



### Market Review Highlights

- International Equity markets rose strongly across the board, with the notable exception of Japan.
- Within Europe, the cyclically-gearred German market stood head and shoulders above the rest.
- Along industry lines, the best performing groups were energy, materials, capital goods, and tech hardware.

### Composite Performance (%) For Periods Ending June 30, 2007

	Last Quarter	Last 12 Months	Three Years <sup>1</sup>	Five Years <sup>1</sup>	Ten Years <sup>1</sup>	Since Inception <sup>1,2</sup>	Volatility <sup>3</sup>
HL Global Equity (gross of fees)	7.18	24.26	19.13	14.86	8.22	11.43	13.23
HL Global Equity (net of fees)	7.11	23.66	18.53	14.31	7.55	10.64	13.14
MSCI ACW <sup>4</sup>	7.42	25.83	18.57	15.43	7.63	8.59	13.88
MSCI World	6.71	24.19	17.30	14.54	7.49	8.48	13.69

<sup>1</sup>Annualized Returns; <sup>2</sup>Inception Date: November 30, 1989; <sup>3</sup>Annual Standard Deviation; <sup>4</sup>The Benchmark Index.

Please read the above performance in conjunction with the footnotes on the back page of this report. Past performance is not indicative of future results.

### Outlook Highlights

- Continuing strong demand for the basics of economic expansion outside the US.
- Faster growth overseas compensating for a flagging US consumer.
- Investing in the industrialization of China through the window of Japan.

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### Sector Exposure (%)

Sector	HL Gbl	ACW	Over/Under The Benchmark
Health Care	13.9	7.9	6.0
Info Technology	16.4	10.8	5.6
Industrials	13.8	11.1	2.7
Materials	9.2	7.4	1.8
Cons Staples	8.8	7.7	1.1
Cash	0.7	0.0	0.7
Energy	10.6	10.3	0.3
Telecom Services	4.7	5.2	-0.5
Cons Discretionary	6.9	10.7	-3.8
Utilities	0.0	4.2	-4.2
Financials	15.1	24.7	-9.6

Portfolio holdings and allocations are supplemental information only and complement the Global Equity Composite presentation that is located on the front and back pages of this report. They should not be considered recommendations to buy or sell any security.

## Market Review

Equity markets rose strongly in the second quarter, posting solid gains in nearly all geographies. The MSCI All Country World Index rose 7.42%, led by strong rebounds in a number of emerging markets, notably China, Brazil, and India. Among developed markets, the energy and commodity resource-laden markets of Canada, Australia, and Norway yielded double-digit returns. Within Europe, the cyclically-gearred German market stood head and shoulders above the rest, rising nearly 17% and driving Europe-wide returns in the quarter to 9%. Without Germany's 25% year-to-date return, European YTD returns would have been just 7%, matching the good US market return of 7%, of which 6% came in this quarter. Japan, alone among developed markets, declined in the quarter (-0.6%) in US Dollar terms, due to a 3% depreciation of the Yen.

Market Performance (%)				
Market	Trailing 12 Months		2Q 2007	
	USD	Local	USD	Local
Canada	28.8	23.2	15.0	6.2
Germany	49.6	41.6	16.7	15.0
Japan	7.4	16.0	(0.6)	3.9
United Kingdom	27.6	17.6	7.6	5.3
United States	20.6	20.6	6.1	6.1
Europe EMU	37.4	30.1	10.2	8.6
Europe ex-EMU	28.9	21.1	7.1	5.4
Pacific ex Japan	44.0	30.9	9.7	6.3
Emerging Markets	45.5	38.8	15.0	12.5

Source: Wilshire Atlas, MSCI (as of June 30, 2007)

Sector Performance (%) of the MSCI ACW Index			
Sector	Trailing 12 Months		2Q 2007
	USD		USD
Consumer Discretionary	24.8		4.5
Consumer Staples	23.9		3.9
Energy	23.6		15.7
Financials	21.3		3.6
Health Care	12.9		2.9
Industrials	30.9		11.6
Information Technology	24.8		10.3
Materials	43.7		13.7
Telecom Services	43.1		10.3
Utilities	35.4		4.0

Source: Wilshire Atlas, MSCI (as of June 30, 2007)

Along industry lines, the best performing groups were energy, materials, capital goods, and tech hardware—four groups that combined make up about 30% of the global benchmark. The poorest returns came from real estate, household/personal products, and retailing. On broader divisions, the consumer sectors—both Staples and Discretionary, along with Health Care—fared poorly, while industrial sectors fared well.

## Portfolio Attribution

The Composite returned 7.18%, just behind the benchmark in the quarter. Stocks of high-quality companies (objectively defined) tend to underperform in strongly surging markets, so we are tempted to celebrate our unremarkable relative performance given our sustained emphasis on high quality, which remains undiminished. But it was mostly in emerging markets where the effect was pronounced recently; elsewhere, we found little evidence that 'quality' had specific explanatory power in the quarter. We were helped by our substantial bias against Financials and Utilities, but hurt by large overweight in Health Care.

The largest factors contributing to relative performance—both positive and negative—seemed to be thematic, and not well illustrated by traditional attribution analysis.

Relative performance was hurt in the quarter by our embrace of the slow Japanese emergence from its long period of economic woe. Within our significant holdings of both capital goods and tech hardware producers, we have a significant holding of Japanese companies. But, despite cap goods and tech hardware being two of the top-performing groups in the entire market this quarter, our Japanese holdings in these groups performed terribly, mostly due to poor market sentiment in Japan, but also in part due to profitability issues at **Yokogawa Electric**, because of heavy investment in new businesses. Within Financials, we have more than a quarter of our holdings in Japan, including two brokers and a real estate developer; shares of all three declined in the quarter, and detracted significantly from our performance in that sector—worse than if we had held the same percentage in a collection of US financials with all their bad press. Traditional attribution lays the blame at the door of bad stock selection in each of these industry groups, but the result more accurately springs from those individual segments of the Japanese market in which we chose to concentrate our holdings. Our Japanese holdings overall were only slightly worse than the average

Bold indicates companies held in the portfolio during the quarter. All holdings are subject to review and adjustment in accordance with our investment strategy and may vary in the future; they should not be considered recommendations to buy or sell any security. A complete list of holdings is available at [www.hardingloevner.com](http://www.hardingloevner.com).

Japanese stock, and we hold only a bit more in Japan than the benchmark: on a geographic basis, Japan shows minor negative attribution effects.

An offsetting theme is our continued exposure to the ‘China boom’ and some of the most direct beneficiaries of its stupendous (and now extended) fixed investment surge, such as mining stocks and earth moving equipment. Not only have we managed to resist the temptation to sell our last of three substantial holdings of iron ore producer, **Rio Tinto**, we also own **Caterpillar**, whose growth in China has so far offset a decline in its US sales stemming from the housing slowdown, and Chinese port operator **China Merchants**. These three holdings were augmented with less-direct beneficiaries of the growth in China, such as Hong Kong’s **Li & Fung**, and the UK’s **Standard Chartered Bank**. Together the five holdings, spread across geographies (UK/Australia, US, and HK/China) and across industries (materials, capital goods, transportation, retailing, and banks), comprise just over a tenth of the portfolio, but contributed one third of its total return this quarter.

Our stance has been to be suspicious of unbridled and easy growth, not least in China. Alongside our position in iron ore, coal and copper miner Rio Tinto (a company that recently celebrated its *tenth* year in the portfolio, causing us to marvel that mining companies, and also many energy companies, now feature in ‘growth’ style indices of more than one major

“Our stance is to be suspicious of unbridled and easy growth.”

purveyor), we have pursued overweight holdings of health care companies and household products companies. Alongside large holdings in capital goods producers, we have substantial holdings in Switzerland, predominantly non-cyclical businesses such as food producers, pharmaceutical companies, and medical device makers. Emerging Markets were strong in the quarter, rewarding our holding of nearly a tenth of the portfolio; but our holdings are concentrated in well-managed companies with enviable competitive positions, strong balance sheets, and solid track records, many in consumer- or finance-related businesses, whose stocks trailed the EM sub-index this quarter, causing part of our performance drag.

## Outlook

The strongly positive move in equity markets this quarter was surprising to us. The headlines in the quarter were focused on further negative developments in the sub-prime mortgage market and the related mortgage-backed securities

and collateralized debt obligations (CDOs), foreshadowing continued headwinds for US residential construction, for holders of US mortgage debt—now extended to safe-sounding (“Investment Grade”) hedge funds and French banks—and for the vigor of the US consumer. With many of the variable

“Where will the next eruption of contagious infection of the sub-prime disease occur?”

rate new mortgages (the majority of which were to sub-prime borrowers) written in the past two years still to reset this year and next, economists are focused on just how big the impact on the US consumer a contraction of credit to the housing sector will be. Market participants are obsessed with where—now that mortgage originators, mortgage insurers, US regional banks, foreign banks with US bank subsidiaries, and, most recently, investment banks with CDO ‘arbitrage’ hedge funds have been scarred—the next eruption of contagious infection from the sub-prime disease will occur, given how widely the risks have been distributed via securitization and derivative markets.

Global equity markets, however, were reacting—in their role as an unconscious discounting mechanism—to something quite different, namely, the continued strong demand for the basic ‘stuff’ of economic expansion outside the US consumer: energy, construction raw materials, and even crops (to support growing meat consumption and alternative energy uses). While US-centric investors are watching and waiting for house prices to fall and erode collateral values, the infrastructure spending, housing investment, and consumer durable purchases in China, in other Asian developing nations, and in Central and Eastern Europe continue unabated. Germany, with its close links to eastern Europe’s rebuilding boom and to capital equipment spending globally, has turned the corner from restructuring woe to domestic optimism—precisely because of sustained export-led prosperity. Industrial production in China and Singapore was 18% higher in April (the latest data) than a year ago, with India and Indonesia no slouches at 13% and 11% respectively. Meanwhile in Europe, the same measure saw 14% growth in the Czech Republic, 10% in Hungary, nearly 7% in Austria, and 4% in Germany. The US managed less than 2%.

Bond yields rose sharply in the quarter, not just in the US but globally, signaling that any slowdown in the US economy was not yet affecting demand to borrow for expansion (or balance sheet restructuring—the leverage effect of management action) elsewhere in the world. The ‘conundrum’ of low bond yields ignoring the steady drumbeat of rising official (short-term) interest rates appears to have ended, as yield curves steepened. Commodity prices—such as for iron ore, for crude oil, or for soybeans—rebounded from (or, in a few cases, remained

strong throughout) the first quarter correction, and equity investors followed underlying price rises back into the stocks of natural resource producers with a vengeance this quarter.

Last quarter, we wrote that demand growth in the rest of the world outside the US was unlikely to shrug off completely a decline in US consumer demand—especially in Asia. So far, that conclusion has not proven terribly prescient, although we did allow that Europe, and especially Germany, was looking resilient. The US housing-driven slowdown has been with us already for nearly a year, and has been just as bad as we might have feared, but is already well known to markets. The open question is whether the market has finished discounting the full effects of the unfolding sub-prime mortgage debacle. Some seasoned market observers find it exasperating that many stock prices imply that investors remain unperturbed by the rumblings emanating from the mortgage market. Bill Gross, the bond guru, is on record as saying that there are hundreds of billions of dollars of troubled sub-prime mortgages repackaged into other fixed income securities; *when* the losses associated come to light is merely a matter of which holders are forced to mark their carrying prices to true market value. We already know the practical effects on the rest of the US economy: lending standards are being tightened “prudentially” (but after the fact of first loss and peak lending), and that is likely to have further negative consequences for housing investment and related consumption in the US, but unpredictable consequences on stock prices, depending on what has already been discounted, and also depending on the scale of those losses relative to (as yet) undiscounted growth elsewhere.

In another context, we have ventured the comparison of average equity investors to jolly picnickers who observe the distant thunder and lightning, and perhaps even perceive the rain falling at the far side of the meadow. How promptly they furl their tablecloth, pack their baskets and head for the shelter of the tall trees depends upon their state of mind. Which direction do they think the storm is moving? How much do they fear sudden death by electrocution? Do they understand the long distance that lightning can reach? And, most of all, how much have they been drinking at the picnic?

The debate is set, then. It seems that the very positive forces of globalization, deregulation, and private initiative are taking up the running in the global economy even as the US consumer is flagging. Is it possible, given the much greater size of the developing world’s share of the global economy, that slower growth in US demand can be fully compensated by still-faster growth abroad? At the moment, the great discounting mechanisms—global stock and bond markets—are indicating it just might be. For instance, China alone accounted for one sixth of global GDP growth last year, a function not just of

its rapid pace of growth but of the sheer size it has reached; that’s the same share of global growth to which the US has shrunk, having accounted for as much as half of all global

“... Globalization, deregulation, and private initiative are taking up the running in the global economy ...”

growth as recently as 1998. In the 1980s, the capital flight from bankrupt Latin America into the US was so great that one economist remarked, “If the US didn’t have a current account deficit, it would have to invent one: to offset the capital that is looking for a home in US financial assets.” We wonder if the competition for ‘stuff,’ for the basic building blocks of expansion in developing economies, is so great that if the US didn’t have an unfolding housing slowdown, it would need to engineer one ... to keep the burgeoning demand elsewhere from igniting a general inflation in wages and price levels.

## Portfolio Structure

We have previously flagged our conservative posture vis-à-vis the economic cycle and our preference for high-quality companies, but our failure to outperform this quarter is only partially explained by this wrong-footed stance. For example, in the four industry groups mentioned above as the best-performing, we owned even more than the benchmark: nearly 40% of our portfolio is invested in those groups. We have, as noted, managed to hang on to one holding (out of three, originally) in mining—historically a highly cyclical industry, but one where we have argued that the competitive structure has improved relative to its long history, so that the consolidated survivors can act with much greater pricing and investment discipline than in the past, and where new capacity has been (and will be) slow to come on stream, either from existing players or by new entrants. But the fact remains that out of respect for history, we have sold (we now know, prematurely) most of our prior large and hugely successful holdings in iron ore producers. We continue to debate how long to stay at the picnic, recognizing the difficulty of trusting valuations that require forecasting a long ‘super’ cycle or an absence of mean reversion in mining returns—a good reason for selling too soon...

Within capital goods, we have maintained significant positions in the cream of Japanese capital goods producers that have survived Japan’s capital expenditure drought by a combination of balance sheet strength, international export orientation, and skillful management, such as robot maker **Fanuc**, or optical sensor maker **Keyence**. This has been an error in terms of

relative performance, but we have trouble understanding why. Japanese companies that have succeeded over the past decade of deflation in Japan have done so by relentlessly cultivating business abroad, including the United States of course, but also the industrial markets in its own back yard, in Asia and particularly in China. Japan is one of the few developed nations to run a trade surplus with China, as it exports more capital equipment to help build China's industrial base (and that of transplanted Japanese multinationals) than it imports consumer goods. With the sentiment for Chinese securities markets at a fever pitch, but the outlook undimmed for Chinese

### “The need (for companies) to invest in productivity improvement is reviving rapidly.”

fixed investment, we believed, and continue to believe, that a prudent way to invest in the industrialization of China and the rest of Asia is through the Japanese window. These existing supplier relationships are powerful growth drivers for Japanese companies, and these survivors will continue to prosper. Ultimately, the negative sentiment surrounding their shares should eventually give way to strong optimism, and they will be good stock investments as well as successful companies.

Information Technology has been, with short periods excluded, one of the worst-performing sectors over the past seven years. By putting as much emphasis on technology capex spending as on industrial capital spending, we have been too sanguine that the excess capacity created in the tech bubble years would be absorbed through rapid obsolescence and price-driven elasticity. But with inflation, including wage inflation, re-entering the minds of managements and policy-makers alike, the need to invest in productivity improvement is reviving rapidly, we believe. As new capacity is planned and added, it will need sophisticated process controls, and Yokogawa Electric shares global leadership in that field with **Emerson Electric** and Honeywell; we believe Yokogawa's dominance in supplying the petrochemical industry, and its position in Japan and the rest of Asia, will garner greater attention than its nascent (and cash hungry) photonics business. We remain committed investors in the industrial end of the tech hardware spectrum, rather than the consumer or office equipment segments, such as personal computing.

We have maintained full positions in Energy, Capital Goods, and Information Technology, while simultaneously building large holdings in traditionally non-cyclical sectors of Health Care and Consumer Staples. The funds have come from reduced, less-than-benchmark holdings of Consumer Discretionary, Utilities, and especially Financials. Effectively, we are positioned to benefit from the continued recovery of corporate spending (if the US consumer never retrenches, then industrial capacity is in woeful

short supply) or a consumer slowdown (non-cyclical sectors will perform well)—with our explicit assumption that problems with the global economy will appear first as cracks in the financial intermediaries, whether as a result of excessive anti-inflation vigilance on the part of central banks, i.e., raising interest rates too aggressively, or as a result of accumulated consumer debt becoming a burden that spawns a new cycle of credit losses.

That so many of our capital goods and technology holdings are in Japan is partly an accident of bottom-up stock selection: Japan happens coincidentally to be the domicile of companies to which we are attracted because of their enviable competitive positions within their industries, and also their exposure to and record of success in growing markets. But also we have been actively seeking out successful Japanese companies with strong managements precisely because the market there has already been through a long and drawn-out debt deflation, and appears to be emerging into a new asset and credit cycle, one that includes internal policy needs to increase returns from its companies for the benefit of the retirement investments of its inhabitants. That is especially true of our significant investment in Japanese financials. The historical positive correlation of Japanese stocks to rising US interest rates, a steepening Japanese yield curve, and rising industrial production is merely icing on the cake.

As has been the case for several years, we have significant holdings in emerging markets, where the investment in both productive assets and infrastructure, along with private consumer demand for durable goods and housing, will sustain growth for many years to come, just perhaps with or without the engine of hyper consumption from the US consumer. The companies we favor feature less leverage than the average—giving them greater flexibility when capital markets turn turbulent—and continue to invest in business expansion.

Lastly, that search for high-quality growth companies extends across all industries and geographies. The risk to the view that imbalances are being addressed is that the unwinding of the sub-prime market excesses creates a financial accident that cannot be contained by the immediate sponsors (such as Bear Stearns supporting its own hedge fund)—and that it imperils a number of financial institutions simultaneously. The usual reaction by central banks to potential crises is to inject liquidity in sufficient quantity to alleviate the systemic risks while the mess is sorted out. Given that this mess could extend throughout the US mortgage market, it is possible that the great mark-to-market still to come gets out of hand. In that case, *any* company dependent on access to liquid markets for the wherewithal to execute its strategy will be at risk, and stronger, better financed competitors will exploit every opportunity. We prefer to invest with the latter.

## Largest 25 Holdings

Company	Country	Sector	End Weight (%)
Schlumberger	United States	Energy	3.8
Rio Tinto	United Kingdom	Materials	3.5
Exxon Mobil	United States	Energy	3.3
3M Co.	United States	Industrials	2.9
Cisco Systems	United States	Information Technology	2.9
Emerson Electric	United States	Industrials	2.8
China Merchants	China	Industrials	2.8
Caterpillar	United States	Industrials	2.6
Standard Chartered	United Kingdom	Financials	2.6
Keyence	Japan	Information Technology	2.5
Medco Health Solutions	United States	Health Care	2.4
Viacom	United States	Consumer Discretionary	2.4
América Móvil	Mexico	Telecom Services	2.4
American Int'l Group	United States	Financials	2.4
L'Oreal	France	Consumer Staples	2.3
Walgreens	United States	Consumer Staples	2.2
EnCana	Canada	Energy	2.2
Qiagen	Germany	Health Care	2.1
Medtronic	United States	Health Care	2.1
Li & Fung	Hong Kong	Consumer Discretionary	2.0
Abbott Labs	United States	Health Care	2.0
JSR	Japan	Materials	2.0
Dassault Systemes	France	Information Technology	1.9
Analog Devices	United States	Information Technology	1.8
Nestlé	Switzerland	Consumer Staples	1.8

The portfolio is actively managed; therefore holdings shown may not be current. They should not be considered recommendations to buy or sell any security. A complete list of holdings is available at [www.hardingloevner.com](http://www.hardingloevner.com).

## Regional Exposure (%)

Region	HL Gbl	ACW	Over/Under The Benchmark
United States	48.0	43.5	4.5
Emerging Markets	10.6	9.1	1.5
Japan	10.3	9.3	1.0
Cash	0.7	0.0	0.7
Europe ex-EMU	14.9	15.0	-0.1
Canada	2.2	3.5	-1.3
Pacific ex-Japan	2.0	4.0	-2.0
Europe EMU	11.3	15.6	-4.3

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Last Quarter			
Largest Holdings (%)			
	Return	Weight	Contribution
Schlumberger	23.19	3.6	0.78
Exxon Mobil	11.66	3.3	0.37
3M Co.	14.19	2.9	0.39
Emerson Electric	9.22	2.8	0.25
Viacom	1.26	2.6	0.03
Largest Contributors (%)			
	Return	Weight	Contribution
Schlumberger	23.19	3.6	0.78
Rio Tinto	34.90	2.2	0.69
América Móvil	29.59	2.0	0.53
EnCana	21.76	2.3	0.45
Caterpillar	17.32	2.5	0.41
Largest Detractors (%)			
	Return	Weight	Contribution
Sumitomo Realty & Dev.	(14.01)	1.6	(0.25)
Yokogawa Electric	(12.44)	1.0	(0.14)
Nomura Holdings	(6.21)	1.9	(0.13)
PT Telekom*	(6.02)	1.0	(0.12)
Monex Beans	(9.65)	1.0	(0.11)

Last 12 Months			
Largest Holdings (%)			
	Return	Weight	Contribution
Schlumberger	31.61	3.3	1.14
Exxon Mobil	39.14	3.2	1.10
Sumitomo Realty & Dev.	32.44	3.0	1.48
Emerson Electric	14.28	3.0	0.44
Cisco Systems	42.60	2.7	1.08
Largest Contributors (%)			
	Return	Weight	Contribution
Li & Fung	82.50	2.4	1.63
Sumitomo Realty & Dev.	32.44	3.0	1.48
China Mobile*	59.31	2.0	1.24
China Merchants	61.81	2.2	1.18
Schlumberger	31.61	3.3	1.14
Largest Detractors (%)			
	Return	Weight	Contribution
Keyence	(14.56)	2.1	(0.38)
Sanofi-Aventis*	(9.00)	0.4	(0.22)
PT Telekom*	(6.02)	0.3	(0.14)
JSR	(3.85)	2.2	(0.10)
Yokogawa Electric	(5.26)	1.1	(0.08)

Percent weight figure shown is the average percent over the period. \*Security owned for partial period; return shown is for the actual period owned in the portfolio.

Portfolio Characteristics		
	HL Global	ACW
Avg Wtd Mkt Cap	\$73.3	\$74.2
Price/Earnings (Trailing)	21.0	17.1
Price/Cash Flow	16.3	11.6
Price/Book	3.1	2.7
Dividend Yield	1.4%	2.2%
Return on Equity	22.9%	20.2%
Number of Holdings	56	2,714

Portfolio Characteristics*		
	HL Global	ACW
Alpha	(0.59)	0.00
Beta	1.10	1.00
R-Squared	0.93	1.00
Sharpe Ratio	0.45	0.48
Standard Deviation	9.24	8.14
Correlation	0.96	1.00
Turnover (Average)	24.1	--

\*Last Three Years

Purchases		
Company	Country	Sector
PT Telecom	Indonesia	Telecom Services

Sales		
Company	Country	Sector
China Mobile	China	Telecom Services
Hirose Electric	Japan	Info Technology

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Source: Wilshire Atlas (Run Date: July 9, 2007); Harding Loevner Global Equity Composite; MSCI

## Global Equity Composite Performance (as of June 30, 2007)

	Glbl Equity (Gross)	Glbl Equity (Net)	MSCI ACW <sup>1</sup>	MSCI WORLD	Internal Dispersion <sup>2</sup>	Number of Accounts	Composite Assets (\$M)	Firm Assets (\$M)
2007 (YTD)	11.06%	10.82%	10.19%	9.48%	N.A. <sup>3</sup>	N.M. <sup>4</sup>	109	5,739
2006	19.24%	23.86%	21.53%	20.65%	N.M.	N.M.	102	4,720
2005	17.22%	20.59%	11.37%	10.02%	N.M.	N.M.	85	2,562
2004	9.02%	12.16%	15.75%	15.25%	N.M.	N.M.	82	1,524
2003	32.45%	27.20%	34.63%	33.76%	N.M.	N.M.	127	1,357
2002	(19.37%)	(14.76%)	(18.98%)	(19.54%)	0.6%	6	118	1,082
2001	(14.87%)	(17.98%)	(15.91%)	(16.52%)	0.4%	7	152	1,154
2000	1.28%	(15.60%)	(13.94%)	(12.92%)	N.M.	N.M.	108	1,392
1999	38.90%	50.44%	26.81%	25.34%	N.M.	N.M.	96	1,423
1998	2.33%	11.26%	21.97%	24.80%	0.5%	11	179	1,372
1997	11.04%	(4.59%)	14.99%	16.23%	0.6%	15	251	1,521

<sup>1</sup>Benchmark Index; <sup>2</sup>Asset-weighted standard deviation (gross of fees); <sup>3</sup>N.A. – Internal dispersion less than a 12-month period; <sup>4</sup>N.M.– Information is not statistically meaningful due to an insignificant number of portfolios in the Composite for the entire year.

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 of foreign withholding taxes). 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 47 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 these Indices.

Harding, Loevner Management, L.P. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner is GIPS compliant and is verified by Ashland Partners & Company, LLP. Harding Loevner has received a firm-wide GIPS verification beginning November 1, 1989. The most recent verification was for the Quarter ending March 31, 2007.

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 on dividends, interest income and capital gains. 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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