1.1	Diversified products & services company
Information Technology	Analog Devices	United States	1.9	Analog mixed-signal computer chip maker
	Automatic Data Proc	United States	0.8	Payroll and tax-filing processor
	Cisco Sytems	United States	2.5	Internet networking company
	Dassault Systemes	France	1.4	CAD/CAM software designer
	Hirose Electric	Japan	1.0	Manufacturer of electrical connectors & components
	Keyence	Japan	2.6	Detection & measuring control equipment maker
	Qualcomm	United States	1.6	CDMA wireless communications technology firm
	Samsung Electronics	South Korea	1.3	Electronic equipment maker
	Yokogawa Electric	Japan	1.1	Industrial process control equipment company
Materials	Air Liquide	France	1.3	Industrial gas company
	Air Products & Chemicals	United States	1.0	Industrial gas company
	JSR	Japan	2.5	Specialty chemicals manufacturer
	Praxair	United States	1.2	Industrial gas company
	Rio Tinto	United Kingdom	3.5	Diversified mining company
Telecom Services	America Movil	Mexico	1.2	Cellular service provider
	China Mobile	China	2.2	Cellular service provider
	Orascom Telecom	Egypt	0.7	Cellular services provider

Specific securities, portfolio holdings and sector/region weights are subject to review and adjustment in accordance with our investment strategy, may vary in the future, and should not be considered recommendations to buy or sell any security.

Portfolio holdings shown are supplemental information only and complement the Global Equity Composite presentation which is located on the front & back page of this report.

Contributors to Returns

Largest Holdings	GICS Sector	Region	Return	Average Wt.	Contribution
Sumitomo Rlty & Dev	Financials	Japan	(10.7%)	4.3%	(0.51%)
EnCana	Energy	Canada	12.9%	3.4%	0.41%
Schlumberger	Energy	United States	3.1%	3.4%	0.10%
Emerson Electric	Industrials	United States	0.7%	3.1%	0.02%
Caterpillar Inc.	Industrials	United States	4.1%	3.0%	0.12%

Largest Contributors	GICS Sector	Region	Return	Average Wt.	Contribution
EnCana	Energy	Canada	12.9%	3.4%	0.41%
Kinder Morgan	Energy	United States	9.7%	2.7%	0.25%
L'Oreal	Consumer Staples	Europe EMU	8.8%	2.1%	0.18%
China Merchant	Industrials	Emerging Markets	7.0%	2.2%	0.14%
Colgate Palmolive	Consumer Staples	United States	5.5%	2.4%	0.12%

Largest Detractors	GICS Sector	Region	Return	Average Wt.	Contribution
Sumitomo Rlty & Dev	Financials	Japan	(10.7%)	4.3%	(0.51%)
JSR Corp.	Materials	Japan	(14.8%)	2.8%	(0.44%)
Qualcomm	Info Technology	United States	(20.6%)	2.0%	(0.42%)
Analog Devices	Info Technology	United States	(15.7%)	2.1%	(0.34%)
Teva Pharmaceutical	Health Care	Emerging Markets	(23.2%)	1.2%	(0.29%)

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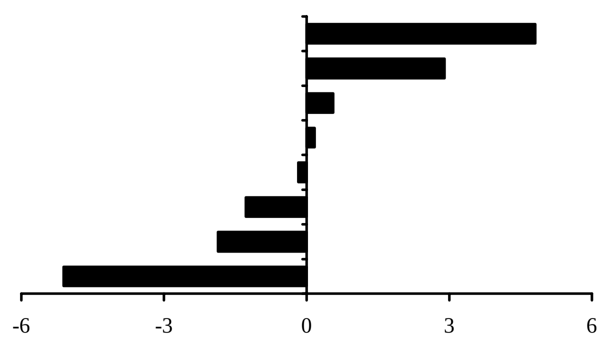
Current Portfolio Regional Exposure

	HL Global Equity	MSCI ACW Index
Emerging Markets	12.0%	7.2%
Japan	13.5%	10.6%
Cash	0.6%	--
Canada	3.7%	3.5%
Europe ex-EMU	15.0%	15.2%
Pacific ex-Japan	2.1%	3.4%
Europe EMU	12.3%	14.2%
United States	40.8%	45.9%

Over/Under the Benchmark (%)



Portfolio Characteristics

Characteristics	HL Global	MSCI ACW
Avg Wtd Market Cap ($B)	$53.0	$64.3
Price/Earnings (Trailing)	20.3	16.8
Price/Cash Flow	15.8	11.4
Price/Book	3.7	2.6
Dividend Yield	1.5%	2.3%
Return on Equity	22.1%	20.5%
Number Holdings	56	2775

Characteristics (3 Years)	HL Global	MSCI ACW
Alpha	(1.30)	0.00
Beta	1.09	1.00
R-Squared	0.91	1.00
Sharpe Ratio	0.42	0.49
Standard Deviation	10.16	8.86
Correlation	0.95	1.00
Turnover (Average)	30.8%	---

Source: Wilshire Atlas

Average Weighted Market Capitalization is the product of a security's price and the number of shares outstanding. *Price/Earnings* is the ratio of a firm's closing stock price and its trailing 12 months' earnings per share. *Price/Cash Flow* is the ratio of a firm's closing stock price and its fiscal year end cash flow per share. *Price/Book* is the ratio of a firm's closing stock price and its fiscal year end book value per share. *Dividend Yield* is indicated dividend rate divided by current price, expressed as a percent. *Return on Equity* is the net income divided by total common equity outstanding, expressed as a percent.

Alpha is a measure of risk-adjusted return. *Beta* is a measure of the portfolio's sensitivity to the market. *R-Squared* is a measure of how well a portfolio tracks the market. *Sharpe Ratio* is the return over the risk free rate per unit of risk. *Standard Deviation* is the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Correlation* is the statistical measure of the degree to which the movements of two variables are related. *Turnover* is the ratio calculated by dividing the lesser of purchases or sales by average capital, expressed as a percent.

Portfolio attribution, region weights and statistics are shown as supplemental information only and complement the Global Equity Composite presentation which is located on the front and back covers of this report.

Global Equity Composite Performance Summary
2006 Second Quarter Report

	HL GLBL EQ (Gross)	HL GLBL EQ (Net)	MSCI ACW[1]	MSCI WORLD	Internal Dispersion[2]	Number of Accounts	Composite Assets ($M)	Firm Assets ($M)
2006[3]	6.6%	6.4%	6.4%	6.4%	NA[4]	†	92	3727
2005	17.2%	16.8%	11.4%	10.0%	†	†	85	2562
2004	9.0%	8.5%	15.8%	15.3%	†	†	82	1524
2003	32.5%	32.0%	34.6%	33.8%	†	†	127	1357
2002	(19.4%)	(19.8%)	(19.0%)	(19.5%)	0.6	6	118	1082
2001	(14.9%)	(15.5%)	(15.9%)	(16.5%)	0.4	7	152	1154
2000	1.3%	0.1%	(13.9%)	(12.9%)	†	†	108	1392
1999	38.9%	38.2%	26.8%	25.3%	†	†	96	1423
1998	2.3%	1.6%	22.0%	24.8%	0.5	11	179	1372
1997	11.0%	10.1%	15.0%	16.2%	0.6	15	251	1521
1996	17.3%	16.3%	13.2%	14.0%	0.2	13	188	1247

[1]Benchmark Index; [2]Asset-weighted standard deviation (gross of fees) [3]The 2006 returns reflect the partial period January 1, 2006 through June 30, 2006;
[4]NA used for internal dispersion less than a 12 month period. †Five or fewer accounts

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 Index (gross dividends). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg; prior to July 1, 1997 it was Reuters. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI All Country World Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The Index consists of 49 developed and emerging market countries. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. The Index consists of 23 developed market countries. You cannot invest directly in this Index.

Harding, Loevner Management, L.P. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Ashland Partners & Company, LLP has verified firmwide compliance since October 31, 1989, one quarter in arrears.

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. Composite performance is presented gross of foreign withholding taxes. Past performance is not indicative of future results. Additional information regarding the policies for calculating and reporting returns is available upon request.

The US dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The standard fee schedule generally applied to separate global equity accounts is 1.00% annually of the market value of assets up to $20 million; 0.50% of amounts from $20 million to $100 million; negotiable for amounts over $100 million. 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.

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

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