



Composite Performance (%) For Periods Ending December 31, 2007

	Last Quarter	Last 12 Months	Three Years ¹	Five Years ¹	Ten Years ¹	Since Inception ^{1,2}	Volatility ³
HL Global Equity (gross of fees)	(1.29)	17.62	18.02	18.87	8.90	11.45	13.22
HL Global Equity (net of fees)	(1.35)	17.02	17.46	18.30	8.23	10.66	13.13
MSCI All Country World ⁴	(1.70)	12.18	14.94	18.79	7.93	8.44	13.81
MSCI World	(2.33)	9.57	13.30	17.51	7.44	8.24	13.61

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. Past performance is not indicative of future results.

Sector Exposure (%)

Sector	HL Gbl	ACW	Over/Under The Benchmark
Health Care	15.1	7.9	7.2
Info Technology	15.9	10.9	5.0
Industrials	15.6	11.3	4.3
Cons Staples	10.3	8.3	2.0
Cash	1.0	--	1.0
Energy	12.6	11.7	0.9
Materials	8.1	8.0	0.1
Telecom Services	2.9	5.6	(2.7)
Cons Discretionary	6.2	9.2	(3.0)
Utilities	0.0	4.6	(4.6)
Financials	12.3	22.5	(10.2)

Market Environment & Outlook

- Shift underway from risky to high-quality companies.
- Subprime-mortgage securities crisis causes steep decline in Financials sector.
- Emerging Markets remain resilient, rising 40% for the year.

Composite Highlights

- Portfolio emphasis on high-quality and growth companies.
- Overweight US for the entire year; the first time since 2000.

Regional Exposure (%)

Region	HL Gbl	ACW	Over/Under The Benchmark
United States	47.0	41.8	5.2
Japan	9.8	8.6	1.2
Cash	1.0	--	1.0
Emerging Markets	11.7	11.3	0.4
Pacific ex-Japan	4.7	4.4	0.3
Europe ex-EMU	12.9	14.3	(1.4)
Canada	2.3	3.7	(1.4)
Europe EMU	10.6	15.9	(5.3)

Table of Contents

Market Environment page 2

Portfolio Attribution page 3

Outlook page 3

Portfolio Structure page 4

Portfolio Holdings & Facts pages 6 & 7

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

Overall Performance

Despite a fourth quarter fizzle, it was a respectable year for global stock returns, especially outside the US, with the MSCI All Country World Index returning 12.18% for the year as a whole. Non-US stocks were very strong, with investors focusing on rapid economic growth in developing countries, and the bright prospects of companies that have business in those regions, especially those that produced basic resources. The portfolio finished the year well ahead of its benchmark, with a 17.62% gain. In the fourth quarter, the portfolio's 1.29% decline, was fractionally better than the benchmark, which fell 1.70%.

Market Environment

During the quarter, investors continued to focus on the broad and uneven dispersion of losses around the world from US mortgage-backed securities and derivatives. Stocks of Financials companies, including banks, investment banks, insurers, and real estate, fell sharply in nearly all countries. The MSCI All Country World Financials Index fell 8% in the quarter, with a 14% decline in US Financials sub-index echoed by a 4% decline in the non-US Financials sub-index. The S&P US Thrifts & Mortgage sub-index fell a striking 41% in the quarter. Within our benchmark, the Financials component fell over 8% in the quarter and fell 5% for the year. Only in Emerging Markets did Financials eke out a tiny (1%) gain for the quarter.

Market Performance (%)

Market	Trailing 12 Months		4Q 2007	
	USD	Local	USD	Local
Canada	30.24	10.28	(0.03)	(0.84)
Germany	35.93	22.65	5.09	2.28
Japan	(4.14)	(10.13)	(6.07)	(8.80)
United Kingdom	8.39	6.61	(2.38)	(0.09)
United States	6.03	6.03	(3.16)	(3.16)
Europe EMU	20.35	8.29	2.02	(0.92)
Europe ex-EMU	8.50	4.55	(2.97)	(2.08)
Pacific ex Japan	31.73	21.64	(1.52)	(1.31)
Emerging Markets	39.78	32.37	3.66	2.67
MSCI ACW Index	12.18	7.68	(1.70)	(2.33)

Source: Wilshire Atlas, MSCI (as of December 31, 2007)

Sector Performance (%) of the MSCI ACW Index

Sector	Trailing 12 Months	4Q 2007
	USD	USD
Consumer Discretionary	(1.88)	(6.25)
Consumer Staples	19.33	4.27
Energy	34.15	7.04
Financials	(4.79)	(7.74)
Health Care	4.85	(0.95)
Industrials	19.14	(3.61)
Information Technology	13.89	(2.00)
Materials	38.71	(1.56)
Telecom Services	28.18	3.43
Utilities	23.36	7.95

Source: Wilshire Atlas, MSCI (as of December 31, 2007)

While we noted no additional spectacular bank runs in the quarter, there were other signs of distress. Senior executives at a remarkable number of US and European financial firms, including Citigroup, Merrill Lynch, State Street, Northern Rock, and Barclays, resigned following multi-billion dollar write-offs related to the subprime-mortgage crisis. Additionally, public finance troubles erupted in communities around the world, from Florida counties to Norwegian provincial towns, where cash reserves had been invested in supposedly 'safe' securities backed by US subprime-mortgages. With disclosures of exposure to subprime securities coming from many directions, often after earlier confident pronouncements that minimal exposure existed, lenders grew wary of all but the most credit-worthy of borrowers. The most secure fixed-income securities, like US Treasury and other AAA sovereign bonds, continued rising in price. Nervous, deposit-rich banks withheld liquid funds from the inter-bank deposit market, despite massive, targeted liquidity injections by the Fed and the European Central Bank, prompting 20-year highs in the spread of offshore US Dollar short-term rates (LIBOR) to US Treasury Bills. Corporate bond yield spreads in Europe and the US rose to five-year highs over risk-free government bond yields. Emerging market sovereign bond spreads also rose substantially in the quarter after earlier contracting following the August interest rate cut by the Fed.

Financial firms in crisis and consumers pulling in their horns were the main negative story for most of the year, and the Financials and Consumer Discretionary sectors *declined* 5% and 2% respectively in the full year. The 12% overall market return is all the more remarkable considering that Financials and Consumer Discretionary stocks comprised more than one-third of the Index at the beginning of the year. Seven of the eight other sectors boasted returns in double digits. The industry groups with the best positive performance in both the quarter and the year were energy, utilities, food & beverage, household & personal consumer products, and telecom services. The industry groups with negative performance in both the quarter and the year were diversified financials, banks, real estate, retailers, and media. Health Care was also lackluster in the year, returning just 5%.

From a geographic perspective, US stocks unsurprisingly were weak given all the mortgage credit issues, falling 3% in the quarter. Once again, for the *sixth* year in a row, the US market played laggard to the rest of the world, with the MSCI US Index rising just 6% in the year versus 17% for the MSCI All Country World ex-US Index. The last time US stocks had so many straight years of performance weaker than international stocks was in the mid-1980s. Returns on US Treasuries handily outstripped US stock returns in the year.

European stocks were mixed, with those within the European Monetary Union (EMU) rising 2% in the quarter (measured in US Dollars), while those countries still with independent currencies fell 3%. Ireland, after years of property-driven growth, was among the worst hit, along with Sweden. The UK, home to the Northern Rock summer bank run and subsequent government rescue, fell 2% in the fourth quarter, while Australia fell 4%, a victim of the decline in mining stocks. Japan also performed poorly, falling 7% in the quarter. The Chinese market corrected sharply (more than 20%) from new highs made early in the quarter, netting a decline of nearly 4% for the three months, but still ending the year with an impressive 66% return thanks to its earlier strong run.

Emerging markets, more broadly, turned in another blistering performance, rising nearly 4% in the quarter and a whisker shy of 40% for the year, led by heavyweights Brazil, India, and China, each of which rose between 66% and 80%. Stocks in Canada, Australia, and Norway—developed countries rich in natural resources—each rose 30% or more. European stocks within EMU rose 20%, aided by the 10% appreciation of the Euro against the US Dollar, and powered by the

Bold indicates companies held in the portfolio during the quarter. The portfolio is actively managed; therefore holdings shown may not be current. They should not be considered recommendations to buy or sell any security. A complete list of holdings is available on page six of this report.

35% return in Germany, whose industrially-oriented economy enjoyed buoyant demand for its capital goods and basic materials. Japan and Ireland were two rare negatives in the otherwise uniformly positive returns for all regions in the year.

During the second half of the year, the ‘growth’ half of the non-US market was, for the first time in many years, a benign place to shop for stocks. The MSCI All Country World Growth Index led the MSCI All Country World Value Index, 17% to 7% for the full year, racking up most of that outperformance in the second half. A geographic exception to ‘growth’ outperformance was seen in emerging markets, where ‘value’ retained a slight edge in every quarter and for the entire year. Large-cap stocks also overtook small-cap stocks in the second half of the year, and ended up outperforming both for the quarter and the year as a whole.

Portfolio Attribution

The dispersion of performance within the benchmark in the fourth quarter was clearly connected to the declining appetite for risk amidst the credit crisis in the US and Europe. This decline was already growing evident in the third quarter, although the dramatic interest rate cut by the US Federal Reserve in August forestalled a violent swing in fortunes. But by the fourth quarter investor sentiment grew more clear-cut. Reliability came into fashion with a vengeance right about at mid-October when Merrill Lynch revealed that its mortgage-related losses were multiples of what management had previously indicated. As credit spreads on corporate bonds, emerging market sovereign debt, and even LIBOR began widening again in the third week of October, high-quality growth stocks began noticeably to outperform.

In the quarter, relative performance benefited modestly and in equal portions from stock selection and sector allocation. Notable contributors included **Standard Chartered** within banks, **Colgate** and **L’Oreal** within household &

“The multi-year decline in risk premia across nearly all asset classes has ended.”

personal products, **Qiagen** within Health Care, and **Rio Tinto**, whose shares, strong all year, spiked to new highs in the quarter when BHP Billiton, the fellow Australian/UK mining group, approached the company with a merger proposal.

Those good stocks were offset by a number of single stock issues elsewhere in the portfolio in the quarter. **Swiss Reinsurance** announced a surprising billion-dollar loss on a single derivative contract relating to the subprime-mortgage crisis, causing its shares to plummet. **Walgreens**, the US drugstore chain, issued a profits warning relating to unusual slowdown of spending in its stores and its inadequate control over expenses. **Schlumberger**, a star performer in the full year, suffered a sharp correction in the quarter despite announcing very strong third quarter earnings results. **Sumitomo Realty & Development** suffered from declining volumes of condominium sales in the Tokyo market, and from the bearish sentiment surrounding real estate globally. **eBay** suffered as investors worried that it could not match exaggerated expectations for the Christmas season if US consumers were planning a meager Christmas. For the entire year, while we gained ground from being underweight Financials and Consumer Discretionary, most of our good relative performance came from stock selection. We enjoyed good stock selection in six of the nine invested sectors, but especially within Health Care (**Qiagen**, **Medco**, **Abbott Labs**, **Alcon**), Consumer Discretionary (**Li & Fung**), Materials (**Rio Tinto**), Industrials (**China Merchants**) and Energy (**Schlumberger**, **EnCana**). Our US stocks returned over 14% for the year, more than three times the return of the S&P 500 Index and equal to the higher return of MSCI Europe.

Outlook

We have been cautious about the outlook for so long that we risk appearing like the proverbial stopped clock now that our perspective is becoming widely

shared. We were right a year ago to recognize that lenders were paying too little attention to the loans they made because they were not intending to keep the loans on their own books. We were right to identify this as a moral hazard that was increasing systemic risks in the financial system. We

“This only strengthens our conviction that is best to focus on the growth and reliability of individual companies and not to attempt to match the makeup of any particular index.”

were even right to foresee that political pressure to “do something” to bail out homeowners would become intense and lead to a ceding of claims on collateral by mortgage holders. We correctly identified investors’ blithe attitude towards risk and predicted that risk premia for asset classes were bound to rise. Finally, we were right to suspect that all this might lead to a financial crisis and, at the very least, to weakening consumption within the US economy.

Now, here is an update on our current outlook:

- The multi-year decline in risk premia across nearly all asset classes has unambiguously ended despite substantial interventions by central banks to dampen this reversal by quelling the liquidity crisis in short-term money markets. In the future, there remains much more room for risk premia to rise rather than to fall.
- The stocks of high-quality growth companies carry a smaller price premium over the market average than they traditionally have. This is partly a result of the easy success all companies (high-quality or not) enjoyed in growing sales and earnings during the liquidity-induced recovery that followed the 2002 recession. Under the global expansion that followed, just which companies should properly be classified as growth companies became obscured. The lower premium on stocks of high-quality companies may also reflect the greater influence in global stock markets of quantitative investment strategies that emphasize objective measures of recent and forecast growth and price performance and that ignore qualitative assessments of management ability, corporate governance, financial strength and transparency, competitive advantage, and growth opportunities.
- The classification of the market into growth and value components is jumbled and rendered confusing by the arbitrary judgments of index designers. This only strengthens our conviction that it is best to focus on the growth and reliability of individual companies and not to attempt to match the makeup of any particular index. Our current favorite paradox is the difference between the MSCI All Country World Growth Index and the S&P/Citigroup BMI World Growth Index. The MSCI All Country World Growth Index favors mining companies over energy companies, since it carries even more weight (11%) in the Materials sector than in its broader MSCI All Country World index (8%), while carrying just an 8% Energy weight in the growth index versus 12% in the broader index. According to Wilshire Associates, the trailing five-year EPS growth of the two sectors is 24% for Energy and 20% for Materials, the two highest growth rates of all the sectors, and both carry roughly the same price/earnings ratio as the overall market average. By contrast, the relative weight of the Materials and Energy sectors is reversed in the S&P/Citigroup BMI World Growth Index.
- The current banking crisis is a great example of how in the finance industry taking a good thing too far can lead to wealth destruction. Investment derivatives and the securitization of debt provide investors useful diversification and hedging benefits. But the eagerness of (supposedly sophisticated) professional investors to purchase subprime-mortgage-backed derivatives and securities, without proper due diligence into

their risks, has given these investment vehicles a bad name. As a result, the debt-securities market will be gummed up and difficult to navigate, and credit will also be harder to obtain, for some time to come. Less credit creation implies a more hostile growth environment in future (and we note, here in early 2008, the rising tide of US recession forecasts.)

- Some have asserted (and we have debated among ourselves) that non-US, and especially developing, economies will not be dragged down by a US slowdown or recession. Some even wonder if the current situation is comparable to the economic and stock market performance of the US and Asia during the 1997-98 debt crisis—only now with the roles precisely reversed: Rich developing countries are doing the bailing-out, while the inept, bankrupt, and corrupt US (or its leading financial institutions) is playing the role of humbled supplicant. Indeed, the prompt and large capital injections by several Arab and Asian sovereign wealth funds into wounded investment banks lend some superficial credence to that world view. In our view, however, the linkage between the US economic cycle and that of developing countries remains, but is subject to leads and lags. US consumers and their employers have taken a long time to react to clear evidence of over-indebtedness and its consequences. It is no surprise that US trading partners are getting the message belatedly that things outside the financial industry are also not as healthy as they seemed just a few months ago.
- High-quality stocks, having underperformed since the 4th quarter of 2002, outperformed significantly over the full year in the US, the epicenter of the subprime crisis. And in the fourth quarter they also outperformed most everywhere else in the world. We believe they can continue to outperform for an extended period in the future.

Portfolio Structure

We noted how we expected many of the current troubles now roiling the world's markets. So what did we do about it?

First of all, we recognize that market timing is not our competitive strength (if it is anyone's). Therefore, we build our portfolio to withstand turbulence in capital markets and in the real economy without attempting to predict precisely, nor trade around, that turbulence to any significant degree. Instead, we focus on identifying business franchises that are highly profitable and strongly competitive, and whose share prices don't fully discount those companies' growth prospects over the next several years (and not just several months). Wherever possible, we sell holdings whose growth prospects are more than fully discounted, or where the risks of achieving those growth prospects are, in our view, increasing beyond market expectations.

Second, as a consequence of our investing approach, the overall business quality and growth of our holdings over the past five years exceed that of the average company in the benchmark, and even exceed the average company in the MSCI All Country World Growth Index. As summarized in the chart on this page, on straightforward quantitative measures, our portfolio is 30% higher quality than its benchmark, and 12% higher growth.* It is even 19% higher quality and 15% higher growth than the Growth Index. In a time when banks are unwilling to lend, M&A bailouts of underperforming companies are scarce, and near-term cyclical expansion is in doubt, we can think of no better time to own a portfolio such as ours.

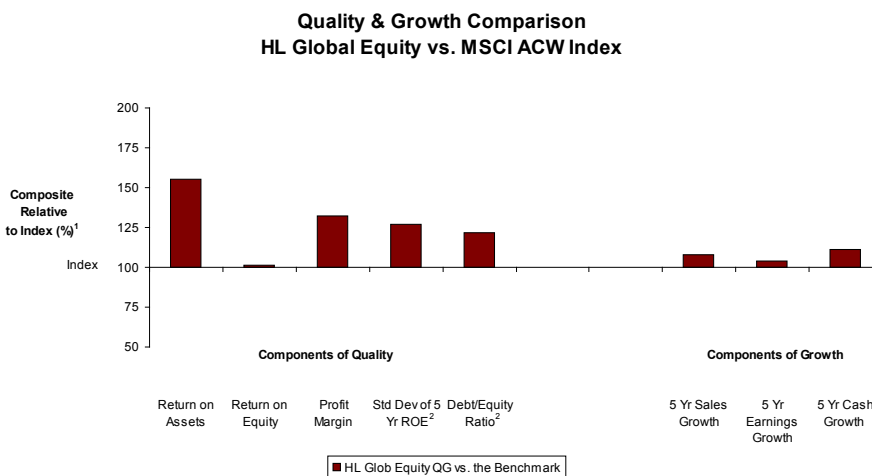
*Based upon an equal weighted index of factors as depicted in the chart above. Source: Wilshire Atlas; MSCI. Run date: January 11, 2008.

Third, we have structured our holdings among and within sectors to reflect our views and our biases. We hold half the weight in our portfolio in Financials as does our benchmark, due to the risks we've discussed before at length. Within that reduced allocation to Financials, we have, for some time, held companies whose business focus lies far afield from the US and its mortgage market, chiefly in Asia (**Standard Chartered**), Central Europe (**Erste Bank**), and Japan (**Nomura**, **Monex Beans**, **Sumitomo Realty & Development**). Only one of the nine Financials companies in our portfolio is involved in purely domestic US business: **Wells Fargo**. The other two

"We were overweight the US for the entire year for the first time since 2000."

financial companies, **AIG** and new holding **Fortress Investment Group**, are global in scope, and thus incorporate a substantial spread of non-US business. Fourth, we hold a one-third smaller portion of our portfolio in Consumer Discretionary companies than does our benchmark. Fifth, we hold nearly double the allocation of (non-cyclical) Health Care companies as does the benchmark. Sixth, we hold a quarter more of (non-cyclical) Consumer Staples companies in our portfolio than does the benchmark. Sixth, in the fourth quarter, we reduced significantly our exposure to mining, to US Energy, and to China by trimming holdings of **Rio Tinto**, **Schlumberger**, **Exxon**, and **China Merchants**. In our efforts in recent years to avoid exposure to developed market (and especially US) consumers, we have compensated by building substantial holdings of US capital goods producers and technology companies. This has served us very well up to now, as the US has benefited from the global expansion, depreciated its currency, and returned to buoyant export growth. However, the recent fears of a cyclical slowdown could prompt us to review this stance.

During the quarter, we made few changes to the portfolio and remain positioned for an environment in which earnings growth is more difficult



¹Weighted median value of HL Global Equity Composite vs. weighted median value of MSCI All Country World ex-US Index.

²Lower number represents higher quality; reciprocal value shown.

Equal weighted index of factors depicted above. Source: Wilshire Atlas, MSCI. Run date 1/11/2008.

to achieve. Specifically, we continue to be overweight Health Care and Consumer Staples. Companies in these two sectors enjoy high, non-cyclical returns and stable margins, generally with low leverage. We remain underweight Financials, Consumer Discretionary, and Utilities.

We were overweight the US for the entire year for the first time since 2000. The portfolio has moved from approximately 1500 basis points underweight the US in 2003 and 2004, towards equal weight by year-end 2006, to a 600 basis point overweight position at year-end 2007. Put simply, we believe six consecutive years of underperformance by US stocks has resulted in a number of compelling valuations among the high-quality, durable growth companies we favor. We have responded in a stock-by-stock fashion, serially replacing one non-US security with a more favorably valued US counterpart.

"For investors with a long-term outlook, Japanese share prices may present the best buying opportunity in a generation."

This quarter, for all clients whose custodians could accommodate the action, we also bought a new holding in Malaysian conglomerate **Sime Darby**, a company that we have followed for well over a decade. In November, the company completed a merger with, and took management control of, two other (government-owned) palm oil plantation companies. As a result, it has become the largest producer

commodity businesses that have to deal with fluctuation in both demand and in supply. Additionally, we believe there are significant synergies to be had from putting the government's plantations under Sime Darby's able management.

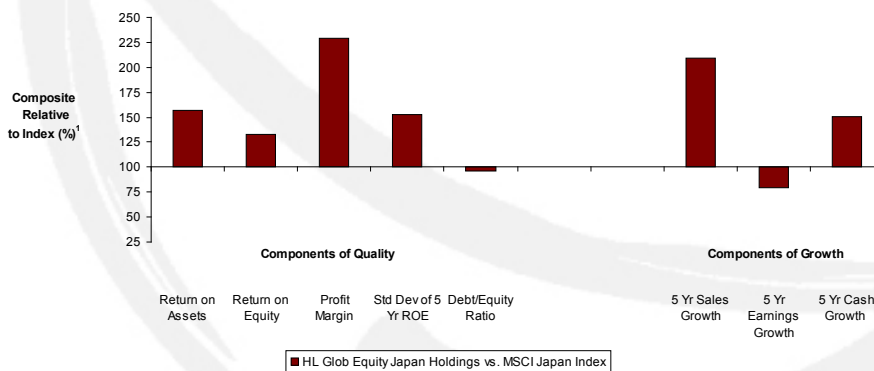
We also bought a new holding in **Gazprom**, Russia's largest company and the world's largest gas producer. We have long been impressed by Gazprom's bargaining power over its European (export) customers, illustrated again this quarter by its agreement with Ukraine to raise gas prices by 38% for 2008. Gazprom's rich Western European customers appear intent on handing over even more bargaining power—evidenced by German voters' rejection by referendum of plans to build new (domestically-supplied) coal-fired utility plants in their back yards. But what prompted our purchase was the news that after long postponement and significant political opposition, Gazprom should finally be allowed to raise domestic prices for the gas it supplies to Russian utilities. This news implies that the company's low ROI has lots of room to expand, making the shares dramatically cheap. Russia, of course, carries high political risk, and Gazprom's governance, while dramatically improved over several years, is still tied up with government control. But the likelihood of rising returns and growing earnings is high, and recent history has favored those on the same side of the table with the Russian Government, which remains the majority shareholder.

We were early in being cautious on the US mortgage market and its links to excessive risk appetites and growth. We are either similarly early in our attraction to companies in Japan—or just plain wrong (as the numbers indicate we have been *so far*). Indeed, we must review the case for owning ANY Japanese companies, due to the continued poor performance of their stocks. With the financial turmoil reducing risk appetites everywhere, there has been substantial selling of Japanese shares by foreign investors over the year, and especially in the last quarter, on fears that Japan's export success is not creating sufficient domestic growth.

The concise argument in favor of holding Japanese shares is that they are trading at their cheapest prices relative to sales, earnings, cash flows, dividends, and book value in fifteen years, and that stocks in Japan yield more than long-term government bonds. These value indicators are at levels akin to those from which the market indices mounted stunning advances three times before in the post-property bubble period. But companies we visit in Japan have moved beyond the post-bubble bunker mentality, and are delivering rising returns and investing for growth. As a result, for long-term

investors such as ourselves, current prices may present the best buying opportunity in Japanese shares in a generation, a contrarian view that we have not yet dismissed. At the very least, we are prepared to wait out the current turmoil, with our usual company-focused investing approach, choosing Japanese holdings that demonstrate, on objective measures, significantly higher profitability and significantly higher growth potential than the overall market, as illustrated in the chart on this page.

Quality & Growth Comparison
HL Global Equity Japan Holdings vs. MSCI Japan Index



¹Weighted median value of HL Global Equity Japan holdings vs. weighted median value of MSCI Japan Index.
²Lower number represents higher quality; reciprocal value shown.
 Equal weighted index of factors depicted above.
 Source: Wilshire Atlas, MSCI. Run date 1/11/2008.

of palm oil in the world as well as Malaysia's largest company by market capitalization. We expect demand for palm oil to grow at 7% - 8% a year due to rising food oil consumption in China and India and a resurgence in its popularity as a food ingredient in the West thanks to recent health-related research that finds it may have a positive impact on cholesterol levels. Demand for palm oil is also growing with the rush to build renewable, bio-fuel capacity in various parts of the world. Unlike other crops, however, the supply of palm oil changes quite slowly due to the long growing cycle for the trees; as a result, the palm oil business is more predictable than other agricultural

Global Equity Holdings (as of December 31, 2007)

Sector/Company/Description	Country	End Weight (%)
Consumer Discretionary		
Li & Fung - Trading & logistics	Hong Kong	2.2
LVMH Moët Hennessy - Luxury goods	France	1.1
Pearson - Print & broadcast media	United Kingdom	1.1
Viacom - Diversified media	United States	1.9
Consumer Staples		
Coca Cola - Soft drinks	United States	1.3
Colgate Palmolive - Household products	United States	1.4
L'oréal - Personal care products	France	2.7
Nestlé - Food & beverage	Switzerland	2.1
Olam Intl - Agricultural products	Singapore	1.0
Walgreen - Retail drugstore	United States	1.9
Energy		
EnCana - Natural gas producer	Canada	2.3
Exxon Mobil - Integrated oil	United States	3.0
Gazprom - Natural gas producer	Russia	2.1
Sasol - Alternative fuels	South Africa	1.7
Schlumberger - Petroleum industry services	United States	3.7
Financials		
American Intl Group - Insurance	United States	1.9
Erste Bank - Money center & retail banking	Austria	1.2
Fortress Investment - Asset manager	United States	0.8
Monex Beans - Internet investment service	Japan	1.1
Nomura Holdings - Brokerage/investment bank	Japan	1.5
Standard Chartered - Commerical bank	United Kingdom	2.7
Sumitomo Rlty. & Dev. - Real estate developer	Japan	1.0
Swiss Reinsurance - Life & health reinsurer	Switzerland	0.9
Wells Fargo - Commerical bank	United States	1.2
Health Care		
Abbott Labs - Health care & pharma products	United States	2.0
Alcon - Eyecare	United States	1.5
Cochlear - Hearing implants	Australia	1.6
Genentech - Therapeutic biotech research	United States	0.6
Medco Health Solutions - Pharmacy benefits	United States	2.3
Medtronic - Medical devices	United States	1.9
Novartis - Life sciences	Switzerland	1.0
Qiagen - Biotech & instrumentation	Germany	2.5
Roche Holding - Pharma & diagnostics	Switzerland	1.0
Synthes - Orthopedic products	Switzerland	0.8

Sector/Company/Description	Country	End Weight (%)
Industrials		
3M Company - Industrial technology	United States	2.7
Caterpillar - Earthmoving equip. producer	United States	2.3
China Merchants - Container terminal operator	China	3.0
Emerson Electric - Electronics controls	United States	3.3
Fanuc - Indust. robots & machine tools	Japan	0.8
General Electric - Diversified industrial	United States	2.3
Sime Darby - Conglomerate	Malaysia	1.4
Information Technology		
Advantech - Industrial PC products supplier	Taiwan	0.7
Analog Devices - Computer chip maker	United States	1.5
Automatic Data Processing - Payroll processor	United States	0.9
Cisco Systems - Internet networking	United States	3.2
Dassault Systemes - CAD/CAM software	France	1.7
eBay - Internet shopping/trading marketplace	United States	1.4
Electronic Arts - Entertainment software	United States	2.0
Keyence - Detection devices	Japan	2.7
Qualcomm - CDMA wireless communications	United States	1.2
Yokogawa Electric - Industrial equipment	Japan	0.7
Materials		
Air Liquide - Industrial gas	France	1.6
Air Products & Chemicals - Industrial gas	United States	1.2
JSR - Specialty chemicals	Japan	2.0
Praxair - Industrial gas producer & distributor	United States	1.5
Rio Tinto - Diversified mining	United Kingdom	1.9
Telecom Services		
América Móvil - Cellular phone operator	Mexico	1.6
Telekom Indonesia - Fixed-line & mobile	Indonesia	1.3
Utilities		
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Last Quarter

Largest Holdings (%)

	Return	Weight	Contribution
Schlumberger	(6.14)	4.0	(0.25)
Exxon Mobil	1.63	3.2	0.04
Emerson Electric	7.04	3.2	0.22
China Merchants	0.39	2.9	0.03
Cisco Systems	(18.24)	2.9	(0.54)

Largest Contributors (%)

	Return	Weight	Contribution
Rio Tinto	22.87	2.3	0.58
Standard Chartered	12.60	2.7	0.31
Viacom	12.70	2.2	0.27
Qiagen	12.52	2.3	0.26
Keyence	11.31	2.4	0.25

Largest Detractors (%)

	Return	Weight	Contribution
Cisco Systems	(18.24)	2.9	(0.54)
Sumitomo Realty & Dev	(29.54)	1.4	(0.46)
Walgreens	(19.19)	2.0	(0.45)
American Intl Group	(13.52)	2.0	(0.29)
3M Company	(9.37)	2.8	(0.28)

Percent weight figure shown is the average percent over the period.

Portfolio Characteristics¹

	HL Global	ACW
Return on Assets	10.0	6.5
Return on Equity ²	18.7	18.5
Std Dev of 5 Year ROE	3.6	4.8
Debt/Equity	21.7	35.9
Profit Margin	13.9	11.0
Sales Growth ³	11.3	10.7
Earnings Growth ³	15.5	15.0
CF Growth ³	20.2	14.6
Dividend Growth ³	6.6	6.6

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

Purchases

Company	Country	Sector
Sime Darby	Malaysia	Industrials
Gazprom	Russia	Energy

Last 12 Months

Largest Holdings (%)

	Return	Weight	Contribution
Schlumberger	57.10	3.7	1.83
Exxon Mobil	24.34	3.3	0.80
Emerson Electric	31.42	3.0	0.94
3M Company	10.72	2.8	0.32
Cisco Systems	(0.95)	2.7	(0.05)

Largest Contributors (%)

	Return	Weight	Contribution
Rio Tinto	102.91	2.2	1.92
Schlumberger	57.10	3.7	1.83
Medco Health	89.74	2.2	1.47
China Merchants	53.86	2.5	1.20
EnCana	49.94	2.2	0.98

Largest Detractors (%)

	Return	Weight	Contribution
American Intl Group	(17.73)	2.3	(0.48)
Walgreens	(16.35)	1.9	(0.40)
Yokogawa Electric	(29.88)	0.9	(0.37)
Monex Beans	(22.27)	0.8	(0.30)
Nomura Holdings	(8.10)	1.6	(0.27)

Portfolio Statistics

	HL Global	ACW
Avg Wtd Mkt Cap (\$Mil)	\$80,334	\$77,870
Price/Earnings ⁴	21.6	16.6
Price/Cash Flow ⁴	17.2	10.9
Price/Book ⁴	3.4	2.5
Alpha ⁵	3.23	--
Beta ⁵	0.97	1.00
R-Squared ⁵	0.89	1.00
Sharpe Ratio ⁵	0.42	0.33
Standard Deviation ⁵	8.82	8.65

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

Source: Wilshire Atlas (Run Date: January 15, 2008); Harding Loevner Global Equity Composite; MSCI

Harding Loevner Global Equity Composite Performance (as of December 31, 2007)

	HL Gbl Equity (Gross)	HLGbl Equity (Net)	MSCI ACW ¹	MSCI World	Internal Dispersion ²	Number of Accounts	Composite Assets (\$M)	Firm Assets (\$M)
2007	17.62%	17.02%	12.18%	9.57%	N.M. ³	3	124	6,344
2006	19.24%	18.59%	21.53%	20.65%	N.M.	2	102	4,720
2005	17.22%	16.79%	11.37%	10.02%	N.M.	2	85	2,562
2004	9.02%	8.36%	15.75%	15.25%	N.M.	2	82	1,524
2003	32.45%	31.97%	34.63%	33.76%	N.M.	3	127	1,357
2002	(19.37%)	(19.83%)	(18.98%)	(19.54%)	0.6%	6	118	1,082
2001	(14.87%)	(15.54%)	(15.91%)	(16.52%)	0.4%	7	152	1,154
2000	1.28%	0.13%	(13.94%)	(12.92%)	N.M.	5	108	1,392
1999	38.90%	38.16%	26.81%	25.34%	N.M.	4	96	1,423
1998	2.33%	1.64%	21.97%	24.80%	0.5%	11	179	1,372
1997	11.04%	10.11%	14.99%	16.23%	0.6%	15	251	1,521

¹Benchmark Index; ²Asset-weighted standard deviation (gross of fees). ³N.M.—Information is not statistically meaningful due to an insignificant number of portfolios in the Composite for the entire year.

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

The MSCI All Country World Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The Index consists of 47 developed and emerging market countries. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. The Index consists of 23 developed market countries. You cannot invest directly in these Indices.

Harding, Loevner Management, L.P. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner is GIPS compliant and is verified by Ashland Partners & Company, L.L.P. Harding Loevner has received firm-wide GIPS verification beginning November 1, 1989. The most recent verification was for the Quarter ending September 30, 2007.

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

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

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

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

HARDING, LOEVNER MANAGEMENT, L.P.

50 Division Street, Suite 401 • Somerville, NJ 08876 • Tel (908) 218-7900 • Fax (908) 218-1915 • www.hardingloevner.com