



Table of Contents

Market Review

Portfolio Attribution

Outlook

Portfolio Structure

Review

- The Composite handily outperformed its benchmark for the year.
- International returns far above US despite currency impact.
- Broadly good stock selection a key driver of relative portfolio returns.

Composite Performance (as of December 31, 2005)

	Last Quarter	Last 12 Months	3 Years ¹	5 Years ¹	10 Years ¹	Since Inception ²	Volatility ³
Global Equity (gross)	4.7%	17.2%	19.2%	3.0%	8.1%	10.6%	13.5%
Global Equity (net)	4.6%	16.8%	18.6%	2.5%	7.4%	9.8%	13.4%
MSCI ACW ⁴	3.4%	11.4%	20.2%	3.4%	7.4%	7.4%	14.1%
MSCI World	3.2%	10.0%	19.2%	2.6%	7.5%	7.4%	14.0%

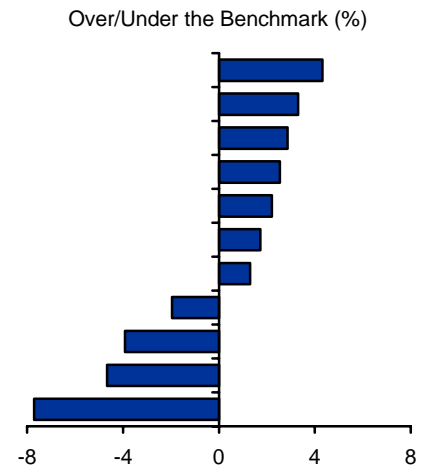
¹Annualized Returns, ²Inception Date: November 30, 1989; ³Annual Standard Deviation ⁴The Benchmark Index
Please read the above performance in conjunction with the footnotes on the back page of this report.

Outlook

- Euphoria misplaced; threats to easy growth are many.
- Our preference for companies that invest for growth.
- Companies have done more to improve their finances than consumers.

Current Portfolio Sector Exposure¹

Sector	HL Global	MSCI ACW
Health Care	14.1%	9.7%
Materials	9.4%	6.1%
Industrials	13.1%	10.3%
Info Technology	14.2%	11.6%
Energy	11.7%	9.5%
Cash	1.7%	--
Consumer Staples	9.3%	8.0%
Telecom Services	2.7%	4.7%
Utilities	--	3.9%
Cons Discretionary	6.8%	11.5%
Financials	17.0%	24.7%



Composite Activity

Purchases	Sector	Sales	Sector
Cisco Systems	Info Technology	Comcast	Cons Discretionary
Sanofi Aventis	Health Care	Heineken	Cons Staples
Synthes	Health Care	Oracle	Info Technology
		VNU	Cons Discretionary

All holdings and sector allocations are subject to review and adjustment in accordance with our investment strategy and may vary in the future and are not recommendations to buy or sell any security. A complete list of holdings appears on pages 7- 8 of this report.

¹The current portfolio sector exposure is shown as supplemental information only and complements the Global Equity Composite presentation which is located on the front and back covers of this report.

International equities, especially emerging markets, dramatically outperformed the US.

Market Review

Again this past year and for the fourth year in a row, the US market played laggard to the rest of the world, rising only 5% versus 17% for the non-US benchmark. Emerging markets soared, rising in aggregate by 35% in the year, reflecting both improving profitability and stability, but also a decidedly sanguine risk appetite and hefty capital flows by developed world investors. Single country returns of 40%, 50%, and 60% were commonplace (respectively generated in India, Mexico, and Korea). Among developed markets, Japan roared to life in the second half, rising 26% in the year and 12% in the final quarter alone, measured in US Dollars. Meanwhile, European markets gained solidly, with the European average returning 10%, with Switzerland (+17%), along with energy-rich Norway (+26%) stand-out performers. Other resource-rich countries also saw strong stock market performances, including Canada (+29%), Australia (+18%), and Russia (+74%).

Market Performance (% Total Return)				
Market	Trailing 12 Months		4Q 2005	
	USD	Local	USD	Local
Canada	28.9	25.8	2.2	3.2
Germany	10.5	27.0	4.4	6.7
Japan	25.6	44.2	11.9	16.4
United Kingdom	7.4	20.3	0.2	10.4
United States	5.7	5.7	2.4	2.4
Europe EMU	9.6	25.8	2.3	4.5
Europe ex-EMU	10.2	24.9	1.7	14.9
Pacific ex-Japan	14.8	20.5	-0.6	1.9
Emerging Markets	34.5	35.7	7.2	7.0

Source: Wilshire Atlas, MSCI

Energy and Materials were the best performing sectors.

Looking at the world from a sector perspective, it is no surprise to see the Energy and Materials sectors the best performers, rising 32% and 21%, respectively. Only the Telecom Services sector saw negative returns for the year.

Sector Performance of the MSCI All Country World ex-US Index (%Total Return in USD)		
	Trailing 12 Months	4Q 2005
Consumer Discretionary	2.6	3.6
Consumer Staples	7.5	1.1
Energy	31.9	-6.1
Financials	13.0	7.9
Health Care	9.8	2.0
Industrials	13.0	6.6
Information Technology	7.0	5.6
Materials	21.1	7.6
Telecom Services	-4.9	-3.6
Utilities	15.0	-1.5

Source: Wilshire Atlas, MSCI

Unlike the prior three years, international performance was not inspired or exacerbated by currency movements benefiting Dollar-based investors, but instead had to overcome US Dollar *strength* against most major currencies (e.g., 13% versus the Euro and the Japanese Yen). The main exceptions, curiously, were those in the Western Hemisphere, such as the Canadian Dollar, the Mexican Peso, and the Brazilian Real, which all rose against the Dollar.

Portfolio Attribution

The Composite returned 17.2% in the year. In comparison, the benchmark MSCI All Country World Index rose 11.4%. For the quarter, the Composite rose 4.7%, compared to 3.4% for the benchmark.

The portfolio benefited in the year, although not in the final quarter, from the abating of the hostile environment for high-quality stocks, whereby the least profitable companies with the most leveraged balance sheets had seen their stocks rise dramatically relative to those of more profitable, sound, and stable businesses during the two years of recovery since the post-bubble bear market. As a result, the companies we favor, i.e., the high-quality, growing variety, began to have their solid underlying corporate performance correspond to movements in their stock prices once again, even if they weren't granted a premium (yet!) for their greater likelihood of achieving good results.

Strong international returns, despite strength of US Dollar.

A year of strong relative performance, based on broad, good stock selection.

Top vs Bottom Quintile of Stocks in MSCI AC World ex-US Index (% Total Return in USD)						
	12/31/04-12/31/05			09/30/05-12/31/05		
	Top	Bottom	Difference	Top	Bottom	Difference
QUALITY						
Return on Assets	11.7	11.0	0.7	0.3	6.6	-6.3
Return on Equity	11.3	10.4	0.9	1.0	5.4	-4.4
Std Dev of ROE (5 Yr) ¹	10.5	9.9	0.6	4.1	3.5	0.6
Debt/Equity Ratio ¹	9.4	10.0	-0.6	2.7	4.7	-2.0
Profit Margin	10.5	12.2	-1.7	3.0	4.4	-1.4
GROWTH						
5-Yr Sales Growth	15.5	14.4	1.1	2.5	5.8	-3.3
5-Yr Earnings Growth	24.6	8.7	15.9	6.3	4.5	1.8
5-Yr Cash Flow Growth	15.2	9.5	5.7	3.9	5.2	-1.3
5-Yr Dividend Growth	21.4	12.5	8.9	6.1	3.8	2.3

¹ "Top" Quintile = lowest

Source: Wilshire Atlas, MSCI

Another aspect of this can be seen in the portfolio's performance broken down by industrial sector: our holdings outperformed the benchmark's sector indices in seven out of nine of sectors we held in the year. Thus the year's good performance wasn't the result of one or two successful 'big calls' on one or two industries—indeed, our sector allocation did not add as much as a half percent to our relative performance—but rather the product of broad-based qualitative differentiation of

holdings. In the language of attribution analysis, we have enjoyed broad and good stock selection.

Lessening headwinds for quality may also be accompanied by a shift towards the ‘growth’ style of investing, although the ‘growth’ and ‘value’ halves of the benchmark had returns within 50 bps of each other for the quarter, and the full year. Although growth did edge out value in the second half of the year for the broadest, All-Country benchmark, this fact obscures a key divergence in the year: the value half of the index still bettered the growth half in the US and EMU-based markets. It was the strong performance of growth in the UK, in Japan, and in Emerging Markets that closed the gap with the value half.

Our high-quality emerging markets holdings performed especially well.

That said, it should be no surprise that the other significant factor in the portfolio’s strong relative performance was the large holding in various emerging market (EM) companies, which we had identified as being both very high in business quality as well as modest in valuation. That stance was well rewarded, as not only did the *average* EM stock handily outperform the non-US developed benchmark (35% vs. 14%), but the high-quality, rapidly growing companies we chose outperformed even the EM benchmark by 1500 bps. The combined effect explains more than a third of the relative performance of the portfolio for the year. Our full weighting in Japan bolstered performance in the quarter and in the year as a whole. We enjoyed good stock selection in Japan, where our holdings outperformed the country benchmark by 1000 bps, spurred in the final quarter especially by the holding in **Sumitomo Realty & Development**, which we bought and wrote about last quarter.

US premiums undeserved; emerging markets discounts ditto.

Let us remind you that we have continuously held substantial, multiple-of-benchmark holdings of emerging market companies since the second quarter of 2001, funded mainly by a significant underweight in US companies. The shift began just about the time that Enron began to unravel from its corporate governance and fraud misdeeds. We connect the two disparate items because they were connected in our investment decisions at the time. It was the Enron debacle that crystallized for us a growing sense that the premium valuations afforded the US ‘paragons’ of management ability and financial disclosure were not fully deserved, and that the discounts applied to EM survivors of the Asian and LTCM crises, also for alleged management (in)ability and financial (non)transparency, were harshly excessive. With the Emerging Markets index outperforming the US index by 18%, and the non-US index by 14% annually over the past five years, that early decision (along with our insistence to be measured against a benchmark that included Emerging Markets) is completely vindicated. We will once again point out that, on objective measures of business quality, the aggregate of companies in the EM benchmark exhibit higher objective business quality than does either the US index or the non-US developed market benchmark, as shown below:

Bold indicates companies held in the portfolio during the quarter. The percentage of currently held positions appears on pages 7-8 of this report. Although these holdings, as well as others mentioned in this report, were viewed favorably at the end of the reporting period, all holdings are subject to review and adjustment in accordance with our investment strategy and may vary in the future; and are not recommendations to buy or sell any security.

Quality Characteristics of Indices
As of December 31, 2005

	MSCI US Index	MSCI EAFE Index	MSCI Emerging Markets Index
Return on Assets	6.1	3.8	8.2
Return on Equity	15.9	14.8	19.2
Std Dev of ROE (5 Yr)	4.7	4.1	6.1
Debt/Equity Ratio	35.2	55.4	30.3
Profit Margin	11.0	7.8	13.1

Figures shown are weighted medians

Source: Wilshire Atlas, MSCI

Outlook

We wrote last quarter of our concern that euphoric investor sentiment was a sign that markets were once again pricing ‘perfect’ economic conditions and little risk of cyclical slowdown. Despite a testing correction in the Energy sector and in the Emerging Markets in October, markets have reached new highs since then. Accordingly, we still worry, but recognize that our record at ‘market timing’ is poor, and realize moreover that, in fact, the largest market, that of the US, has not shared much bounty from that perceived euphoria. Indeed, one commentator we respect has been arguing that the US market is at the opposite, fearful, end of the greed/fear spectrum in terms of investor sentiment. We content ourselves by reminding ourselves and our readers that threats to rapid or easy earnings growth are many, including energy supply uncertainties (just ask Ukraine), demographic headwinds in many countries beginning to take their toll on public finances, and the leverage of consumers in the US, Australia, and in parts of Europe. We reiterate our belief that corporate earnings growth will be more difficult to achieve in the quarters ahead than it has been in the past three-plus years of economic expansion, ever since short-term US interest rates fell below the inflation rate late in 2002.

We note the passing in November at age 95 of Peter Drucker, the Austrian-American management visionary, who first chronicled the art and science of management with an in-depth study of Alfred Sloan’s organizational strategies at General Motors in the early 1940s, which became business bestseller The Concept of the Corporation. Perhaps the current woes of his first major case study were just too much for him to bear, but it seems unlikely: he was an avid promoter of fellow Austrian Joseph Schumpeter and his theory of ‘creative destruction’, writing that “nothing is predictable except that today’s profitable business will become tomorrow’s white elephant.” We were pleasantly surprised to find among the numerous tributes to Drucker’s thinking some reminders of the basis for our own focus on company research in preference to macroeconomic forecasting. “*The economy is forever going to change and is biological rather than mechanistic in nature. The innovator is the true subject of economics. Entrepreneurs that move resources from old and obsolescent to new and more productive employments are*

We worry about euphoric investor sentiment.

A lasting lesson from Peter Drucker.

**High dividends do not
a high-quality growth
company make.**

the very essence...of a modern economy.” Our attention to the abilities and strategies of management of companies we research is rooted in similar beliefs in the critical importance of management’s foresight and its ability to adapt to changing environments, along with its integrity.

But our attention these days is equally drawn to the market fashions regarding business growth, and management of growth opportunities. We have highlighted before our distaste for the recent emphasis by investors on managements returning capital in the form of dividends and share buybacks when it comes at the expense of investing for future growth, despite recognizing that such emphasis is a natural investor reaction to the gigantic spasm of squandered capital and management enrichment known as the TMT (tech, media, telecom) bubble. Just this past quarter, the growth plans of one of our holdings, media researcher **VNU**, were scotched by the strenuous objections of several other shareholders, which forced the cancellation of an agreed acquisition, and the resignation of the CEO. The company is now being shopped as an acquisition target, and is likely to be broken up into various bits. We had our own doubts regarding management’s growth plans, but part ways with the market consensus, which is clearly hostile to any growth by acquisition, in celebrating the defeat of management. We sold the stock after it rose on the news. Current efforts in the US to break up (AOL) Time Warner, and the new split of CBS broadcast businesses from **Viacom** content production businesses are symptoms of the same hostility.

Our preference is for company managements that see growth prospects, and have the capacity and chutzpah to seize them. That is a key reason why we like to invest in companies with under-leveraged balance sheets and very strong free cash flows. But we are not at all averse to our companies asking shareholders for more capital, because our presumption is that we should want to back managements that we’ve already entrusted with capital, if they have employed it wisely and successfully. Thus, when **Swiss Reinsurance** maneuvers itself to be the only bidder for GE’s long-mooted sale of Employer’s Reinsurance, we are pleased that the reinsurer can take another significant step in a long process of consolidation for the industry. The fact that it will need capital to complete the purchase is a non-event for us. When **Erste Bank** manages to win the bidding at the Romanian government auction for that country’s largest and most profitable bank, we are more than glad to stump up additional capital if necessary to allow Erste to extend its franchise to yet another contiguous, yet underdeveloped, part of its ‘Austro-Hungarian retro’ region. When **Standard Chartered** stole a march on HSBC to secure an agreement over Christmas and New Years last year to buy control of Korea First Bank from the private equity holders that had taken it through a painful restructuring, we would have been pleased to advance them our share of the necessary capital. After all, the purchase instantly allowed StanChart to achieve critical mass in both retail and corporate banking in the remaining large Asian market in which it had only a minor presence, but with whose corporate clients its own clients elsewhere were already actively transacting. Sadly for us, the entire offering was sold out in a matter of hours in an earlier time zone. [Should we

worry that it is in financial services where there is a management (and market) willingness to use new equity for expansion or acquisitions?]

Portfolio Structure

The portfolio is positioned for the coming year with relatively small divergences from the sector and geographic weights of the benchmark, except for its continuing emphasis on high-quality companies, which is quite different from the average. The portfolio still carries large, near-risk-limit weight in emerging market holdings and carries an overweight in Japan, but is lightly weighted in the US and the UK. We remain overweight in Information Technology, and Industrials, among the cyclical sectors, and now also in the Health Care sector, where we have added to our holdings over recent months. Offsetting this are very modest holdings in the Financials sector, in comparison to the very large (25%) weighting in the benchmark, and as well as in the other interest sensitive sectors, Telecom Services and Utilities.

The stances generally reflect our belief that companies have done more to improve their financial positions over the past few years than have individuals, with the result that capital goods expenditures are more likely to grow than are consumer spending and the debt that finances it—at least in developed economies. Within the consumer space, we are underweight the more cyclical industries, such as autos and durables, but fully weighted the Consumer Staples sector, primarily through holdings in household and personal products. As we pointed out last quarter, we have nearly a quarter of the portfolio invested in Consumer Staples and Health Care companies, aiming to counterbalance the cyclical flavor of our capital goods oriented industrial and technology holdings.

We continue to place an emphasis in the portfolio on secure and stable energy supplies, which has prompted us to own not only Canadian energy producers **EnCana**, but also South African coal-to-synthetic diesel producer **Sasol**, Japan's largest LNG importer **Mitsubishi Corp.**, along with global oil field services and technology provider **Schlumberger**, whose technology is indispensable in sustaining, let alone raising, production in badly exploited Russian oilfields as well as in new or hostile exploration areas for global majors such as **Exxon Mobil**.

One entrepreneurial CEO whose success we have admired is Larry Ellison of **Oracle Systems**; but we doubt that Mr. Drucker's emphasis on moving resources to new and more productive employments included the resources of three CFOs, which the company has gone through in the past 18 months. We sold our holding in the company this quarter on the news of the third one's abrupt and rather mysterious departure, purely on the grounds that there must be more uncertainty within the senior levels of the firm regarding either the PeopleSoft acquisition or just the owner/manager's abrasive style than the company's strong financial results yet revealed.

Capital goods expenditures more likely to grow than consumer spending.

Sector	Company	Country	Weight (%)	Description
Consumer Discretionary	Li & Fung	Hong Kong	2.0	Trading company
	LVMH	France	1.1	Luxury goods group
	Pearson	United Kingdom	1.3	Education & publishing company
	TJX Companies	United States	1.3	Off-priced name brand stores
	Viacom	United States	1.3	Media & entertainment group
Consumer Staples	Coca-Cola	United States	0.9	Soft drinks company
	Colgate-Palmolive	United States	2.3	Consumer products company
	Estee Lauder	United States	0.7	Skin care, makeup & fragrances manufacturer & marketer
	L'Oreal	France	1.9	Personal care products manufacturer
	Nestlé	Switzerland	1.9	Global food company
	Wal-Mart de Mexico	Mexico	1.7	Consumer goods & food retailer
Energy	EnCana	Canada	3.4	Producer of natural gas
	Exxon Mobil	United States	1.1	Global oil company
	Kinder Morgan	United States	2.8	Natural gas transportation & logistics company
	Sasol	South Africa	1.7	Refined petroleum products producer
	Schlumberger	France	2.9	Oil services company
Financials	American Int'l Group	United States	3.4	Insurance holding company
	Bankinter	Spain	1.1	Small Spanish bank
	Berkshire Hathaway	United States	0.8	Auto insurer & general reinsurer
	Erste Bank	Austria	1.0	Savings & retail bank
	Kookmin Bank	South Korea	1.4	Retail-oriented bank
	Nomura Holdings	Japan	1.2	Brokerage firm
	Standard Chartered	United Kingdom	2.3	Multinational commercial bank
	Sumitomo Realty & Dev	Japan	4.0	Real estate developer
	Swiss Re	Switzerland	1.2	Reinsurer
Wells Fargo	United States	0.8	Super regional bank	
Health Care	Abbott Labs	United States	0.9	Health care products & pharmaceuticals producer
	Medco Health Solutions	United States	2.3	Pharmaceutical benefits manager
	Medtronic	United States	2.0	Medical devices company
	Novartis	Switzerland	1.3	Multinational life sciences company
	Qiagen	Netherlands	1.9	Laboratory equipment supplier
	Roche	Switzerland	1.2	Pharmaceutical company
	Sanofi-Aventis	France	2.0	Pharmaceutical company
	Synthes	Switzerland	1.0	Medical device company
Teva Pharmaceutical	Israel	1.7	Pharmaceutical company	

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

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

Sector	Company	Country	Weight (%)	Description
Industrials	3M Co.	United States	1.6	Industrial technology firm
	Caterpillar	United States	3.2	Producer of earthmoving equipment
	China Merchants	China	2.1	Global port operator
	Emerson Electric	United States	2.5	Global industrial & electronics controls company
	General Electric	United States	1.2	Diversified products & services company
	Mitsubishi Corp.	Japan	1.7	Trading company
	Tyco Int'l	United States	1.1	Industrial products manufacturer
Information Technology	ADP	United States	0.9	Payroll and tax-filing processor
	Analog Devices	United States	1.3	Analog mixed-signal computer chip maker
	Cisco Systems	United States	1.8	Internet networking company
	Dassault Systemes	France	1.6	CAD/CAM software designer
	Hirose Electric	Japan	1.2	Manufacturer of electrical connectors & components
	Keyence	Japan	2.8	Detection & measuring control equipment maker
	Qualcomm	United States	1.9	CDMA wireless communications technology firm
	Samsung Electronics	South Korea	1.4	Electronic equipment maker
	Taiwan Semiconductor	Taiwan	1.5	Dedicated IC foundry
Materials	Air Liquide	France	1.3	Industrial gas company
	Air Products & Chemicals	United States	1.0	Industrial gas company
	JSR	Japan	2.8	Specialty chemicals manufacturer
	Praxair	United States	1.3	Industrial gas company
	Rio Tinto	United Kingdom	3.2	Diversified mining company
Telecom Services	America Movil	Mexico	1.6	Cellular service provider
	Orascom Telecom	United States	1.2	Cellular services provider

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

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

Contributors to Returns

Largest Holdings	GICS Sector	Region	Return	Average Wt.	Contribution
EnCana	Energy	Canada	59.3%	3.9%	1.97%
Caterpillar Inc.	Industrials	United States	20.7%	3.2%	0.67%
American Intl Group	Financials	United States	4.8%	2.9%	0.50%
Oracle Systems*	Info Technology	United States	(10.2%)	2.9%	(0.42%)
Kinder Morgan	Energy	United States	30.3%	2.9%	0.78%
Largest Contributors	GICS Sector	Region	Return	Average Wt.	Contribution
EnCana	Energy	Canada	59.3%	3.9%	1.97%
Sumitomo Rlty & Dev*	Financials	Japan	52.0%	0.9%	1.67%
Schlumberger	Energy	Europe EMU	46.6%	2.6%	1.08%
Rio Tinto	Materials	Europe ex-EMU	52.5%	1.6%	0.80%
Wal Mart de Mexico	Cons Staples	Emerging Markets	63.9%	1.5%	0.79%
Largest Detractors	GICS Sector	Region	Return	Average Wt.	Contribution
Oracle Systems*	Info Technology	United States	(10.2%)	2.9%	(0.42%)
Estee Lauder	Cons Staples	United States	(26.0%)	1.0%	(0.32%)
TJX Companies	Cons Discretionary	United States	(6.7%)	2.1%	(0.25%)
Comcast*	Cons Discretionary	United States	(18.2%)	1.0%	(0.23%)
Vodafone*	Telecom Services	Europe ex-EMU	(4.6%)	0.2%	(0.20%)

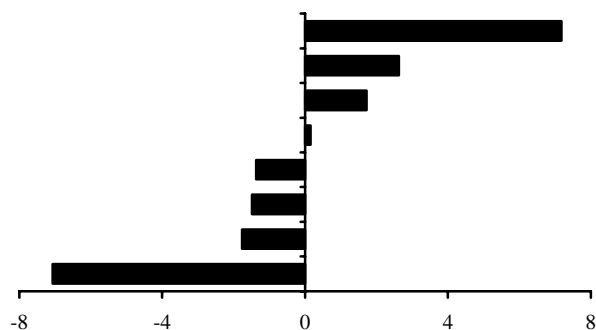
All holdings and sector allocations are subject to review and adjustment in accordance with our investment strategy and may vary in the future and are not recommendations to buy or sell any security. The portfolio is actively managed; therefore holdings may not be current.

*Security owned for partial period; return shown is for the actual period owned in the portfolio.

Current Portfolio Regional Exposure

Region	HL Global Equity	MSCI ACW Index
Emerging Markets	14.0%	6.8%
Japan	13.5%	10.8%
Cash	1.7%	--
Canada	3.3%	3.2%
Pacific ex-Japan	2.0%	3.3%
Europe ex-EMU	13.2%	14.7%
Europe EMU	11.6%	13.4%
United States	40.7%	47.8%

Over/Under the Benchmark (%)



Portfolio Characteristics

Characteristics	HL Global	ACW	Characteristics (3 Years)	HL Global	ACW
Avg Wtd Market Cap (\$B)	\$51.1	\$65.7	Alpha	3.30	0.00
Price/Earnings (Trailing)	26.7x	19.0x	Beta	1.03	1.00
Price/Cash Flow	15.6x	11.7x	R-Squared	0.91	1.00
Price/Book	3.6x	2.7x	Sharpe Ratio	0.09	0.50
Dividend Yield	1.4%	2.1%	Standard Deviation	10.66	9.90
Return on Equity	19.0%	19.3%	Correlation	0.96	1.00
Number Holdings	58	2628	Turnover (Average)	37.0%	---

Source: Wilshire Atlas

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

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

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

Global Equity Composite Performance Summary 2005 Year End Report

	HL GLBL EQ (Gross)	HL GLBL EQ (Net)	MSCI ACW ¹	MSCI WORLD	Internal Dispersion ²	Number of Accounts	Composite Assets (\$M)	Firm Assets (\$M)
2005	17.2%	16.8%	11.4%	10.0%	†	†	85	2562
2004	9.0%	8.5%	15.8%	15.3%	†	†	82	1524
2003	32.5%	32.0%	34.6%	33.8%	†	†	127	1357
2002	(19.4%)	(19.8%)	(19.0%)	(19.5%)	0.6	6	118	1082
2001	(14.9%)	(15.5%)	(15.9%)	(16.5%)	0.4	7	152	1154
2000	1.3%	0.1%	(14.0%)	(12.9%)	†	†	108	1392
1999	38.9%	38.2%	26.8%	25.3%	†	†	96	1423
1998	2.3%	1.6%	22.0%	24.8%	0.5	11	179	1372
1997	11.0%	10.1%	15.0%	16.2%	0.6	15	251	1521
1996	17.3%	16.3%	13.2%	14.0%	0.2	13	188	1247
1995	19.0%	18.0%	19.5%	21.3%	0.6	13	147	635

¹Benchmark Index; ²Asset-weighted standard deviation (gross of fees) †Five or fewer accounts

Global Equity Composite contains fully discretionary U.S. dollar-based global equity accounts and for comparison purposes is measured against the MSCI All Country World Index (gross dividends). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg; prior to July 1, 1997 it was Reuters. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

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

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

Harding, Loevner Management, L.P. is an independent registered investment advisor. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes. Past performance is not indicative of future results. Additional information regarding the policies for calculating and reporting returns is available upon request.

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

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

HARDING, LOEVNER MANAGEMENT, L.P.

50 Division Street • Suite 401
Somerville, NJ 08876

Contact: Clarke Moody, CFA

Telephone: 908-218-7900
Fax: 908-218-1915
Website: www.hardingloevner.com