



Composite Performance (%) For Periods Ending June 30, 2008

	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)	(2.33)	(2.66)	14.20	14.37	7.14	10.63	13.22
HL Global Equity (net of fees)	(2.37)	(3.13)	13.63	13.80	6.50	9.85	13.12
MSCI All Country World Index <sup>4</sup>	(1.36)	(8.79)	10.82	13.69	5.30	7.58	13.74
MSCI World	(1.43)	(10.18)	9.44	12.54	4.65	7.39	13.62

<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.

Sector Exposure (%)

Sector	HL Gbl	ACW	Over/Under The Benchmark
Health Care	18.2	8.0	10.2
Info Technology	17.7	10.7	7.0
Industrials	13.2	10.7	2.5
Cons Staples	10.4	8.3	2.1
Cash	0.5	--	0.5
Energy	14.7	14.4	0.3
Materials	8.1	9.7	(1.6)
Telecom Services	2.6	5.1	(2.5)
Cons Discretionary	3.8	8.2	(4.4)
Utilities	0.0	4.8	(4.8)
Financials	10.8	20.1	(9.3)

Market Review & Outlook

- After a volatile quarter, markets delivered modest declines despite the ongoing credit crisis and inflation worries.
- Policy risk is growing as governments grapple with rising prices and slowing economies.

Portfolio Highlights

- Holdings in Consumer Staples are hurt in short term by the rising cost of inputs; pricing power will determine long-run returns.
- Continued focus on agricultural producers and processors that are likely to benefit from rising food prices.

Regional Exposure (%)

Region	HL Gbl	ACW	Over/Under The Benchmark
United States	44.7	41.6	3.1
Japan	10.3	9.1	1.2
Emerging Markets	12.4	11.5	0.9
Cash	0.5	--	0.5
Pacific ex-Japan	4.4	4.4	0.0
Europe ex-EMU	13.9	14.2	(0.3)
Canada	3.3	4.3	(1.0)
Europe EMU	10.5	14.9	(4.4)

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Sector and region 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.

## Performance Summary

The Global Equity Strategy Composite declined 2.3%, underperforming the MSCI All Country World Index, which fell 1.4%. For the half year, the Composite has outperformed the Index, declining 8.1% versus a fall of 10.4% for the Index.

## Market Review

The quarter witnessed violent market moves on both the upside and the downside, with the net result a small decline. The rescue of Bear Stearns by JPMorgan with the Fed's blessing in mid-March gave investors hope, albeit temporarily, that the worst of the mortgage and liquidity crisis had been priced and discounted by equity and credit markets. In the ensuing weeks, global stock markets rose roughly 15%, and stocks of financial companies rose even more. However, by mid-May, the rebound in commodity prices and the response

of monetary authorities around the world to the coincident arrival of disturbing headline inflation data caused market participants to reassess their optimism, and share prices began to fall anew, with the exception of resource-related stocks. Investors worried that inflation, having been ignored as of secondary importance to growth concerns, would now capture the attention of policy makers, but that it might already be late in the game of containing commodity price rises from spilling over into wages and more generalized price inflation.

This possibility was reinforced by the utter imperviousness of oil prices to 'negative' spin: crude oil rallied in spite of news of stockpiling, of more Saudi supplies, and of declining auto miles being driven in the US, the first meaningful signs of 'demand destruction' for gasoline deriving from either high prices or falling incomes.

*"What seems clear to us and, increasingly, to investors at large is that the risks facing both policy makers and investors are higher than they have been for a number of years."*

There was very wide divergence in the performance of markets in the quarter, largely determined by the side of the commodity and energy import/export divide a country stood on. The best performing sectors, by a wide margin, were Energy and Materials, and the best performing markets were those with large weightings devoted to natural resources: Brazil rose 18%, Norway rose 14%, Canada and Russia each rose 11%, and Australia rose 4%. The worst performing sectors were Financials (again), Consumer Discretionary (again), and Consumer Staples (this was different). The worst performing markets included those that import most of their energy and commodities, including India (down 20%), Belgium (down 19%), Ireland (down 18%), and Taiwan (down 11%). A rare outperformer amongst the resource importers was Japan, up 2%.

Currency played little role in the relative performance of developed markets, with the euro virtually unchanged in the quarter, while the yen weakened against the US dollar. Emerging markets currencies were mixed against the dollar.

## Performance Attribution

The portfolio trailed the Index by a small margin in the quarter,

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Bold indicates companies held in the portfolio during the quarter. 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 on page six of this report.

### Market Performance (%)

Market	Trailing 12 Months	2Q 2008
	USD	USD
Canada	14.3	11.2
Germany	(5.5)	(1.8)
Japan	(12.0)	2.5
United Kingdom	(13.0)	(0.8)
United States	(12.2)	(2.1)
Europe EMU	(10.4)	(5.4)
Europe ex-EMU	(11.2)	(1.8)
Pacific ex Japan	(1.1)	1.6
Emerging Markets	4.9	(0.8)
MSCI ACW Index	(8.8)	(1.4)

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2008)

### Sector Performance (%) of the MSCI ACW Index

Sector	Trailing 12 Months	2Q 2008
	USD	USD
Consumer Discretionary	(23.4)	(8.0)
Consumer Staples	(0.9)	(6.4)
Energy	24.2	18.4
Financials	(28.8)	(11.6)
Health Care	(8.2)	(0.2)
Industrials	(11.7)	(6.0)
Information Technology	(8.7)	1.5
Materials	17.9	9.3
Telecom Services	(6.2)	(2.4)
Utilities	5.9	3.7

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2008)

due primarily to stock selection. Poor performance from **China Merchants** and **General Electric** hurt stock selection results within Industrials, while **América Móvil** in Mexico and **Telekom Indonesia** badly trailed the Telecom Services sector index. **JSR**, the Japanese specialty materials producer, hurt results within Materials. Offsetting those detractors, good stock selection and overweight holdings in Health Care, especially from **Alcon**, **Medco**, and **Medtronic**, contributed to positive relative performance. The Financials Sector was again a source of good relative performance against the benchmark. We maintained our small (underweight) holdings in this large (if shrinking) sector, and our concentration of holdings in Japan (**Monex Group**, **Nomura**, and **Sumitomo Realty & Dev**)—far from the epicenter of the mortgage crisis—overcame the drag from **American International Group (AIG)** to deliver good stock selection results in that sector.

We have few geographic tilts currently in the portfolio, and there was little to report in terms of attribution from this angle. Stock selection within the US was a drag on performance, especially **AIG**, **General Electric**, and **Walgreen**. UK stock selection was hurt primarily by the poor performance of **Standard Chartered**, the emerging market-focused bank.

## Outlook

Our regular readers will recall that we have previously devoted a good deal of space to our concerns about inflation risks. Nevertheless, we have been surprised by the speed with which inflation has become a focus of the marketplace. We are of the belief that the real asset deflation emanating from the housing slump in the US, and now the UK, Ireland, and Spain, not to mention the reduced capacity for debt-financed consumption by US individuals, would counter the broader inflationary influence from rising energy and food prices. We remain convinced of this scenario for the major developed economies, but recognize the increasing seriousness of the inflation problem for emerging economies.

The likelihood of policy error is growing, as headline inflation is now well above central bank policy interest rates in a number of emerging economies, and slightly so in developed countries. Energy and food prices, which comprise a far bigger share of the consumer shopping basket in emerging economies, are wreaking havoc with the multi-year pattern of gentle disinflation that has provided positive reinforcement for improving policies on the part of most governments in developing countries. But the habits of subsidy and price control remain embedded in many of these countries, and policy makers now face the ugly choice of either inflicting higher prices on their constituents to reduce the strain on government coffers, or reducing demand in the aggregate through the blunt instrument of tighter

monetary policy. Most are trying a little of both, but remain behind the curve in getting (or allowing) their economies to adjust to the current reality of higher energy and food prices. The result is that headline inflation is still rising, and inflation is becoming more deeply entrenched in developing countries through wage increases that outstrip productivity increases.

Emerging markets countries thus have to make bigger policy changes than the developed countries, which have generally more flexible economies and suffer fewer government-sponsored distortions, yet the former often possess less-robust policy institutions. Fiscal and monetary policy makers in developing countries are caught between the Scylla of instituting unpopular, growth-retarding measures that reduce inflation, and the Charybdis of facing potentially severe social unrest in reaction to sharp increases in the cost of living, already surfacing in some areas. A well-trod path is one that resists the need to allow energy and food costs to rise to destroy demand (through conservation or substitution) and instead permits the inflation disease to infect the broader economy. Curing that would require a far more brutal policy response, as developed economies discovered to their dismay just 30 years ago.

*"There was very wide divergence in the performance of markets in the quarter, largely determined by the side of the commodity and energy import/export divide a country stood on."*

We worry about policy errors by US and European policy makers as well, less from mismanagement of inflation risks and more from under-appreciation of just how long lasting the debt and asset deflation stemming from the mortgage crisis could be. But between the two sets of actors and their respective challenges, we'd rather bet on a Federal Reserve led by Mr. Bernanke—whose academic interests before he took on a policy role were exactly in the area of debt deflations and depression—than on a host of relatively immature policy institutions with short histories of policy stability.

We've been less surprised by the sudden and growing fear of cyclical downturn—but even there, we did not foresee the deterioration in capital goods share-price performance, a casualty of central banks wrestling with surging inflation fears, especially in emerging economies. Rather than witnessing the 'de-coupling' of emerging and developed economy business cycles, we suspect that higher interest rates in emerging markets may already be affecting plans for fixed asset and infrastructure spending, which inevitably will cause a decline in the order books for global capital goods suppliers.

We prefer developed economies to emerging for the time being, as being less risky and more resilient.\* Our sense is that neither market sentiment nor market valuations are in the same camp as we are. Although there have been substantial outflows from emerging markets funds over the past few months, there has been no wholesale abandonment of the region by the investment community, and the multiples for various emerging market indices are at rough parity with those in developed markets—despite experiencing substantially higher inflation and rising interest rates. Price/earnings ratios are related to many variables, of course, but historically, high inflation has savaged that particular valuation measure, to shareholders' great cost.

*"We prefer to face a risky world with a portfolio of companies that are less leveraged, faster growing, with more able management operating in industries with benign competitive characteristics."*

That said, we also remain skeptical about the ability of consumers in developed countries, especially the US and UK, to sustain, let alone increase, their purchases of goods and services while energy costs are hitting disposable incomes and while rising job losses are increasing the psychological pressure on households to repair the damage to their balance sheets wrought not just by long-term debt accumulation, but now also by housing and financial-asset wealth declines. We are pessimistic that financial services can return to their 'normal' profitability and revenue growth of the past several years, even if, against historical patterns, they manage to escape further credit losses as the economic cycle weakens.

What seems clear to us and, increasingly, to investors at large is that the risks facing both policy makers and investors are higher than they have been for a number of years. Prices are adjusting to that perception, but the possible range of outcomes is unusually wide: at one extreme is losing control of inflation and thereby

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\*We are taking this opportunity, when we are cautious on emerging markets, to increase our long-held internal risk limit of 15% maximum in EM-domiciled investments for Global Equity portfolios to a 25% maximum. While we do not see any pressing reasons to add to our EM holdings today, neither do we want to restrict our ability in the future to own more than the MSCI All Country World Index. Our internal limit has remained unchanged for more than a decade, even as the Index weight has tripled through both relative appreciation and new listings of previously state- or privately-owned companies. Hence, the change in exposure limit represents, for now, an investment policy item rather than an investment action—one whose timing we have chosen to avoid any behavioral bias on our part.

squandering three decades of hard-won fiscal-policy credibility, and at the other is tipping the global economy into recession by making policy errors that exacerbate the US/UK credit crisis.

## Portfolio Structure

If risks are higher than they have been for some time, the portfolio manager's job of mitigating them seems equally daunting. As always, we prefer to face a risky world with a portfolio of companies that are less leveraged, faster growing, with able management operating in industries with benign competitive characteristics.

While avoiding Consumer Discretionary and Financials companies, we are overweight in Health Care and Information Technology, viewing companies with a large portion of their costs coming from the creation of intellectual capital (R&D, patents, etc.) as relatively sheltered from the rising costs facing other manufacturing companies. That has generally proven true. Examples include **Qiagen**, a supplier of a wide array of products used for medical research into nucleic acids (DNA/RNA) and Paris-based **Dassault Systemes**, a provider of enterprise software that, among other uses, enables companies to create 3-D simulations of the design, engineering, and production processes for new products.

We also have an overweight in Consumer Staples. Our preference for the rather non-cyclical companies in this sector, however, did not prove rewarding in the latest quarter, as their costs—for packaging materials, for food inputs, and for their extensive distribution systems—have risen much more quickly than their ability to raise prices for their products. This was recently made clear by Procter & Gamble, which revealed that its distribution network, created in the mid-1980s in a period of very low energy prices, will require a multi-year investment program to revamp it for a world of sustained high energy prices. This is a problem quite likely to be shared by other of our holdings that are competitors of P&G, such as **L'Oréal** and **Colgate**, as well as **Nestlé** and **Coca-Cola**. So, despite our continued cautious view of more cyclical industries, we are reluctant to add to this non-cyclical sector, worried that margins will not prove as resilient as we had once projected them to be.

Rather, we have been attracted to agricultural producers and processors, given their proximity to the sources of the food cost increases, seeing them as more likely to benefit than to fall victim to the cost pressures rippling through the food chain. We added to our small holding in **Sime Darby**, a major palm oil plantation owner, whose price fell this quarter. The

company announced it is considering spinning off its industrial activities (such as its **Caterpillar** distributorship in Asia). This change should lead to a greater business focus on plantation operations, which we would consider a positive development. We also increased our holding in **Olam International**, the Singapore-based wholesaler and processor of food ingredients, chiefly edible nuts, which it sources from the Middle East and Africa and sells to food manufacturers and retailers across Europe, North America, and Asia. **Olam** shares had fallen on concerns about its quite ravenous working capital needs, but the company easily raised capital via a convertible bond offering, and appears to have well in hand the capital it needs for its ample investment opportunities worldwide. We have met with the company's management a number of times over the past few years, and were greatly encouraged by the disclosure that the CEO and senior management invested considerable personal funds in this latest offering.

*"We view companies with a large portion of their costs coming from the creation of intellectual capital (R&D, patents, etc.) as relatively sheltered from the rising costs facing other manufacturing companies."*

Aiming at another industry's need to reduce fixed costs put in place in another era, we bought a new holding in **So-Net M3**, a Japanese internet-based provider of health care marketing services to doctors. We think their model is gaining traction in the US, where initial efforts centered around oncologists has received a quite positive reception from doctors and a subsequent buy-in from many large pharmaceutical companies (the revenue source), which are eager for more efficient ways to get their product messages out to powerful but harried health care decision makers. We are excited by the prospect of any company that might alter the high-cost distribution structure of pharmaceutical companies.

We also bought a new holding in **Genzyme**, the biotechnology drug maker that focuses on treatments for rare diseases. Drugs for these diseases historically have faced less competition and often have patents that are protected by the Orphan Drug Act. **Genzyme's** pipeline of new drugs is healthy and could yield potentially positive surprises, yet its share price has suffered declines along with the rest of the sector, making it attractively priced. We also added to our holding in **Genentech**, the largest biotech drug manufacturer, whose share price has languished as the most bullish of hopes for its Avastin cancer drug have deflated. We like it for its current business, and for the

option value of future discoveries in its oncology franchise.

We sold our long-standing holding in media conglomerate **Viacom**, and bought a new holding in **Google**. **Viacom** is heavily exposed to traditional advertising revenues, whose growth is imperiled in the short term by a weakening economic cycle and in the long term by a shift to the internet—where the company has yet to establish a meaningful presence. In contrast, **Google** is well-placed to enable and benefit from long-term trends in advertising, not only domestically, but internationally as well. We are also attracted to its investments in the 'software-as-service' model, which can exploit its huge data centers. After a meaningful decline in the first quarter, the shares were attractively priced.

We sold our remaining holding of **General Electric**. We have found astonishing that **GE** could not exceed profit expectations during the past three years of absolutely booming infrastructure build-up in the developing world. Now we think infrastructure spending may diminish in the near and medium term. Considering the problems also facing **GE's** financial division and the suffering of its US-facing consumer white goods businesses, we are not prepared to grant management more time to deliver on its promises.

The changes leave the portfolio even more heavily weighted in Health Care and Information Technology, funded by reductions in Consumer Discretionary, Materials, and Industrials.

## Global Equity Holdings (as of June 30, 2008)

Sector/Company/Description	Country	End Wt. (%)
<b>Consumer Discretionary</b>		
<b>Li &amp; Fung</b> - Trading & logistics	Hong Kong	1.8
<b>LVMH Moët Hennessy</b> - Luxury goods	France	1.0
<b>Pearson</b> - Print & broadcast media	UK	1.0
<b>Consumer Staples</b>		
<b>Coca-Cola</b> - Soft drinks	US	1.2
<b>Colgate Palmolive</b> - Household products	US	1.4
<b>L'Oréal</b> - Personal care products	France	2.2
<b>Nestlé</b> - Food & beverage	Switzerland	2.3
<b>Olam Intl</b> - Agricultural products	Singapore	1.6
<b>Walgreen</b> - Retail drugstore	US	1.7
<b>Energy</b>		
<b>EnCana</b> - Natural gas producer	Canada	3.4
<b>Exxon Mobil</b> - Integrated oil	US	2.6
<b>Gazprom</b> - Natural gas producer	Russia	2.3
<b>Sasol</b> - Alternative fuels	South Africa	2.2
<b>Schlumberger</b> - Petroleum industry services	US	4.4
<b>Financials</b>		
<b>American Intl Group</b> - Insurance	US	1.0
<b>Erste Bank</b> - Money center & retail banking	Austria	1.2
<b>Fortress Investment</b> - Asset manager	US	0.7
<b>Monex Group</b> - Internet investment service	Japan	1.2
<b>Nomura Holdings</b> - Brokerage/investment bank	Japan	1.5
<b>Standard Chartered</b> - Commerical bank	UK	2.3
<b>Sumitomo Realty &amp; Dev</b> - Real estate developer	Japan	1.1
<b>Swiss Reinsurance</b> - Life & health reinsurer	Switzerland	0.9
<b>Wells Fargo</b> - Commerical bank	US	1.0
<b>Health Care</b>		
<b>Abbott Labs</b> - Health care & pharma products	US	2.0
<b>Alcon</b> - Eyecare	Switzerland	1.9
<b>Cochlear</b> - Hearing implants	Australia	1.1
<b>Genentech</b> - Therapeutic biotech research	US	1.4
<b>Genzyme</b> - Biotech	US	1.4
<b>Medco Health Solutions</b> - Pharmacy benefits	US	1.4
<b>Medtronic</b> - Medical devices	US	2.2
<b>Novartis</b> - Life sciences	Switzerland	1.1
<b>Qiagen</b> - Biotech & instrumentation	Germany	2.5
<b>Roche</b> - Pharma & diagnostics	Switzerland	1.1
<b>So-Net M3</b> - Medical information services	Japan	1.1
<b>Synthes</b> - Orthopedic products	Switzerland	1.0

## Global Equity Holdings (as of June 30, 2008)

Sector/Company/Description	Country	End Wt. (%)
<b>Industrials</b>		
<b>3M Company</b> - Industrial technology	US	2.4
<b>Caterpillar</b> - Earthmoving equip. producer	US	2.6
<b>China Merchants</b> - Container terminal operator	China	2.0
<b>Emerson Electric</b> - Electronics controls	US	3.1
<b>Fanuc</b> - Indust. robots & machine tools	Japan	0.9
<b>Sime Darby</b> - Plantations & manufacturing	Malaysia	2.2
<b>Information Technology</b>		
<b>ADP</b> - Payroll processor	US	0.9
<b>Cisco Systems</b> - Internet networking	US	3.0
<b>Dassault Systemes</b> - CAD/CAM software	France	1.9
<b>eBay</b> - Internet shopping/trading marketplace	US	1.3
<b>Electronic Arts</b> - Entertainment software	US	1.6
<b>Google</b> - Internet search and multimedia	US	1.3
<b>Keyence</b> - Detection devices	Japan	2.9
<b>MediaTek</b> - Integrated circuit supplier	Taiwan	1.2
<b>Oracle</b> - Enterprise software developer	US	1.6
<b>Qualcomm</b> - CDMA wireless communications	US	1.5
<b>Yokogawa Electric</b> - Industrial equipment	Japan	0.6
<b>Materials</b>		
<b>Air Liquide</b> - Industrial gas	France	1.7
<b>Air Products &amp; Chemicals</b> - Industrial gas	US	1.3
<b>JSR</b> - Specialty chemicals	Japan	1.1
<b>Praxair</b> - Industrial gas producer & distributor	US	1.8
<b>Rio Tinto</b> - Diversified mining	UK	2.3
<b>Telecom Services</b>		
<b>América Móvil</b> - Cellular phone operator	Mexico	1.5
<b>Telekom Indonesia</b> - Fixed-line & mobile	Indonesia	1.1
<b>Utilities</b>		
No holdings		

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## Last Quarter

## Largest Holdings (%)

	Sector	Weight
Schlumberger	Energy	4.0
Emerson Electric	Industrials	3.3
EnCana	Energy	3.1
Exxon Mobil	Energy	2.9
Cisco Systems	Info Technology	2.8

## Largest Contributors (%)

	Sector	Weight
Schlumberger	Energy	4.0
EnCana	Energy	3.1
Sasol	Energy	1.8
Gazprom	Energy	2.1
Rio Tinto	Materials	1.7

## Largest Detractors (%)

	Sector	Weight
American Intl Group	Financials	1.4
General Electric	Industrials	1.6
Standard Chartered	Financials	2.6
China Merchants	Industrials	2.3
Li & Fung	Consumer Discretionary	2.1

## Last 12 Months

## Largest Holdings (%)

	Sector	Weight
Schlumberger	Energy	4.0
Emerson Electric	Industrials	3.2
Exxon Mobil	Energy	3.1
Cisco Systems	Info Technology	2.9
3M Company	Industrials	2.8

## Largest Contributors (%)

	Sector	Weight
Rio Tinto	Materials	2.0
EnCana	Energy	2.5
Schlumberger	Energy	4.0
Sasol	Energy	1.6
Praxair	Materials	1.5

## Largest Detractors (%)

	Sector	Weight
American Intl Group	Financials	1.9
Sumitomo Realty & Dev	Financials	1.2
Walgreen	Consumer Staples	2.0
Cisco Systems	Info Technology	2.9
General Electric	Industrials	2.2

Percent weight figure shown is the average percent over the period. Contributors and detractors in order of contribution to portfolio.

Portfolio Characteristics<sup>1</sup>

	HL Global	ACW
Return on Assets	9.7	7.0
Return on Equity <sup>2</sup>	20.3	18.7
Std Dev of 5 Year ROE	3.8	4.1
Debt/Equity	22.7	34.8
Profit Margin	14.6	11.3
Sales Growth <sup>3</sup>	13.4	12.0
Earnings Growth <sup>3</sup>	15.2	15.6
CF Growth <sup>3</sup>	16.1	14.5
Dividend Growth <sup>3</sup>	8.1	7.4

## Portfolio Characteristics

	HL Global	ACW
Avg Wtd Mkt Cap (\$Mil)	\$70,313	\$68,070
Price/Earnings <sup>4</sup>	21.4	14.3
Price/Cash Flow <sup>4</sup>	16.8	9.6
Price/Book <sup>4</sup>	3.4	2.1
Alpha <sup>5</sup>	3.73	--
Beta <sup>5</sup>	0.92	1.00
R-Squared <sup>5</sup>	0.92	1.00
Sharpe Ratio <sup>5</sup>	0.26	0.16
Standard Deviation <sup>5</sup>	10.88	11.33

<sup>1</sup>Weighted median; <sup>2</sup>Trailing one year; <sup>3</sup>Trailing five years, annualized; <sup>4</sup>Harmonic mean; <sup>5</sup>Trailing three years, annualized.

## Purchases

Company	Country	Sector
Genzyme	United States	Health Care
Google	United States	Information Technology
So-Net M3	Japan	Consumer Discretionary

## Sales

Company	Country	Sector
General Electric	United States	Industrials
Viacom	United States	Consumer Discretionary

Portfolio attribution and statistics are supplemental information only and complement the Global Equity Composite presentation that is located on the front and back covers of this report. The portfolio is actively managed; therefore holdings shown may not be current. They should not be considered recommendations to buy or sell any security. The complete list of holdings is available on the previous page.

Source: Wilshire Atlas (Run Date: July 8, 2008); Harding Loevner Global Equity Composite; MSCI Barra

## Harding Loevner Global Equity Composite Performance (as of June 30, 2008)

	HL Gbl Equity (Gross)	HLGbl Equity (Net)	MSCI ACW <sup>1</sup>	MSCI World	Internal Dispersion <sup>2</sup>	Number of Accounts	Composite Assets (\$M)	Firm Assets (\$M)
2008(YTD) <sup>3</sup>	(8.10%)	(8.27%)	(10.41%)	(10.25%)	N.A. <sup>4</sup>	4	204	6,080
2007	17.62%	16.92%	12.18%	9.57%	N.M. <sup>5</sup>	3	124	6,344
2006	19.24%	18.59%	21.53%	20.65%	N.M.	2	102	4,720
2005	17.22%	16.79%	11.37%	10.02%	N.M.	2	85	2,562
2004	9.02%	8.36%	15.75%	15.25%	N.M.	2	82	1,524
2003	32.45%	31.97%	34.63%	33.76%	N.M.	3	127	1,357
2002	(19.37%)	(19.83%)	(18.98%)	(19.54%)	0.6%	6	118	1,082
2001	(14.87%)	(15.54%)	(15.91%)	(16.52%)	0.4%	7	152	1,154
2000	1.28%	0.13%	(13.94%)	(12.92%)	N.M.	5	108	1,392
1999	38.90%	38.16%	26.81%	25.34%	N.M.	4	96	1,423
1998	2.33%	1.64%	21.97%	24.80%	0.5%	11	179	1,372

<sup>1</sup>Benchmark Index; <sup>2</sup>Asset-weighted standard deviation (gross of fees); <sup>3</sup>The 2008 YTD Composite performance shown is preliminary; <sup>4</sup>N.A.—Internal dispersion less than a 12-month period; <sup>5</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. 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 LLC 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, L.L.P. Harding Loevner has received firm-wide GIPS verification beginning November 1, 1989. The most recent verification was for the Quarter ending March 31, 2008.

Harding Loevner LLC 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.

## HARDING LOEVNER LLC

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