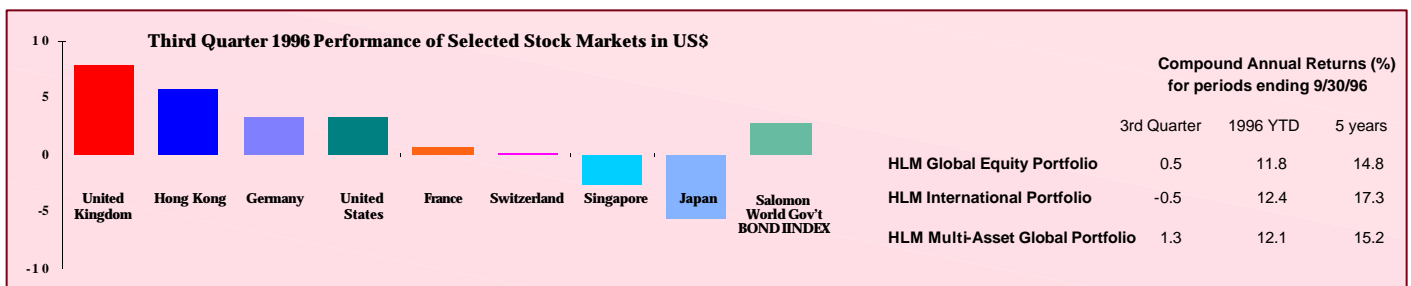
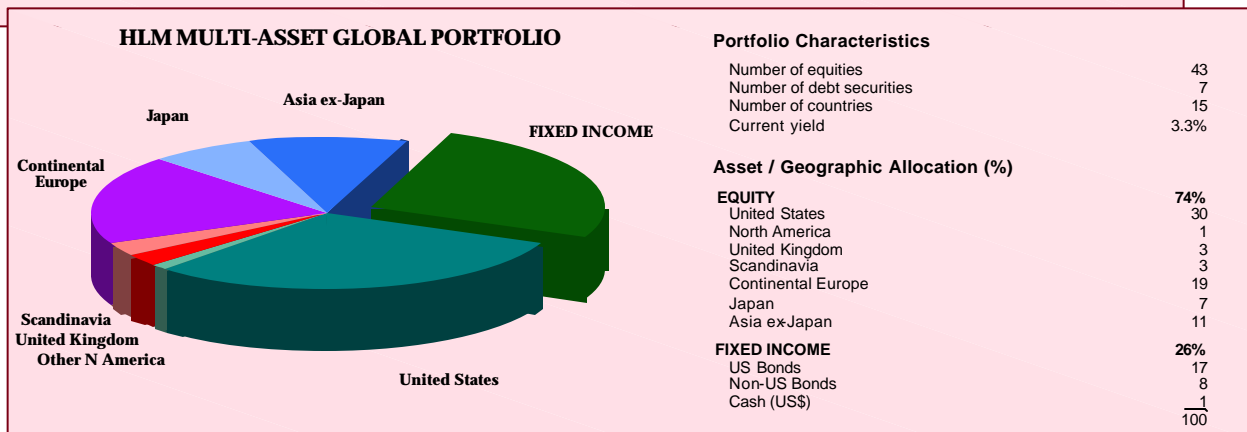
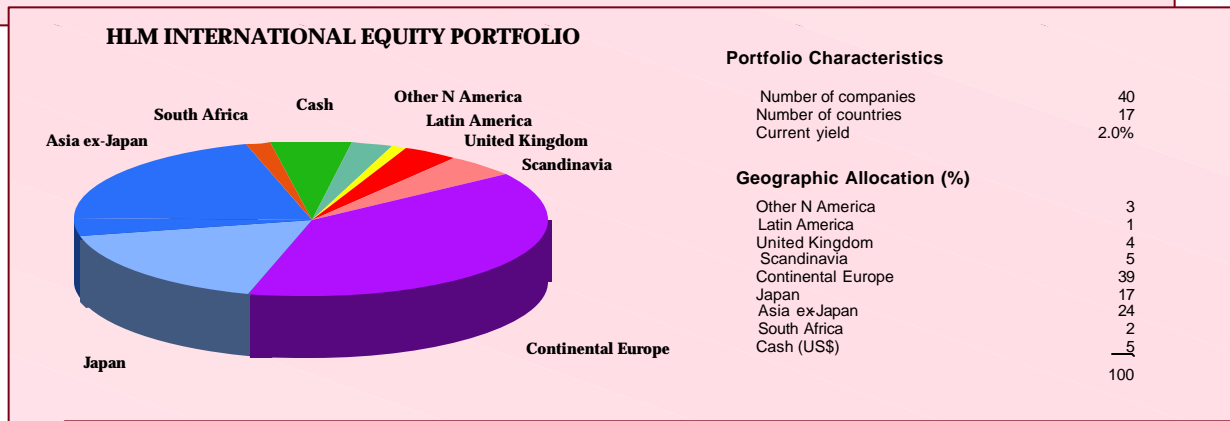
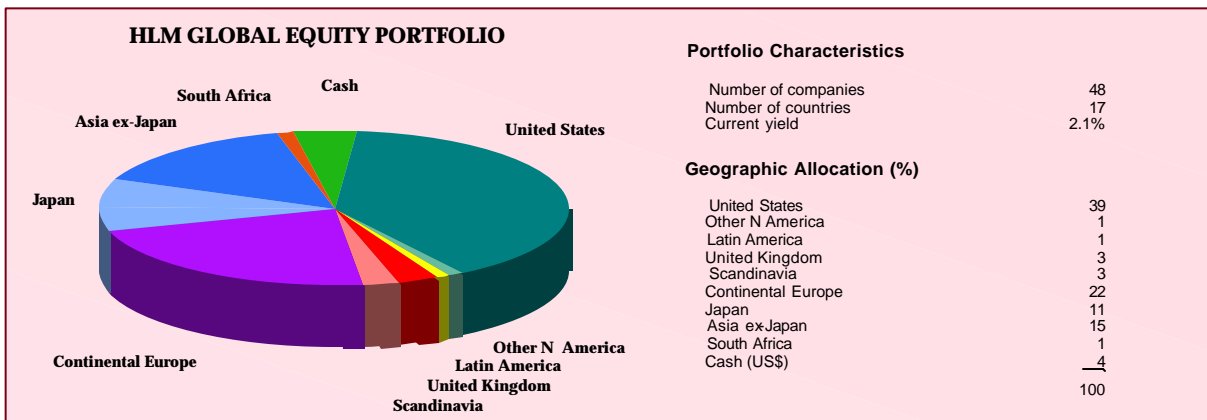


HARDING, LOEVNER MANAGEMENT

Global and International Investing

1996 Third Quarter Report



This material is excerpted from reports to clients of Harding, Loevner Management. The tables and charts above provide a 'snapshot' of representative portfolios at September 30, 1996. See inside for details of performance.

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OVERVIEW OF HLM PORTFOLIOS

HLM offers three closely-related investment programs. *Global Equity* is a conservative program intended to form the core of an investor's equity portfolio, comprising common stocks and convertible securities of high-quality, growing companies, both US and non-US. *International Equity* is a focused program for investors seeking long-term capital appreciation through investment in growing companies outside of the US, including large and small companies in mature markets as well as established companies in emerging markets. *Multi-Asset Global* is a tailored program in which global equities and fixed income securities (taxable and/or tax-exempt, as appropriate) are combined in customized fashion to meet the investor's particular requirements for income, growth and stability.

PERFORMANCE

HLM's global and international equity portfolios posted returns of +0.5% and -0.5%, respectively, in the third quarter—essentially flat results that preserved the gains made in the first half of the year. Multi-asset portfolios returned 1.3% in the third quarter. In all cases, performance of the HLM portfolios in the quarter lagged slightly behind their respective market and peer group indices, though for the nine months to date the results remain well ahead of the indices.

The quarter's relatively mild net results belie the dramatic volatility that stockmarkets experienced in the period. In the US, for example, the quarter contained not only one of the four largest monthly stockmarket declines to occur in this decade, but also one of the four largest monthly gains. In July, the S&P 500 Index fell over 4%, and the NASDAQ composite nearly 9%. Markets then rallied powerfully in September, the S&P 500 rising 5.6% and the

NASDAQ Composite 7.5%—both to reach new all-time highs. Other major national markets showed a broadly similar see-saw pattern—though, for the period, the US stockmarket posted a better-than-average return (S&P 500: +3.1%).

In HLM's global and multi-asset portfolios, gains from US equity holdings were offset by losses in Japan and emerging markets. Multi-asset portfolios were aided by strong performance by non-US fixed income investments, including Argentine Brady bonds, which returned over 8% despite nervousness associated with the resignation of the finance minister, and German Government Bunds, hedged into dollars, which returned nearly 4%.

REVIEW

Apart from volatility, another feature of the US equity market in the quarter was the large number of casualties among individual stocks, especially in the technology sector, and among some narrowly-focused mutual funds. Such casualties are a reminder of the speculative excesses that characterize the aging of the bull market. They also encourage Wall Street to remain generally bearish in its outlook and commentary—thereby maintaining a figurative 'wall of worry' that can support the US market's continued ascent.

Market valuations are still within reasonable bounds given prospective levels of inflation, interest rates and corporate profits growth: the three 'legs' to the valuation stool. The only weakness we might envision would be in corporate profits. We have little concern about the solidity of the first two legs. The US is indeed operating in what some observers have called the 'Goldilocks' economy: not too hot, not too cold, but just right. Modest growth and an open global trading environment help to ensure continued

price stability and, in turn, low nominal interest rates. If we worry about a wobbly leg, it is the third leg: the sustainability of the current high level of corporate profitability is not to be taken for granted. Intensifying competition is a constant feature of existence for most companies. Pricing power is nonexistent; in order to grow their profits, companies must either reduce their production costs or find new markets faster than their market position is eroded by the competition.

The portfolios' equity holdings remain exceptionally well-diversified with a balance amongst cyclical and non-cyclical companies; we can discern no market sectors of significant relative undervaluation. There is, however, an overriding theme: the companies we own are large, financially strong, and in most cases, multinational. It bears remarking again how distinctive in this last aspect is our portfolio, especially in relation to the broader investment universe. We have often written about the global orientation of many of the companies in the portfolios, but we may not have clearly conveyed the extent to which this kind of company predominates. In fact, the great majority of the forty-odd companies in each portfolio are not only multinational, but are true global leaders in their respective industries.

We define a *global leader* as a company that has achieved a dominant market share in multiple geographic markets. Such leadership is achieved and characterized in a number of ways. One distinction of a global leader is management that is undeterred by national borders, cultural divides or other traditional barriers in pursuit of growth opportunities. **Nestlé** epitomizes such an attitude. With growth in its traditional consumer markets such as Europe and the US slowing as they become more mature, Nestlé has repeatedly re-channeled its investments into new, less developed markets in search of faster growth. For instance, it has created in Russia, a nation of tea drinkers, a market for instant coffee that equals the German market in size. In Southeast Asia, where milk was previously almost an unknown food, it has become the largest and a rapidly-growing dairy products company.

Colgate Palmolive has long experience in seeking new customers for its household and hygiene products outside of the mature US market. Today, the majority of its growth comes from markets in Latin America, where Colgate has become, through organic growth and by acquisition, the leading toothpaste producer. In similar vein, **Wrigley** has brought its chewing gum brand, and new manufacturing capacity, to markets such as India, Poland, and China, where popular tastes and household budgets have reached the point of receptivity towards foreign comestibles.

Honda Motor's experience in designing and producing trend-setting automobiles for the open and highly competitive US and UK markets prepared the company to

challenge its two larger rivals, Toyota and Nissan, in their home market of Japan. Meanwhile, they have successfully transplanted their original two-wheeled competency into developing countries, where motorcycles are a rapidly-growing mode of transport and Honda's models are especially prized. **AMP**, the world's leading producer of electrical connectors, has profited from the explosion of microprocessor usage, not by pursuing cutting edge technology, but by achieving the highest standards of quality and efficiency in manufacturing its prosaic products in locations around the globe, close to its customers' own facilities.

A second distinction of global leaders is that they tend to be low cost producers. **ABB**, the power engineering company, has reduced its employment in western Europe by 50,000 over the past five years while increasing its employment in developing countries by nearly the same number. This has made it the low cost producer in its industry. But it also has reinforced the local presence in its global strategy: ABB can design a product in Sweden, write software to produce it in India, bend metal in Poland and the Ukraine, and then finish it in Germany or Switzerland to confer the patina of elegant engineering. **Boeing** is another cost leader. With 60% worldwide market share of the commercial aircraft industry, Boeing occupies the commanding heights in terms of lower per-unit development costs and superior profitability. Its market position enables Boeing to maintain its technological supremacy and cost advantage through the long cycles of the industry.

A third manifestation of global leadership is the ability to extend an established local franchise or brand into new businesses. **Rentokil**, the UK commercial services company that started life as a ratcatcher, has managed to put its brand, originating in pest control, on an expanding array of industrial services ranging from security to tropical plant rentals. The Rentokil brand now stands for dependability, quality, and customer orientation in industrial services throughout the world.

Fourth, and finally, global leaders demonstrate a financial quality that sets them apart from their lesser competitors and provides the wherewithal to exploit opportunities whenever and wherever they arise. Legal publisher **Wolters Kluwer**'s long and unbroken record of earnings growth sets a standard of financial strength and profitability that made it the buyer of choice when the family-controlled CCH (formerly, Commerce Clearing House), the dominant US legal and tax publisher, was sold. The acquisition extended Wolters' global dominance, both by cementing its position in the US and by pushing the company further into the electronic delivery of its product.

We favor companies which are global leaders in their industries because we believe that these are the companies that are most able to withstand the vise of

competition. They have achieved dominant market shares in their industries, they are undeterred by national borders, they are, or strive to be, low-cost producers, and they demonstrate their ability to extend their franchises and brands into new businesses.

The preponderance of global leaders in our portfolio means that a company's domicile is almost irrelevant as an investment criterion. The 'country allocation' we present in this report is less and less instructive about the composition of the portfolio because it addresses the principal location of share trading rather than the location of the underlying business assets. While we have by no means abandoned our attention to geographical diversification, it is clear that we are farther away than ever from placing any importance on whether the portfolio is 'overweight' or 'underweight' the index weight for any particular national market.

In Europe, in addition to global leaders such as these, the portfolio has made investments in a number of companies that are characterized by clear-cut value and an improved focus on shareholder value. **Investor**, for example, is a Swedish holding company trading at a 30% discount to the market value of its publicly quoted holdings. These holdings, in turn, are a collection of very good companies of the sort we like to own such as Astra, maker of ulcer drug Losec, shortly to be the largest-selling pharmaceutical in history, as well as such fine industrial companies as Stora, SKF, Scania, and Atlas Copco. **Gaz et Eaux**, a French holding company with stakes in investment bank Lazard Frères and Pearson, owner of the *Financial Times* and *The Economist*, trades at an even larger, 40%, discount. **Deutsche Bank**, with its position as the premier bank in Germany, has a balance sheet crammed full of understated, unnecessary industrial and property assets whose value it has begun to unlock.

Southeast Asia, which has recently become fashionable to 'underweight', is a region that we continue to find attractive. A review of the seven Southeast Asian companies in the portfolio reveals a record of double-digit earnings and dividend growth over the past seven years. Our companies tend to be geographically ambitious, and stand out against their local markets as companies that are gateways to the growth opportunities of the region. **Sime Darby**, **Siam Cement**, **Keppel** and **Hutchison Whampoa** are examples of local manufacturing or service companies growing beyond the borders of their small home markets. For us, this is a hallmark of global leadership in the making.

OUTLOOK

The economic and financial landscape around the world remains favorable for financial assets. In the US, companies continue to expand in a benign environment of

stable fiscal and monetary policies, with the naturally resulting employment growth still not being accompanied by an oft-predicted inflation pick-up. European governments continue to focus on reducing fiscal deficits as the deadlines for European Monetary Union approach, while the Japanese are still struggling to rekindle their economy. The major central banks of the world are in a stance of at least accommodating, if not encouraging, more growth. Competition will continue to be fierce as companies continue to compete globally, inflation will remain quite modest, and therefore interest rates will remain relatively low. In such an environment, demonstrable ability to generate earnings and dividend growth remains scarce and valuable. The companies in the portfolio are generally performing very well so far this year, with earnings and dividends growth matching, and frequently exceeding, our expectations.

Global bond markets continue to be characterized by tight quality spreads; investors are not, in our view, adequately rewarded for assuming higher credit risk. As a result, the multi-asset portfolios hold few corporate bonds; their US fixed income holdings are instead concentrated in Treasuries and mortgages. The mortgage market continues to carry reasonable spreads due to its complexity. In Europe, bonds denominated in the weaker currencies have recently performed well, on investor speculation that they will eventually be redenominated in stronger Euros. We remain on the sidelines, unwilling to assume that monetary union will occur on schedule. We are currently concentrating our research on potential fixed income investments in Canada, New Zealand, and high-yield corporate securities.

ACTIVITY - GLOBAL PORTFOLIOS

In global portfolios, we added one company, and sold one. The new holding was:

- **Siam Cement**, Thailand's largest industrial group, has a broad spread of industrial businesses that reflect many of the best elements of Thailand's robust economy and its potential for continued economic growth. Years of heavy investments in capital intensive businesses have overshadowed earnings growth over the past few years, and, as a result, both the valuation and the foreign premium have fallen substantially; the shares are now reasonably priced at a time when past investments will begin to accrue to shareholders. At the same time, Siam Cement is beginning to spread its wings beyond the domestic economy, into the rest of the region.

We sold:

- **Philippine Commercial Bank**, whose major shareholder found it suitable to use the bank in a power play against a local rival who also happened to be a minority shareholder. We will not compromise our standards of corporate governance and management credibility, including the fair and transparent treatment of all shareholders, even in emerging markets such as the Philippines. These developments at PCI Bank would be unacceptable in any company in our portfolio. The investment was a mistake, the shares were sold with a resulting short term gain.

ACTIVITY - INTERNATIONAL PORTFOLIOS

In international portfolios, we bought five new companies and sold three. In addition to **Siam Cement**, we purchased:

- **Michelin**, the world's largest tire company measured by revenues and assets. The company has historically pursued goals of global market share and product innovation, but in recent years has changed course to focus on profitability. Restructuring moves to adopt the best practice of its competitors, deleverage its balance sheet, and lower its cost structure are well advanced. Much more remains to be done which should provide substantial gains in the financial performance of the company and the valuation of the shares.
- **RTZ**, which has merged with CRA, its Australian affiliate, to form the world's largest mining company, and the only one with a AA credit rating. This financial strength, combined with geographic diversity and a commitment to being the low cost producer of each mineral it produces makes it a good example of global excellence.
- **Sandoz**, one of the world's top ten pharmaceutical companies with a leading position in immunology drugs, has agreed to merge with its fellow Swiss competitor, Ciba-Geigy. The new company, to be called **Novartis**, will be the second largest pharmaceutical company in the world. The scope for cost cutting where the two companies have overlapping functions is very large, and this process has already begun.
- **Singapore Press**, the only publisher of English, Chinese and Malay language newspapers in Singapore. The company holds a virtual monopoly in the local newspaper industry. Strong cash flows have permitted diversification into other media/telecom businesses, such as cable TV, and mobile phone and internet services. Overseas expansion will also play a larger role in the

company's growth. The newspaper industry in Singapore is underpinned by two strong secular forces: an expanding economy, which drives corporate advertising spending, and rising personal incomes, which fosters steady increases in circulation and cover prices over time. Singapore Press, as the dominant newspaper publisher, has capitalized on these trends to deliver a long history of double-digit earnings and dividend increases.

We sold **Philippine Commercial Bank** and:

- **Sika**, whose management we have concluded are not up to the challenge of pressing the company's global presence into global leadership. Having visited the company again in the second quarter, we then watched them let slip the opportunity to acquire their major competitor, Masterbuilder, when it was put up for sale by Sandoz—a transaction that should have been worth more to them than to anyone else.
- **Primagaz**, for price reasons. We had begun selling this slow-but-steady growth company in the first quarter, when it suddenly attracted investor attention at a time when slow-but-steady growth was a rare attribute. With the price remaining high, we completed the sale from the portfolio.

ACTIVITY - MULTI-ASSET PORTFOLIOS

The asset allocation of the multi-asset portfolios reflects an above-average commitment to equities, and is largely unchanged from last quarter end. Equities represent 74% of the portfolio and fixed income 26%, including cash reserves of 1%. We made no significant changes to the bond portfolio during the quarter; it remains high in credit quality and short in maturity

We bought three new companies and sold three companies in multi-asset portfolios during the quarter. The net result of these transactions was a shift out of smaller companies into larger companies with stronger market positions. We bought:

- Convertible 4.5% bonds of **Johnson Electric**, Hong Kong-based manufacturer of the small electric motors used in a wide range of consumer products, including automobiles, household appliances, and consumer electronics. The company has a consistent record of success since its listing in 1984, owing to its technological prowess, strong management, and global outlook. Micro-motors are being incorporated in increasing numbers in all manner of products, and Johnson continues to provide high-quality products at the lowest costs, thanks to its European R&D and investment in

Chinese and Thai production. The availability of a convertible bond into the shares of this company at an attractive price was an added attraction.

Other new purchases were **Michelin** and **Siam Cement**. We sold **Unitor**, **Quilmes** and **Wicaksana** in order to fund new investments.

GLOBAL EQUITY PORTFOLIO HOLDINGS

as of September 30, 1996

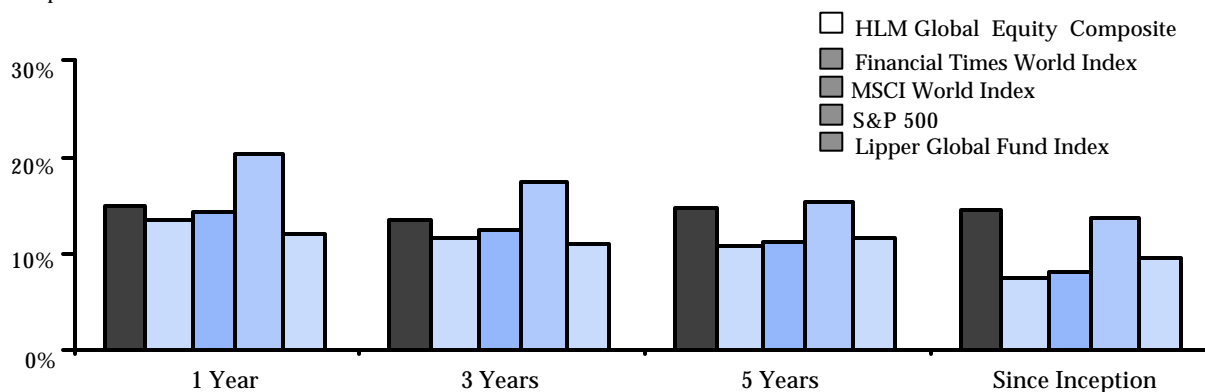
Company	Country	Weight	Description
Royal Dutch	NETH	4.3%	Premier oil company operating worldwide
Hutchison Whampoa	HK	3.8%	Conglomerate involved in container terminals, housing, energy, telecoms, & retailing
Thermo Electron	US	3.4%	World leader in environmental monitoring, analysis instruments & biomedical products
Schlumberger	US	3.0%	Premier supplier of technical services & equipment to the petroleum industry
Nestlé	SWITZ	3.0%	World's largest food company
Fed Nat'l Mtg Assoc	US	3.0%	Government-sponsored agency that buys & repackages mortgages
Colgate	US	3.0%	Leading global consumer products company
ABB	SWITZ	2.9%	Leading worldwide capital goods company with focus on power generation
Dover	US	2.9%	Diversified capital goods manufacturer
Surveillance	SWITZ	2.9%	Worldwide provider of trade certification, testing & loss adjustment services
Union Pacific	US	2.6%	Second largest railroad & fourth largest trucking company in US
Abbott Labs	US	2.6%	Producer of broad range of health care products including pharmaceuticals
Mitsubishi Heavy	JAP	2.6%	Leader of the industrial segment of the Mitsubishi group
Wolters Kluwer	NETH	2.5%	Dutch publisher of legal, tax, medical & business information
Honda	JAP	2.5%	World leader in automobile production & largest manufacturer of motorcycles in world
Bangkok Bank	THAI	2.4%	Thailand's largest & strongest bank
AMP	US	2.4%	World's leading manufacturer of electrical connectors used in electronic products
Deutsche Bank	GER	2.3%	One of Europe's premier universal banks
Gaz et Eaux	FRA	2.3%	Investment company in Lazard Group, holding strategic stakes in major listed companies
Unocal	US	2.2%	Integrated oil company with emphasis on natural gas production
Sime Darby	MAL	2.2%	Largest conglomerate in Malaysia, with interests in plantations, manufacturing & banking
Exxon	US	2.1%	Premier global oil company
Wrigley, Wm. Jr.	US	2.0%	World's largest producer of chewing gum
Cummins Engine	US	2.0%	Leading manufacturer of fuel-efficient diesel engines for trucks & industry
Exel	US	1.9%	Insurer specializing in excess liability coverage for large corporations
Keppel	SING	1.9%	Conglomerate with main interests in ship repair, ship building, banking & property
Investor	SWE	1.9%	Holding company for Wallenberg family interests in Swedish industrial concerns
Ito Yokado	JAP	1.8%	Japan's largest integrated retailer, including superstores, 7-11s & restaurants
Motorola	US	1.7%	Electronics company producing semiconductors, communications equipment & computers
Johnson Electric	HK	1.6%	Manufacturer of small precision motors used in cars & consumer products
Hochtief	GER	1.6%	Germany's second largest construction group, specializing in civil engineering projects
FlightSafety	US	1.5%	Largest independent provider of simulator-based training
Canon Sales	JAP	1.5%	Independent marketing arm of Canon & domestic distributor of Canon & Apple products
Atlantis Japan	JAP	1.5%	Closed-end fund invested in smaller Japanese companies
Canon	JAP	1.4%	World's leading producer of wide range of visual image & information equipment
Blenheim Exhibitions	UK	1.4%	World's leading organizer of trade fairs, exhibitions & conferences
Nestlé Malaysia	MAL	1.4%	Importer & manufacturer of branded food products such as coffee, cereals & candy
Rentokil	UK	1.4%	Provider of wide range of services to commercial sector
Boeing	US	1.2%	World's largest manufacturer of jet aircraft, & America's largest exporter
Libsil	S AFR	1.1%	Holding company with investments in South African Breweries & Standard Bank
Quilmes	ARG	1.1%	Leading producer of beer & soft drinks in Latin America
Allied Capital	US	1.0%	Financial institution making equity linked loans to small businesses
Partner Re	BERM	1.0%	Bermuda's most strongly capitalized property reinsurer
Siam Cement	THAI	0.8%	Thailand's largest industrial group
Wicaksana	INDON	0.8%	Distributor of branded consumer goods in Indonesia
Unitor	NOR	0.6%	Provider of wide range of products & services to the global marine market
Silicon Graphics	US	0.6%	Designs workstation systems & three-dimensional graphics & digital media technologies
Scania	SWE	0.1%	World class heavy-duty truck & bus manufacturer

GLOBAL EQUITY PERFORMANCE SUMMARY as of September 30, 1996

	Calendar Year Returns						
	1996						
	9 Mos	1995	1994	1993	1992	1991	1990
HLM Global Equity Composite	11.8	19.0	-0.1	24.2	9.1	31.6	3.6
<i>Financial Times World Index</i>	8.5	19.6	5.9	22.6	-5.1	19.6	-17.0
<i>Morgan Stanley Capital International World Index</i>	8.9	21.3	5.6	23.1	-4.7	18.7	-16.4
<i>S&P 500</i>	13.5	37.5	1.3	10.1	7.7	30.2	-3.1
<i>Lipper Global Fund Index</i>	10.8	14.0	-2.2	32.8	0.1	20.3	-9.1

	Average Annual Returns for Periods Ending 9/30/96			
	1 Year	3 Years	5 Years	Since Inception*
	HLM Global Equity Composite	15.1	13.4	14.8
<i>Financial Times World Index</i>	13.6	11.6	10.8	7.5
<i>Morgan Stanley Capital International World Index</i>	14.2	12.4	11.3	7.9
<i>S&P 500</i>	20.3	17.4	15.2	13.8
<i>Lipper Global Fund Index</i>	12.1	11.0	11.5	9.6

*Inception Date: 11/30/89



NOTES:

- Returns shown are time-weighted total returns, and include reinvestment of dividends.
- Returns from all cash reserve and equivalents, bonds and/or convertible securities used in place of equities are included in performance calculations.
- Composite calculations have been weighted by account size.
- Figures include all global equity accounts under discretionary management from their inception dates, including accounts no longer in existence.
- No alterations of composites as presented here have occurred due to changes in personnel or other reasons at any time.
- No selective periods of performance have been utilized.
- Results are presented after brokerage commissions but before management and custodial fees. Management fees are described in our Form ADV Part II. Inclusion of standard management fees would reduce annual returns for global composite by approximately 1.0%.
- Lipper Index performance is after fees and expenses.

Account Summary Information:

- Number of accounts included in composite: 1989: (1); 1990: (4); 1991: (7); 1992: (14); 1993: (17); 1994: (17); 1995: (13); 1996: (12)
- Total market value at year-end of accounts included in composite ('000): 1989: (\$1,564); 1990: (\$15,311); 1991: (\$36,637); 1992: (\$64,513); 1993: (\$93,197); 1994: (\$112,683); 1995: (\$147,062); 1996-Q2: (\$173,332)

INTERNATIONAL EQUITY PORTFOLIO HOLDINGS

as of September 30, 1996

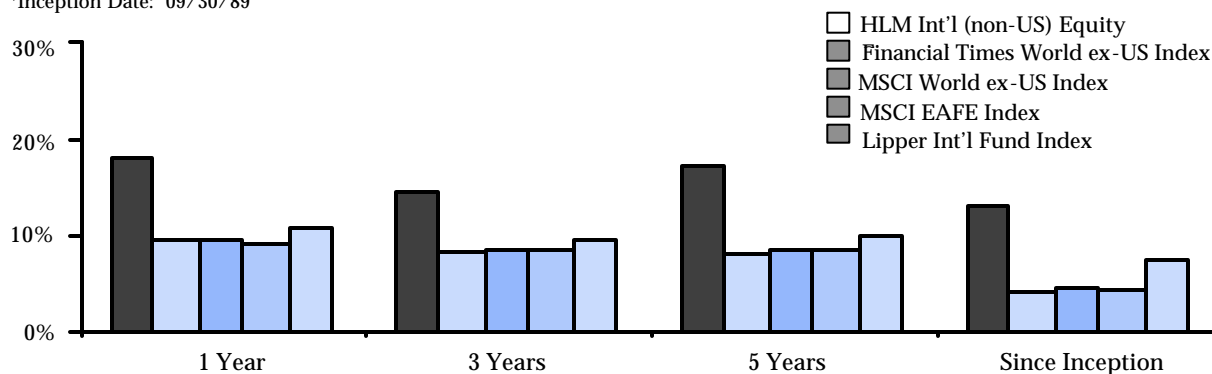
Company	Country	Weight	Description
Hutchison Whampoa	HK	4.3%	Conglomerate involved in container terminals, housing, energy, telecoms, & retailing
Royal Dutch	NETH	4.1%	Premier oil company operating worldwide
ABB	SWITZ	3.6%	Leading worldwide capital goods company with focus on power generation
Sime Darby	MAL	3.4%	Largest conglomerate in Malaysia, with interests in plantations, manufacturing & banking
Bankinter	SPA	3.2%	High quality Spanish bank concentrating on services to individuals & small businesses
Bayer	GER	3.0%	World's fourth largest chemicals company & tenth largest pharmaceuticals company
Nestlé	SWITZ	3.0%	World's largest food company
DBS Bank	SING	3.0%	Singapore's largest & most diversified bank
Surveillance	SWITZ	3.0%	Worldwide provider of trade certification, testing & loss adjustment services
Astra	SWE	2.9%	Manufacturer & distributor of medicines for intestinal & cardiovascular diseases
Bangkok Bank	THAI	2.9%	Thailand's largest & strongest bank
Keppel	SING	2.8%	Conglomerate with main interests in ship repair, ship building, banking & property
Deutsche Bank	GER	2.7%	One of Europe's premier universal banks
Nippondenso	JAP	2.7%	Global manufacturer of auto parts for Toyota and other leading car makers
Mitsubishi Heavy	JAP	2.7%	Leader of the industrial segment of the Mitsubishi group
Rentokil	UK	2.7%	Provider of wide range of services to commercial sector
Ito Yokado	JAP	2.7%	Japan's largest integrated retailer, including superstores, 7-11s & restaurants
Wolters Kluwer	NETH	2.5%	Dutch publisher of legal, tax, medical, & business information
Canon	JAP	2.4%	World's leading producer of wide range of visual image & information equipment
Honda	JAP	2.4%	World leader in automobile production & largest manufacturer of motorcycles in world
Siam Cement	THAI	2.2%	Thailand's largest industrial group
Munich Re	GER	2.2%	Largest provider of reinsurance worldwide
Sandoz	SWITZ	2.1%	Swiss multinational pharmaceutical & specialty chemicals company
Hochtief	GER	2.1%	Germany's second largest construction group, specializing in civil engineering projects
Michelin	FRA	2.1%	World's largest & most innovative tire manufacturer
Norsk Hydro	NOR	1.9%	Norwegian producer of North Sea oil & gas, aluminum & petrochemicals
Singapore Press	SING	1.9%	Largest & one of the best-run newspaper companies in Singapore
Canon Sales	JAP	1.9%	Independent marketing arm of Canon & domestic distributor of Canon & Apple products
Gaz et Eaux	FRA	1.9%	Investment company in Lazard Group, holding strategic stakes in major listed companies
IHC Caland	NETH	1.9%	World's premier manufacturer of dredging vessels & mooring equipment
Imperial Oil	CAN	1.9%	Canada's largest integrated petroleum company
Atlantis Japan	JAP	1.9%	Closed-end fund invested in smaller Japanese companies
Libsil	S AFR	1.8%	Holding company with investments in South African Breweries & Standard Bank
Johnson Electric	HK	1.6%	Manufacturer of small precision motors used in cars & consumer products
Nestlé Malaysia	MAL	1.3%	Importer & manufacturer of branded food products such as coffee, cereals & candy
Randstad	NETH	1.2%	Leading temporary employment agency in Europe
Quilmes	ARG	1.1%	Leading producer of beer & soft drinks in Latin America
Partner Re	BERM	1.0%	Bermuda's most strongly capitalized property reinsurer
RTZ	UK	1.0%	One of world's largest & most diversified mining companies
Far East Levingston	SING	0.9%	Leading contractor for offshore oil & power businesses

INTERNATIONAL EQUITY PERFORMANCE SUMMARY as of September 30, 1996

	Calendar Year Returns						
	1996						
	9 Mos	1995	1994	1993	1992	1991	1990
HLM Int'l (non-US) Equity Composite	12.4	13.2	2.5	46.3	9.9	21.9	-12.9
<i>Financial Times World ex-US Index</i>	5.0	10.4	8.4	32.1	-13.1	13.3	-23.1
<i>Morgan Stanley Capital Int'l World ex-US Index</i>	5.0	11.8	7.6	32.6	-11.9	12.4	-22.8
<i>Morgan Stanley Capital Int'l EAFE Index</i>	4.6	11.6	8.1	32.9	-11.9	12.5	-23.2
<i>Lipper Int'l Fund Index</i>	8.8	9.3	-0.9	39.2	-4.3	13.2	-12.4

	Average Annual Returns for Periods Ending 9/30/96			
	1 Year	3 Years	5 Years	Since Inception*
	HLM Int'l (non-US) Equity Composite	18.0	14.4	17.3
<i>Financial Times World ex-US Index</i>	9.4	8.2	8.1	4.1
<i>Morgan Stanley Capital Int'l World ex-US Index</i>	9.4	8.6	8.5	4.5
<i>Morgan Stanley Capital Int'l EAFE Index</i>	8.9	8.4	8.5	4.2
<i>Lipper Int'l Fund Index</i>	10.8	9.6	9.9	7.4

*Inception Date: 09/30/89



NOTES:

- Returns shown are time-weighted total returns, and include reinvestment of dividends.
- Returns from all cash reserve and equivalents, bonds and/or convertible securities used in place of equities are included in performance calculations.
- Composite calculations have been weighted by account size.
- Figures include all international equity accounts under discretionary management from their inception dates, including accounts no longer in existence.
- No alterations of composites as presented here have occurred due to changes in personnel or other reasons at any time.
- No selective periods of performance have been utilized.
- Results are presented after brokerage commissions but before management and custodial fees. Management fees are described in our Form ADV Part II. Inclusion of standard management fees would reduce annual returns for international composite by approximately 1.0%.
- Lipper Index performance is after fees and expenses.

Account Summary Information:

- Number of accounts included in composite: 1989: (1); 1990: (2); 1991: (3); 1992: (4); 1993: (5); 1994: (14); 1995: (26); 1996: (45)
- Total market value at year-end of accounts included in composite ('000): 1989: (\$10,899); 1990: (\$10,599); 1991: (\$6,770); 1992: (\$12,061); 1993: (\$23,003); 1994: (\$110,370); 1995: (\$347,107); 1996-Q2: (\$730,725)

MULTI-ASSET GLOBAL EQUITY PORTFOLIO HOLDINGS as of September 30, 1996

Company	Country	Weight	Description
Royal Dutch	NETH	3.4%	Premier oil company operating worldwide
Surveillance	SWITZ	2.6%	Worldwide provider of trade certification, testing & loss adjustment services
Bayer	GER	2.5%	World's fourth-largest chemicals company and tenth-largest pharmaceuticals company
Schlumberger	US	2.5%	Premier supplier of technical services and equipment to the petroleum industry
Thermo Electron	US	2.5%	World leader in environmental monitoring, analysis instruments & biomedical products
Investor	SWE	2.5%	Holding company for Wallenberg family interests in Swedish industrial concerns
Exxon	US	2.5%	Premier global oil company
Colgate	US	2.5%	Leading global consumer products company
ABB	SWITZ	2.4%	Leading worldwide capital goods company with focus on power generation
Dover	US	2.4%	Diversified capital goods manufacturer
Abbott Labs	US	2.4%	Producer of broad range of health care products including pharmaceuticals
Nestlé	SWITZ	2.3%	World's largest food company
Deutsche Bank	GER	2.3%	One of Europe's premier universal banks
Fed Nat'l Mtg Assoc	US	2.2%	Government-sponsored agency that buys & repackages mortgages
Hutchison Whampoa	HK	2.2%	Conglomerate involved in container terminals, housing, energy, telecoms, & retailing
Honda	JAP	2.2%	World leader in automobile production & largest manufacturer of motorcycles in world
AMP	US	2.2%	World's leading manufacturer of electrical connectors used in electronic products
Union Pacific	US	2.1%	Second largest railroad & fourth largest trucking company in US
Mitsubishi Heavy	JAP	2.0%	Leader of the industrial segment of the Mitsubishi group
Gaz et Eaux	FRA	2.0%	Investment company in Lazard Group, holding strategic stakes in major listed companies
Bangkok Bank	THAI	1.9%	Thailand's largest & strongest bank
Cummins Engine	US	1.8%	Leading manufacturer of fuel-efficient diesel engines for trucks & industry
Keppel	SING	1.7%	Conglomerate with main interests in ship repair, ship building, banking & property
Sime Darby	MAL	1.7%	Largest conglomerate in Malaysia, with interests in plantations, manufacturing, & banking
Rentokil	UK	1.4%	Provider of wide range of services to commercial sector
Assoc First Capital	US	1.4%	Finance company focusing on consumer and commercial lending
Blenheim Exhibitions	UK	1.3%	World's leading organizer of trade fairs, exhibitions & conferences
Boeing	US	1.3%	World's largest manufacturer of jet aircraft, & America's largest exporter
Siam Cement	THAI	1.2%	Thailand's largest industrial group
Canon	JAP	1.1%	World's leading producer of wide range of visual image & information equipment
Allied Capital	US	1.1%	Financial institution making equity linked loans to small businesses
Cyprus Amax	US	1.1%	Largest diversified US-owned mining company
Wrigley, Wm. Jr.	US	1.0%	World's largest producer of chewing gum
Johnson Electric	HK	1.0%	Manufacturer of small precision motors used in cars & consumer products
Ito Yokado	JAP	1.0%	Japan's largest integrated retailer, including superstores, 7-11s & restaurants
Partner Re	BERM	1.0%	Bermuda's most strongly capitalized property reinsurer
Michelin	FRA	1.0%	World's largest & most innovative tire manufacturer
Atlantis Japan	JAP	1.0%	Closed-end fund invested in smaller Japanese companies
Hochtief	GER	0.9%	Germany's second largest construction group, specializing in civil engineering projects
Far East Levinston	SING	0.9%	Leading contractor of offshore oil and power businesses
Motorola	US	0.7%	Electronics company producing semiconductors, communications equipment & computers
Silicon Graphics	US	0.6%	Designs workstation systems & three-dimensional graphics & digital media technologies
Scania	SWE	0.1%	World class heavy-duty truck & bus manufacturer

MULTI-ASSET GLOBAL PERFORMANCE SUMMARY as of September 30, 1996

	Calendar Year Returns						
	1996						
	9 Mos	1995	1994	1993	1992	1991	1990
HLM Multi-Asset Global Composite**	12.1	21.4	1.7	25.6	7.9	25.6	3.4
<i>60/40 Global Balanced Index**</i>	5.6	19.5	4.6	18.8	-0.9	18.3	-6.0
<i>Lipper Global Flexible Fund Index ***</i>	8.5	16.9	-4.5	23.0	2.2	16.1	-2.8
<i>Lipper Balanced Fund Index</i>	7.1	24.6	-2.5	11.7	7.3	25.8	0.7

	Average Annual Returns for Periods Ending 9/30/96			
	1 Year	3 Years	5 Years	Since Inception*
	HLM Multi-Asset Global Composite**	15.7	14.5	15.2
<i>60/40 Global Balanced Index**</i>	9.9	9.9	10.5	9.0
<i>Financial Time World Index</i>	13.6	11.6	10.8	7.8
<i>Salomon World Government Bond Index</i>	4.2	7.2	9.7	10.3
<i>Lipper Global Flexible Fund Index</i>	12.4	9.1	9.8	8.2
<i>Lipper Balanced Fund Index</i>	11.8	9.8	11.0	10.5

*Inception Date: 08/31/89

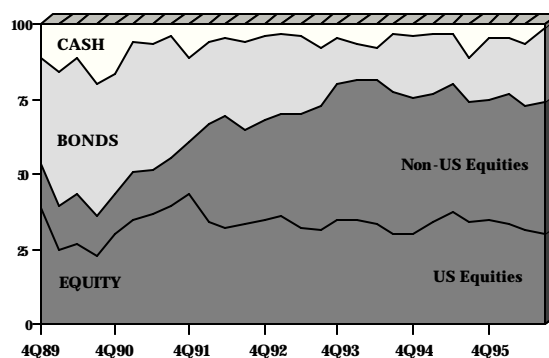
**60/40 Global Balanced Index is the weighted sum of 60% FT World Equity Index & 40% Salomon World Government Bond Index

***Lipper Global Flexible Portfolio Average used from 08/31/89 to 12/31/89; Index commences 01/01/90

	Calendar Year Returns						
	1996						
	9 Mos	1995	1994	1993	1992	1991	1990
HLM Multi-Asset Global: Equity Component	13.7	21.8	2.5	29.9	8.1	34.6	-6.0
Financial Times World Index	8.5	19.6	5.9	22.6	-5.1	19.6	-17.0
HLM Multi-Asset Global: Bond Component	6.3	26.7	-2.5	14.6	5.6	18.7	11.5
Salomon World Government Bond Index	1.2	19.0	2.3	13.3	5.5	15.8	12.0

NOTES:

- Returns shown are time-weighted total returns, and include reinvestment of dividends.
- Returns from all cash reserve and equivalents used in place of bonds or equities are included in performance calculations.
- Composite calculations have been weighted by account size.
- Figures include all tax-exempt multi-asset global accounts under discretionary management from their inception dates, including accounts no longer in existence.
- No alterations of composites as presented here have occurred due to changes in personnel or other reasons at any time.
- No selective periods of performance have been utilized.
- Results are presented after brokerage commissions but before management and custodial fees. Management fees are described in our Form ADV Part II. Inclusion of standard management fees would reduce annual returns for HLM multi-asset global composite by approximately 1.0%.
- Lipper Index performance is after fees and expenses.



Account Summary Information:

- Number of accounts included in composite: 1989: (2); 1990: (2); 1991: (3); 1992: (3); 1993: (5); 1994: (9); 1995: (9); 1996: (8)
- Total market value at year-end of accounts included in composite ('000): 1989: (\$1,099); 1990: (\$1,136); 1991: (\$4,338); 1992: (\$4,487); 1993: (\$7,204); 1994: (\$26,401); 1995: (\$46,506); 1996-Q2: (\$37,411)

****This product was previously named 'Tax-Exempt Global Balanced'. The name of this product and its corresponding composite performance series has been changed to reflect more accurately the product's broadly diversified nature; no change in the product's content or historical performance record has been made.**