HARDING · LOEVNER

Global Equity

Performance

Portfolio performance in line with benchmarks.

Markets generally poor performers although Japan and technology produced significant returns in US dollars.

Review & Outlook

Changes in Corporate Japan.

The Internet as a management challenge . . . and opportunity.

Activity

Bought: CBS, Oracle, Fujitsu, Fuji Bank, Sony.

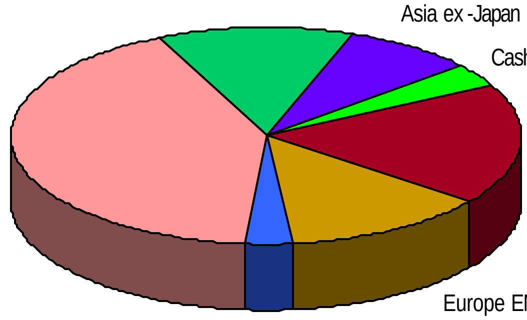
Sold: Monsanto, Liberty Strategic Investments, Singapore Press.

For further information, visit our new web site at www.hardingloevner.com

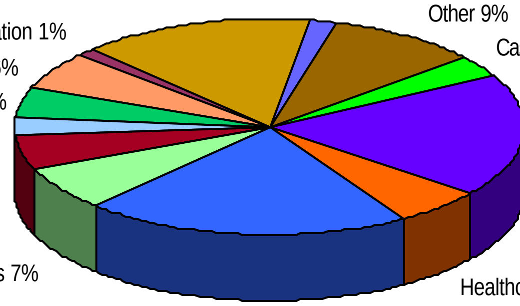
1999 Third Quarter Report

We have expanded our holdings in Japan. In Europe, the pace of merging or restructuring is becoming frenetic. Our exposure to technology and content suppliers is benefiting the portfolio.

Geographical Distribution



Sector Distribution



The charts above provide a 'snapshot' of the Portfolio at September 30, 1999.

Performance

The portfolio declined 0.3% in the third quarter of 1999. This is in line with the 1.6% decline of the MSCI All Country World Index, and the 0.7% decline of the Lipper Global Fund Index. For the year to date, the portfolio has returned 12.0% ahead of both the passive MSCI All Country World Index and the Lipper Global Fund Index, at 8.4% and 8.5%, respectively.

__The average stock on the New York Stock Exchange has fallen more than 20% from its high . . .__

Major markets did not perform well in the quarter. The second interest rate hike by the Federal Reserve cast a shadow over optimistic economic forecasts, even if the bond markets had fully discounted the hike. Stocks in the US fell, with the S&P index down 6.3%. The *average* stock on the New York Stock Exchange has fallen more than 20% from its high earlier in the year. European markets posted mixed results, with the German market falling 1%, the French market rising by 5%, and the European markets as a whole rising by less than 1%, all in dollars as measured by the MSCI indices. Outside of EMU, Sweden and Switzerland both rose around 3% but the UK fell marginally. In Southeast Asia, prices fell, with concerns about rising US interest rates outweighing the onset of economic recovery in the region. The Japanese stock market was the sole source of performance fireworks for those keeping score in US dollars, rising 16%. This result was due, however, almost entirely to the surging Yen.

Looking across the world by industry sector, technology stands out as a star performer in the quarter. In the US, home of more (and larger) technology companies than any other country, semiconductor stocks rose nearly 20%, while computer and related technology stocks posted solid double-digit gains. In Asia, the performance was even stronger, with semiconductors rising 26% and computer stocks by 35%, according to Dow Jones. Meanwhile, banks and financial services generally fared poorly outside of Asia, as did consumer growth companies — reflecting the continued worries about the direction of inflation and interest rates embodied in the short-term rate hikes of the Federal Reserve and the Bank of England.

Review and Outlook

The most significant change to the portfolio this quarter has been the expansion of the holdings in Japan. We have added three new companies this quarter, and now hold six Japanese companies, comprising about one eighth of the entire portfolio. We have been skeptical in the past of statements by Japanese managements that they are changing corporate cultures and more aggressively restructuring their businesses to the benefit of shareholders, as we have repeatedly written. But the evidence of deep and far-reaching change has now become unmistakable; managements have begun to take actions that imply that they recognize that Japan's anti-competitive 'convoy' system is dead, and that every company is now in a battle in which only the fittest will survive.

Because a large part of the Japanese economy's problems stem from too much investment in productive capacity — fostered by very low costs of capital — companies have spent most of the last decade reducing capital expenditures. As a result, Japanese companies of all kinds have neglected to make the large investments in information technology that are transforming the way commerce is conducted elsewhere. Outward-looking Japanese executives see this clearly, and are scrambling to make up the ground lost — first in order to restore profitability, and secondly to compete against Western firms both at home and abroad. IBM has just announced that it will increase its workforce in Japan by 25% in order to meet the demand it is seeing for its products and services there. We have bought shares in **Fujitsu**, a Japanese-based competitor of IBM, and the leading supplier of IT hardware and services in Japan. Its new CEO has been re-orienting its business to focus more heavily on services, closing down DRAM capacity, outsourcing production to Taiwanese manufacturers, and forming joint ventures in an effort to live up to its new slogan, "Everything on the Internet!"

For many companies though, a decade of recession means that there just isn't enough cash flow to support the kind of investments that need to be made. As a result, managements are resorting to steps they have heretofore dismissed. The most stunning of such steps occurred this quarter, when three large Japanese commercial banks, Fuji Bank, Dai-Ichi Kangyo Bank, and the Industrial Bank of Japan, announced that they would merge to form the largest bank in terms of assets, not just in Japan, but in the world. We regard this merger as a watershed event in Japanese corporate behavior. First, the merged bank will cut across the well-known group lines that link Japanese companies. This will weaken the relationships that have long determined the flow of credit in Japan; increasing the leverage the new bank has vis-à-vis its customers, prompting more dramatic restructuring. Second, it should accelerate the transfer of assets from the bank balance sheet to the securities market, as the new bank struggles to reduce its leverage at the same time as companies try to re-diversify their sources of credit. This will increase the transparency of credit worthiness and of the market cost of capital. Finally and most importantly, the combined revenue base will support a much larger expenditure on information technology, allowing the new bank to judge which of its customers are profitable and which are not — information which has transformed the best Western banks, but has been totally lacking in Japan.

The merger of three of the largest banks in Japan is a watershed event in Japanese corporate behavior . . . we have overcome a deep and long-held prejudice against owning Japanese banks in order to buy shares in Fuji Bank.

We view this event as being so radical that we have overcome a deep and long-held prejudice against owning Japanese banks in order to buy shares in **Fuji Bank**. The prejudice was grounded in the realities that these companies did not produce believable or transparent financial statements, that their managements had long track records in destroying shareholder value, and that the shares were, as best we could tell, overvalued anyway. The first objection has been eroded by regulatory requirements that forced greater and greater disclosure, especially in return for government aid, which all three banks received in February this year. Fuji Bank, in particular, has offered more detailed and descriptive financial statements than was required — they have just been named one of the ten best Japanese companies for financial disclosure by the Japanese Securities Analysts Association — leading us to re-examine the evidence for our second objection about their attitude toward shareholders. We have come to believe, after reviewing how this bank was turned down for a capital infusion last fall by its own Fuyo group of corporate partners, that its management has concluded that its very survival is now dependent on attracting western capital. And thus they have begun taking the steps urged on them by westerners for years. The last hurdle, that of valuation, is in the end the most difficult, given the latest set of net losses. But the market capitalization had shrunk to such small fractions of risk-weighted assets that

. . .we have been richly rewarded during the year for . . . our investments in Singapore and Hong Kong . . .

even the huge price rise following the merger announcement leaves Fuji Bank fairly valued on any measure of 'normal' profits. And that gives no credit for potential gains on the sale of its large equity holdings, a central goal of the merged bank.

Japanese consumers have long been quick to embrace new technologies. The franchises that were built on consumer electronics in the eighties by Japanese companies are well known around the world. This attitude remains the case today, although the consumer has been battered by poor confidence in the face of the poor economy. Cellular telephone penetration in Japan is the highest in the world outside of Scandinavia. The electronic game culture has grown up in Japan because of an obsessive fascination with such toys. And although the trend has been slow to begin due to a low penetration of personal computers, Internet usage is now growing rapidly. **Sony** is moving quickly to provide an entire spectrum of *devices* (audio, video, phone, hand-held), *content* (movies, games, music), and *distribution* (theaters, wireless telephony, Internet, satellite) to consumers who are adopting new ways of interacting with information and entertainment. Because Sony's ambitions have always been global, they recognize far better than most Japanese managements the advantages of a rewarding partnership with shareholders.

Any recovery of Japanese consumer demand will draw imports from the rest of Asia, providing further support to regional economies. We think that the companies we own in Southeast Asia are the best in the region, and we have been richly rewarded during the year for our willingness to increase our investments in Singapore and Hong Kong in the aftermath of the third quarter market crisis last year. The resurgence in confidence in Southeast Asia and consequent recent share price appreciation, however, have led us to be a little more cautious than we were at the start of the year. In some cases, appreciation has been so rapid that economic recovery is discounted. Companies will need to deliver actual growth, not just its prospect, if their shares are to continue to appreciate. We wrote at length last quarter about **Johnson Electric**, the maker of micro-motors. But our other holdings in Hong Kong, **Li & Fung** —'fulfillment' middleman between western product designers and Asian manufacturers—and conglomerate **Hutchison Whampoa**, are also among the tiny handful of companies based there that have steadily and successfully grown their businesses over long periods of time.

A theme that we have returned to from time to time is corporate restructuring. In a world of fierce competition that only grows by the day, managements realize that their company's future is dependent on bringing their cost base down. Companies must spread necessary fixed costs — including IT investments, research and development, and marketing expenses — over as large a revenue base as possible. This basic economic principle is driving mergers in every industry on a global basis, from banking to auto components to mobile telephones to electric utilities. Mergers and restructuring are in the early days in Asia, where Fuji Bank is a pioneer, and where Johnson Electric is confounding the usual direction of flow by acquiring a US-based component assembler. In the US, frequent announcements of mergers or restructuring have become a regular feature of the corporate landscape, capped by this week's $129 billion bid by **MCI Worldcom** for Sprint.

Nowhere is the pace of merging or restructuring so frenetic as it is now in Europe. Currently, portfolio holdings **Luxottica**, **Pearson**, **Royal Dutch**, **Gaz et Eaux**, **UBS**, and **Investor** are completing a major acquisition or a significant disposal of a division or investment holding. In this quarter alone, Europe has witnessed hostile takeover battles for major French and British banks, for an Italian insurance company, as well as agreed merger announcements by German utilities, Italian banks, French oil companies, Norwegian oil and gas companies, British asset managers, French retailers, three major aluminum producers, four industrial gas companies, and numerous mobile telephone operators.

Certainly the common currency in Europe is making the economies of scale plain for all to see, while lowering the risks — and the means, in the form of deeper financial markets — of attaining them through business combination. But what appears to be driving these mergers is a sense that if managers don't seek these economies themselves, they will become targets in a more wide-open European regulatory environment. Banco Santander, a Spanish bank, had its friendly purchase of a controlling stake in a Portuguese financial conglomerate halted by the Portuguese government, on nationalistic grounds; management has appealed to the European Commission in Brussels, which has the authority to overrule national governments on this issue. The outbreak of hostile bids is driving company managements to a compelling conclusion: the only way to determine their own destiny is to acquire and maintain a high share price. Achieving that requires them to take steps that active investors applaud: address ways to increase returns on shareholder's capital in a time frame that is finite, communicate those steps clearly and credibly, and start delivering on those intentions.

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Still, it is surprising that European indices have not performed better, given the rampant merger activity. There is some evidence that the flow of investment funds into Europe by American and British investors has slowed as the surging Asian markets have drawn attention eastwards. There is also the problem that European interest rates have risen during the year, partly in sympathy — or competition — with higher US rates, and partly in recognition that the economies in Europe are growing more briskly than in recent years.

US markets are stumbling under the burden of high share prices that discount the continuation of pristine economic and political conditions far into the future, faced with worries that commodity, and subsequently wage, inflation may not be easily quashed by the Federal Reserve's modest actions so far. The market leadership, which had broadened in the second quarter, narrowed again in the third, with a handful of technology companies providing the bulk of positive returns for the indices. As has become the usual practice, companies that failed to meet earnings forecasts were pummeled severely. Portfolio holding **Quintiles**, the pharmaceutical research and sales outsourcing company, was one such casualty, after contracts were canceled during a cardiovascular drug trial when the trial brought to light complications in the treatment. Its stock fell 55% in the quarter. Well-known multinational growth companies, such as Coke, Gillette, and Disney, are still struggling with the unrealistically high expectations implied by their share prices regarding their ability to grow profits ad infinitum at the high rates of the recent past. In fact, they have been impacted by developing country economic and currency crises that have made headlines over the past two years, as well as by their own management problems.

Another factor that has received more notice lately is the US dollar ending its rise against nearly all other currencies, most noticeably against the surging Japanese Yen. US financial assets have provided the highest returns in the world in the last ten years, and this has attracted many foreign investors to the Dollar. This may not be true in the future. Both European and Japanese companies are striving to attract investors with better returns to shareholders. Meanwhile, the US consumer has grown accustomed to a plentiful array of foreign goods, such that we now sport the largest trade and current account deficit in world history — thus far financed willingly by foreign investors. Americans' appetite for foreign goods is so large that $1 billion of US currency is added to foreigners' holdings every day. They must be persuaded to keep those dollars if its value is not to decline. So far, that marketing exercise has been a successful one; the availability of higher returns overseas, and the increasing importance of the Euro as a reserve currency — an international store of value — now threaten the Dollar's preeminent position.

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We have made significant shifts and additions to our holdings in technology companies over the past year, and now hold almost a fifth of the portfolio in that sector. While eschewing the business model and valuation hazards that accompany the Internet gold rush, we have striven to identify companies that will be successful as 'outfitters' to the dot-com pioneers bent on staking their claim in cyberspace. During this quarter, prices of even the most well-established of Internet concept stocks fell under pressure from recognition of the magnitude of profit growth discounted by lofty valuations, and from the weight of new, competing internet startups/IPOs: At Home fell 23%, Priceline fell 44%, E-Trade fell 41%. In contrast, the technology suppliers to these companies generally did well — **Sun Microsystems** (computer servers) rose 35%, **Oracle** (data base software) rose 23%, EMC (data storage) rose 29%, Exodus (outsourced website hosting) rose +20%.

All five of the largest contributors to performance for the portfolio this quarter were technology stocks: **Sun Micro**, **Hirose Electric**, **Fujitsu**, **Intel**, and **CBT Group**. Sun Micro, the leader in high performance 'server' computers, essential for processing the massive amount of data entailed in complex Internet-based applications, and Intel, the dominant producer of microprocessors used in personal computers, are both well known. The surprise is that only two of those five companies listed are domiciled in the US. As global investors, we have the advantage of seeing trends that are first established in the frenetic and fermenting world of US technology become adapted to other markets, often with a lag. Thus, observing trends in the US (and Europe) allowed us to understand the opportunities (and risks) for Hirose, Japanese maker of connectors used in electronics and telecommunications, in time to exploit that understanding.

Banks and insurance companies in the US and Europe have proven to be poor stock market performers both in the quarter and for the year as a whole, in spite of continued good earnings and credit loss performance, as well as merger activity. (In Japan and the rest of Asia, of course, bank shares are rising in anticipation of recovery from dreadful loan losses.) We attribute this to a variety of factors, including investors' traditional association of rising interest rates with poor performance of financial companies. Certainly, discount rates applied to future earnings have risen during the year, as bond yields have risen in anticipation of central bank rate hikes. This phenomenon is one that affected growth companies even more, which we have written about in previous letters. The fact is, however, that US risk-free yields have been fairly stable over the quarter. What has risen is the return premium that investors demand for assuming credit risk. Corporate bond spreads in the US are now back to the levels seen amidst the LTCM and Russian market crisis last summer, the largest risk premia since the early nineties. So, a second factor affecting financial stocks is rising fear among investors that the generally good credit experience that American banks have enjoyed for most of this decade may be about to change. But this factor doesn't explain very well the weakness in European financial services stocks, including ones with limited credit risks, such as insurance companies.

We believe that a third factor is also at work, one that is less well recognized, and potentially more dangerous. The Internet poses a destabilizing threat to the existing participants in financial services that is perhaps greater than in most industries. First of all, it is important to recognize that the products sold by financial service companies are in most cases not physical, and therefore lend themselves readily to electronic 'fulfillment' — that is, they are easy not only to sell but also to deliver over the Web. Second, the consumers of financial services are greatly empowered by the freely available information — such as about pricing and product quality — that the Internet offers, putting purveyors at an unaccustomed disadvantage. Third, the Internet is able to deliver these services at a fraction of the costs of existing suppliers — and in particular at near-zero marginal costs. The ease with which new franchises can be built using the Internet is bringing a plethora of new entrants into all industries, but no other industry seems so ripe for attack as financial services: it is large and relatively fragmented, still more attractive to new entrants. So we have resisted adding to our financial sector holdings, despite share prices being 'on sale', until we can see how companies cope with this pernicious threat. Put simply, banking and other financial services are not scarce. As means of distributing them proliferate, we think the price for providing them will fall.

One of the portfolio's largest, and most diverse, exposures is to . . .'media content' . . .

The reverse is the case for media content — the TV shows, movies, information, or audio recordings that are the 'stuff' transmitted to consumers. With the advent of digitalization and broadband Internet access, the incremental cost of distribution will fall and the number of competing distribution channels will rise. Consequently, the demand for engaging content to fill those channels will increase dramatically. One of the portfolio's largest, and most diverse, exposures is to this broad 'media content' theme. Companies such as Mexico's **Televisa**, or the UK's **Pearson** own content as varied as Baywatch (the world's most popular TV show!), Latin soap operas and the Financial Times, but will see similar growth in demand. Companies such as **WPP** that can offer advertising and marketing services on a global basis will take more share of a growing market. **Sony**, which used to view itself as a manufacturing company, has recognized that electronic hardware is but one part of a system designed to deliver content (video, audio, or games, at home or on the street) to the customer. Even a company such as **Wolters Kluwer**, whose content is sold mainly to lawyers, accountants and scientists, a rarified class of customers, has recognized that the Internet changes the means *and* the incremental costs of distribution, presenting both threats and opportunities that can be met only by changing the company's culture.

The Internet is changing businesses across the globe, and across industrial sectors. We are exploiting this trend, by buying providers of content, and by buying technology and telecom companies supplying the backbone of e-commerce. More generally, if GE's Jack Welch is right, and the Internet 'changes everything', those companies which benefit will be those with the management strength to foresee change and to impose the changes in corporate structures and culture that will be necessary precursors to making money out if it. Our investment process has always been one that emphasizes management ability and vision. Internet strategy is now a key component in our evaluation of management, and competitive advantage.

Amidst all the exciting long-term opportunities that technological developments have produced, there is one shorter-term danger — that of the 'Y2K' problem. We have taken extensive measures to ensure that our internal systems are compliant, that the brokers and custodians with whom we transact are compliant, and that the companies in which we invest have taken all possible precautions. We have surveyed all our portfolio companies, and asked them to tell us their plans for ameliorating the risks. In general, we have been pleased with the responses we have received, but not surprised — good management should by now have the issue in hand

We bought five new companies, while adding to one. We sold four companies, and reduced the holding in one.

Activity

We bought:

CBS, the US broadcasting company. CBS has augmented its TV stations and national network with strong positions in radio broadcasting and outdoor advertising through its Infinity subsidiary, along with a cable network business. It continues to add to its coverage with additional radio and television purchases, and has creatively turned its advertising slots into an acquisition currency to gain entrée into Internet media. Control of multiple media channels will prove a powerful lever in capturing advertising revenues.

Oracle, the global leader in database management software. Oracle is well placed to benefit from the growth in business-to-business use of the Internet. The company's database products underpin 9 of the top 10 e-commerce sites. Oracle has reformulated its software to Internet standards ahead of its main competitors and can deliver a full array of productivity solutions to a customer over the Web. This releases companies from the need to separately install and manage desktop software and gives Oracle products a substantial competitive edge for businesses shifting from a client/server basis to network computing. We view Oracle's focus on the 'front office' as being complementary to portfolio holding SAP's focus on the 'back office'.

Fujitsu, a major Japanese manufacturer of computers and communications equipment and the domestic leader in information technology services. Fujitsu is being restructured under a new CEO towards a global, integrated information technology products and service company and away from its history as primarily a computer hardware manufacturer. The model Fujitsu is trying to emulate is IBM. The new CEO is making considerable progress: financial return targets have been set, non-performing businesses are being closed and Fujitsu is posting rapid growth in its software and services operations. We believe that Fujitsu is in the early phases of a multi-year transformation that will increase the quality, profitability and value of the business.

Fuji Bank, which we have discussed at length above.

Sony, a global leader in digital audio/visual electronics and entertainment media. The company has taken a more progressive approach to its senior management structure as well as its production cost structure. Sony is now much more active in joint ventures, joining IBM, Microsoft, Toshiba, and Time Warner in various new businesses where it needs outside skills. The new Sony is about combining its formidable content assets with its new distribution channels (cable, satellite, wireless communications, Internet), underpinned by its traditional strength in hardware products. This more integrated business platform represents a unique global multi-media franchise.

We added to our holding of **Quintiles**, believing that the company's underlying franchise as the largest and most able source of 'rented' pharmacological trial capacity and contract salespeople would overcome the temporary damage of lost contracts where a drug trial ended prematurely—in essence a vindication of the outsourcing model.

We sold:

Monsanto, as we are unwilling to wait for the fundamental environmental and productive advantages of biotech enhanced seeds to overcome the political hysteria that has come to surround them in Europe, a major market for US agricultural products.

Deere, which has been unable to shake off the secondary effects on farmers and farm prices of the Asian and developing world economic difficulties.

Liberty Strategic Investments, a South African holding company. It has traded at a significant discount to the value of its underlying holdings. Management embarked on a plan to realize greater value for shareholders, by spinning off many of its holdings (including SAB and BevCon), and ultimately by taking the company private. The plan was successful. We see no similarly attractive investment opportunities in South Africa at this time.

We sold our holding in **Singapore Press**, and reduced our holding in **Johnson Electric**, in both cases for price reasons and to fund the new investments in Japan.

Global Equity Holdings as of September 30, 1999

Company	Country	Weight (%)	Sector	Description
Sun Microsystems	US	3.1	Technology	Leader in internet computing
Hutchison Whampoa	HK	3.1	Other	Ports, telecom, & property conglomerate
Allied Capital	US	3.1	Financial Services	Financial institution providing small business loans
WPP Group	UK	2.9	Consumer Discretionary & Services	Advertising & marketing services company
Colgate	US	2.9	Consumer Staples	Global consumer products company
Royal Dutch Pet ADR	NETH	2.9	Integrated Oils	Global integrated oil company
Schlumberger	US	2.8	Other Energy	Petroleum industry service & equipment supplier
Baxter International	US	2.7	Healthcare	Medical products supplier
Fujitsu	JAP	2.6	Technology	Leading computer services firm
Pearson	UK	2.6	Consumer Discretionary & Services	Print & broadcast media company
Gaz et Eaux	FRA	2.5	Financial Services	Lazard Group investment company
Allied Signal	US	2.5	Technology	Aerospace, auto, chemical, & fiber maker
Investor	SWED	2.5	Other	Industrial holding company
Sony Corp. ADR	JAP	2.4	Consumer Discretionary & Services	Global entertainment media corporation
Rio Tinto	UK	2.4	Materials & Processing	World's largest diversified mining company
Intel	US	2.4	Technology	Global leader in semiconductor manufacturing
Hirose Electric	JAP	2.2	Technology	Electrical connector & components maker
Jardine Strategic	SING	2.1	Other	Jardine Group investment holding company
American Int'l Group	US	2.1	Financial Services	Insurance holding company
CBS	US	2.1	Consumer Discretionary & Services	Leading diversified media company
Rentokil Initial	UK	2.1	Consumer Discretionary & Services	Global business services provider
Pfizer	US	2.1	Healthcare	Pharmaceutical, veterinary & chemical company
ABB Ltd.	SWITZ	2.1	Producer Durables	Global engineering & equipment maker
Exxon	US	2.0	Integrated Oils	Global oil company
Atlantis Japan	JAP	2.0	Other	Closed-end fund of small Japanese companies
Mitsubishi	JAP	2.0	Consumer Discretionary & Services	Leading trading company
Johnson Electric	HK	1.9	Producer Durables	Maker of precision motors
Dover	US	1.9	Producer Durables	Diversified capital goods maker
Nestlé Reg ADR	SWITZ	1.8	Consumer Staples	World's largest food company
Wells Fargo	US	1.8	Financial Services	Large commercial bank
Wolters Kluwer	NETH	1.7	Consumer Discretionary & Services	Legal, tax, medical & business news publisher
Thermo Electron	US	1.5	Technology	Maker of environmental & biomedical instruments
CBT Group	IRE	1.5	Technology	Leader in computer software training
Fammie Mae	US	1.4	Financial Services	Government-sponsored mortgage agency
Luxottica	ITA	1.4	Consumer Discretionary & Services	Low cost producer of eyeglass frames
Wrigley, Wm.	US	1.4	Consumer Staples	World's largest chewing gum maker
Li & Fung	HK	1.3	Consumer Discretionary & Services	Trading & logistics company
Bic	FRA	1.3	Consumer Discretionary & Services	Consumer goods producer
Air Products	US	1.3	Materials & Processing	Industrial gas company
Oracle	US	1.2	Technology	Leader in database management software
Fuji Bank	JAP	1.1	Financial Services	Japan's largest bank
SAP ADR	GER	1.0	Technology	Global packaged enterprise software company
Quintiles	US	1.0	Healthcare	Outsourcing partner for healthcare companies
Wisconsin Central	US	1.0	Autos & Transportation	Global railroad operator
Telefonos de Mexico	MEX	0.9	Utilities	Provider of telecommunications services
Grupo Televisa GDR	MEX	0.9	Consumer Discretionary & Services	Large Spanish-speaking media company
Zurich Allied	SWITZ	0.8	Financial Services	Global insurance & asset management firm
UBS Reg.	SWITZ	0.8	Financial Services	Universal bank & asset management firm
Allianz	GER	0.7	Financial Services	Large general insurance company
MCI Worldcom	US	0.7	Utilities	Global telecommunications provider
Kimberly-Clark Mex.	MEX	0.7	Materials & Processing	Subsidiary of US-based paper company
Quilmes	ARG	0.6	Consumer Staples	Beer & soft drinks maker
Goldman Sachs	US	0.6	Financial Services	Global investment bank
Aspen Technology	US	0.2	Technology	Process optimization software provider

Global Equity Composite Performance Summary

As of September 30,1999

	Annualized Returns for Trailing Periods (%)					Volatility **
	1 Year	3 Years	5 Years	9 Years	Since Inception*	Since Inception*
Global Equity (gross of fees)	**27.9**	**10.1**	**11.5**	**14.5**	**13.5**	**12.4**
Global Equity (net of fees)	**27.4**	**9.4**	**10.7**	**13.6**	**12.6**	**12.3**
MSCI All Country World Index	*31.3*	*16.4*	*14.8*	*14.4*	*10.3*	***14.0***
Lipper Global Fund Index	*27.2*	*14.2*	*12.6*	*13.4*	*11.0*	***12.5***

* Inception Date: 11/30/89
** Annual Standard Deviation (%)

Calendar Year Returns (%)

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Global Equity (gross of fees)	**12.0**	**2.3**	**11.0**	**17.3**	**19.0**	**0.0**	**24.3**	**8.9**	**29.4**	**7.9**
Global Equity (net of fees)	**11.7**	**1.6**	**10.1**	**16.3**	**18.0**	**-0.9**	**23.2**	**8.1**	**28.3**	**7.0**
MSCI All Country World Index	*8.4*	*21.7*	*14.7*	*13.1*	*18.2*	*5.4*	*25.5*	*-4.3*	*19.5*	*-17.2*
Lipper Global Fund Index	*8.5*	*14.6*	*14.0*	*16.3*	*14.0*	*-2.2*	*32.8*	*0.1*	*20.3*	*-9.1*

Composite Information

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Number of accounts	7	11	15	13	17	16	14	12	†	†
Total market value of accounts ($M)	$126.1	$176.9	$251.1	$188.0	$146.7	$112.4	$80.2	$63.3	$41.3	$15.3
% of total firm assets	10.4%	12.9%	16.5%	15.1%	23.4%	30.5%	31.8%	39.3%	30.0%	26.6%
Internal dispersion: standard deviation	NA	1.7%	1.5%	0.8%	2.0%	1.4%	6.5%	2.1%	†	†

Portfolio Characteristics

Price/Earning (trailing 12 months)	34.3 times
Price/Book	6.8 times
Yield	1.6 %
Growth Rate	12.0 %
Wtd Average Mkt Cap	$40.4 billion
% annual turnover	30 %
Number of Holdings	54

Ten Largest Holdings	% of Portfolio
Sun Microsystems	3.1
Hutchison Whampoa	3.1
Allied Capital	3.1
WPP Group	2.9
Colgate	2.9
Royal Dutch	2.9
Schlumberger	2.8
Baxter International	2.7
Fujitsu	2.6
Pearson	2.6

Harding, Loevner Management, L.P. ('Harding Loevner') has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management Research ('AIMR-PPS™'). AIMR has not been involved with the preparation or review of this report. Harding Loevner is compliant with AIMR-PPS since 10/31/89. This composite has been verified compliant, one quarter in arrears, at Level II by Ashland Accounting LLC.

NOTES:

1. Harding, Loevner Management, L.P. is an independent registered investment adviser.
2. Composite includes all US$ based, fee-paying global equity accounts under discretionary management, including accounts no longer in existence. Accounts are included from the first full month following the date on which the account is deemed to be fully invested. No subsector or segment of a larger portfolio is included.
3. Returns shown are time-weighted total returns in US$, and reflect reinvestment of dividends and interest. Returns include the effect of foreign currency exchange rates. Returns are weighted by account size in the composite.
4. All cash equivalents, bonds and/or convertible securities used in place of equities are included in return calculations.
5. Composite returns are presented after brokerage commissions but before custodial fees and foreign withholding taxes. Management fees are described in our Form ADV Part II.
6. Returns of all indices (except Lipper) are presented before foreign withholding taxes, and do not reflect commissions or fees that would be incurred by an investor in the index portfolios. Lipper Index returns are reported after all fees and expenses. Additional information regarding benchmarks, including the percentage of the composite invested in countries not included in the benchmarks, is available upon request.
7. Annual standard deviations of returns (volatility) are estimated from monthly returns using a continuous return model to derive annual periodic standard deviation.
8. A complete list and description of the firm's composites is available upon request.
9. Past performance is not indicative of future results.