



Composite Performance (%) For Periods Ending June 30, 2010¹

| | 3 Months | Calendar YTD | 1 Year | 3 Years ² | 5 Years ² | 10 Years ² | Since Inception ^{2,3} |
|---|----------|--------------|--------|----------------------|----------------------|-----------------------|--------------------------------|
| HL Intl Equity (gross of fees) | -7.97 | -4.63 | 21.49 | -4.23 | 6.93 | 2.89 | 7.98 |
| HL Intl Equity (net of fees) | -8.14 | -4.93 | 20.61 | -4.91 | 6.19 | 2.15 | 7.12 |
| MSCI All Country World ex-US Index ⁴ | -12.26 | -10.80 | 10.87 | -10.28 | 3.84 | 2.29 | 4.47 |
| MSCI EAFE Index | -13.75 | -12.93 | 6.38 | -12.94 | 1.35 | 0.59 | 3.61 |

¹The Composite performance returns shown are preliminary; ²Annualized Returns; ³Inception Date: December 31, 1989; ⁴The Benchmark Index. Please read the above performance in conjunction with the footnotes on the back page of this report. Past performance does not guarantee future results.

Sector Exposure (%)

| Sector | HL Intl | ACW ex-US | Over/Under The Benchmark |
|--------------------|---------|-----------|--------------------------|
| Info Technology | 16.8 | 6.9 | 9.9 |
| Cons Staples | 16.9 | 9.1 | 7.8 |
| Health Care | 13.4 | 6.4 | 7.0 |
| Cons Discretionary | 10.6 | 8.9 | 1.7 |
| Cash | 1.6 | — | 1.6 |
| Energy | 10.2 | 10.2 | 0.0 |
| Telecom Services | 5.7 | 6.1 | 0.4 |
| Industrials | 7.3 | 10.5 | 3.2 |
| Utilities | 0.0 | 4.8 | 4.8 |
| Materials | 5.1 | 11.8 | 6.7 |
| Financials | 12.4 | 25.3 | 12.9 |

Market Review & Outlook

- Markets fell sharply, reflecting concern over sovereign debt burdens and weak global growth.
- Emerging markets and non-cyclical sectors generally outperformed.
- Companies generating good returns are especially attractive in an environment of low interest rates and uncertain growth.

Portfolio Highlights

- Low turnover—no major changes made in response to European crisis.
- High quality emphasis, focusing on companies with strong balance sheets, high margins, and high returns.
- Increased exposure to growing banking industry in emerging markets.

Geographical Exposure (%)

| Region | HL Intl | ACW ex-US | Over/Under The Benchmark |
|--------------------|---------|-----------|--------------------------|
| Europe ex-EMU | 29.7 | 23.2 | 6.5 |
| Other ¹ | 3.6 | — | 3.6 |
| Cash | 1.6 | — | 1.6 |
| Middle East | 0.8 | 0.6 | 0.2 |
| Europe EMU | 20.6 | 20.5 | 0.1 |
| Emerging Markets | 21.0 | 23.2 | 2.2 |
| Pacific ex-Japan | 6.3 | 8.6 | 2.3 |
| Japan | 13.3 | 16.0 | 2.7 |
| Canada | 3.1 | 7.9 | 4.8 |

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¹Includes countries outside the benchmark where some holdings are incorporated.

Sector and region allocations are supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation.

Source: MSCI and S&P. MSCI and S&P do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

Performance Summary

The International Equity Composite declined 8.0% over the quarter, while the MSCI All Country World ex-US Index (“the Index”) fell 12.3%. For the half year, the Composite has also outperformed the Index, declining 4.6% versus a decline of 10.8% for the Index.

Market Review

Equity markets declined sharply from an early peak in April, as concerns deepened over Greece’s ability to service its debt beyond just the large bond issues coming due in May and July. This crystallization of worries over Greek debt continued to incite more generalized anxiety about the sovereign debts of other European countries. As Spain and Portugal followed Greece’s lead in promulgating austerity measures, prospects for accelerating economic growth dimmed, increasing the likelihood that loan losses would rise at banks in the growing club of countries where governments were hacking at public expenditures. The

souring outlook also re-ignited worries about the dependence of many banks on interbank lending and securities markets to meet the accumulated gap between their customers’ deposits and their loan books after years of over-lending; when the asset quality at banks is suspect, their peers (and other investors) are naturally reluctant to lend to them, causing a spike in interbank interest rates. The euro continued to weaken, with all eyes on Germany in particular, where politicians face rising domestic criticism and falling popularity for their acquiescence in the very large support guarantees and loans made available to Greece and other troubled European countries. The broad European market fell 9% in local currency, and, with the weakening exchange rate, was down 15% in US dollar terms. European financial stocks fell even more, losing 20% in US dollar terms in the quarter.

In practical terms, it was not Greece that was bailed out, but German and Dutch creditors.

Other developed equity markets away from the European turmoil fell nearly as much, with the latest chapter of the debt crisis hurting both business and consumer confidence in the US and Japan, raising risks that the global economy could slip back into recession. The US market fell more than 11%, and the Japanese market fell 10% in US dollars, despite a strengthening yen. In contrast, the equity markets of many developing countries proved to be relatively resilient, rebounding more sharply than the developed markets did from late May onwards so the MSCI Emerging Markets Index lost 8% in the quarter. Indeed, a few Latin American and Asian markets, including Indonesia, Chile, and Columbia, managed to post a net gain in US dollar terms. Central and Eastern European emerging markets, however, were very weak, similar to the peripheral developed European markets.

In addition to Financials, the weakest sectors globally were Energy and Materials, with the latter reflecting the concerns about the robustness of the global recovery, but also in recognition of increasing political hostility towards extractive industries, ranging from the US administration’s aggressive stance towards BP over its handling of the oil spill in the Mexican Gulf, to the emergence of new taxation schemes on miners from Australia to Chile. (Although perhaps we are confusing an intense ‘softening up’ exercise on a rich potential source of public funding with ‘hostility.’) The better performing sectors were the traditional non-cyclical ones: Telecom Services, Consumer Staples, and Health Care.

Bold indicates companies held in the portfolio during the quarter. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner. A complete list of holdings at June 30, 2010 is available on page six of this report.

Sector Performance (%) of the MSCI ACW ex-US Index

| Sector | 2Q 2010 | Trailing 12 months |
|------------------------|---------|--------------------|
| | USD | USD |
| Consumer Discretionary | -8.6 | 15.3 |
| Consumer Staples | -6.2 | 22.4 |
| Energy | -16.7 | 0.8 |
| Financials | -14.6 | 7.4 |
| Health Care | -9.4 | 12.1 |
| Industrials | -10.5 | 14.8 |
| Information Technology | -13.2 | 14.7 |
| Materials | -15.2 | 19.9 |
| Telecom Services | -7.0 | 7.6 |
| Utilities | -10.9 | -0.5 |

Market Performance (%)

| Market | 2Q 2010 | Trailing 12 months |
|----------------------|---------|--------------------|
| | USD | USD |
| Canada | -10.3 | 19.3 |
| Germany | -12.2 | 7.8 |
| Japan | -10.0 | 0.9 |
| United Kingdom | -13.8 | 8.8 |
| United States | -11.5 | 14.3 |
| Europe EMU | -17.3 | -0.1 |
| Europe ex-EMU | -12.4 | 12.9 |
| Pacific ex-Japan | -14.1 | 19.1 |
| Emerging Markets | -8.1 | 23.6 |
| MSCI ACW ex-US Index | -12.3 | 10.9 |

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2010)

Performance Attribution

The portfolio outperformed the Index by a significant amount, benefiting from its overweight positions in Consumer Staples and Health Care, as well as from its less-than-benchmark weight in Financials and Materials. The bigger positive effects, though, came from stock selection with industry groups, especially from capital goods (**Atlas Copco**, **Fanuc**), semiconductors and semiconductor equipment (**ARM Holdings**), software & services (**Dassault Systemes**), and energy (from *not* holding BP, which began the quarter with a market cap of \$230 billion, comprised more than ten percent of the Index Energy sector, and whose 50% fall in the quarter worsened the Index sector decline.) Partially offsetting the good results from stock selection was **Bunge**, the agricultural processing company, which hurt stock selection results within Consumer Staples.

Geographically, our regional weights made little difference to relative performance, leaving stock selection overwhelmingly the key driver of outperformance. The portfolio enjoyed good stock selection within five of seven major regions: Canada, Europe EMU, Europe non-EMU, Japan, and the Pacific ex-Japan. In each region, our stocks outperformed the Index by at least 600 basis points, except Japan. Standouts were Dassault Systemes, **Air Liquide**, and **L'Oréal** in France, ARM Holdings and **Autonomy** in the UK, Fanuc and **Unicharm** in Japan, and **Cochlear** in Australia. Partially detracting from this good performance was our stock selection within emerging markets, where our holdings are skewed somewhat towards Energy and Financials, two of the worst performing sectors.

Outlook

As investors abandoned select government debt markets and fled the euro currency, it became clear that a general collapse of, say, Greek and Spanish bond markets due to failures to honor maturing bond redemptions would have caused large losses at financial institutions in Germany, Switzerland, The Netherlands, and France. That the problems of European sovereign funding are also a problem for European financial institutions dawned on markets quickly, but on German politicians belatedly, forcing them into an awkward climbdown from their indignant moral arguments against 'bailing out' profligate Greece and the other PIIGS countries. In a sense, the financially sounder nations (relatively speaking) confronted the truth of Benjamin Franklin's dictum about the American colonies facing down the British redcoats: "We must hang together, or we shall most assuredly all hang separately!" In practical terms, it was not Greece that was bailed out, but German and Dutch creditors.

Although it took some time (thus creating more uncertainty) the politicians heeded the needs of their financial institutions (pension funds and insurers as well as banks), and cobbled together a large rescue package for the vulnerable nations in the

form of a €750 billion loan fund, an amount exceeding the total maturities for the next three years of Greece, Spain, Portugal, and Ireland combined. On top of that, the European Central Bank effectively committed to unlimited liquidity support for the banks in the eurozone, and bought sovereign bonds (including Greek bonds) for its own account (rather than on repurchase agreement) in a limited form of quantitative easing (money creation). While the currency markets don't care too much for this policy shift, it does have the effect of ensuring the continuity of national bond markets and funding liquidity for banks for the indefinite future.

The market convulsions over European sovereign debt have reignited the debate in the US over the best route out of the financial crisis and recession. On the one hand are the Keynesians, who believe that government must be the consumer of last resort, stepping in to create demand in the economy when the private sector, both individuals and company managements, lack the confidence to go forward with spending or investment plans, especially if those plans require taking on more debt. On the other side are the Hayekians, who cannot believe that the way to permanently resolve an economic crisis brought on by too much debt is by taking on even more debt, while encouraging others to do the same, and ignoring the absolute level of debt and the eventual need to repay it, not to mention its depressive effect on private investment initiative and access to funds.

Companies in the US, Europe, and Japan are hoarding cash as the current uncertainty over economic growth is not spurring much optimism to invest in new capacity.

This debate appears to be over in Europe: governments in Greece, Spain, Romania, and the UK, among others, have all mounted substantial efforts to cut government expenditure immediately and over the next several years. Germany, already one of the more prudent of governments, has announced €80 billion of spending cuts. Estonia may run both a current account surplus and one of the smallest government budget deficits in Europe this year. While there have been significant mass protests and general strikes in Athens, Madrid, and Bucharest, there as yet has been no government back-down from the austerity programs announced. In the UK, the party promising the greater austerity won a general election, albeit with a weak mandate and a coalition partner. In our view, the reining in of government stimulus has already begun, setting up a test, however imperfect, of the assertions of both sides of the economic debate, as governments are set to reduce their explicit contribution to the growth equation not only in Europe, but globally, this year and next.

The reaction of bond and stock markets has been rational: deflation risks have risen, despite assurances from monetary authori-

ties that liquidity should be easy and short-term interest rates should be low. As a result, the more creditworthy bonds have rallied sharply, while the more risky ones have stalled or fallen, and equity markets have taken fright, expanding the risk premium amidst rising doubt on future earnings streams.

Companies in the US, Europe, and Japan are hoarding cash, rather than expanding staff or capacity, because managements cannot be sure that capital markets should be open to them on friendly terms when they do decide to expand again, and the current uncertainty over economic growth is not spurring much optimism to invest in new capacity anyway. Meanwhile, individuals in the developed world continue to try to pay down debt, rather than splash out for lower-priced houses (or cars) despite mortgage loans offered at record-low rates. Consumer debt in the US has fallen in 19 of the last 22 months, breaking a string of 125 consecutive monthly expansions, and in the latest two months fell by \$24 billion, an accelerating pace. Employment, although no longer shrinking, has not offered fresh hope to those without jobs, and the impending government cuts at the national level in European economies, and at the state and local level in the US, are likely to mean more labor on the market in coming months.

In an environment of scarce economic growth, uncertain corporate earnings growth, and low interest rates, we remain relatively optimistic for the returns of those equities that can generate both growth and good returns on capital.

A more pressing problem for capital spending, certainly in the US, is the deepening government involvement in many areas of the economy, with new regulations, subsidies and taxes altering the playing field with rapid, rather than considered, steps. Clearly this is the case in the financial services industry (comprising roughly a quarter of the US economy), where the Administration is trying hard to exploit the fading sense of crisis by ‘fixing’ the structural issues that led to the latest debacle. But there are also big changes afoot in the Health Care sector (one sixth of the economy) as a result of the new legislation, in the Energy sector (as much as a tenth of the economy) as a result of the BP oil spill in the Gulf as well as the government’s views about traditional and alternative energy, not to mention changes in labor policies in government contracts and in taxation—the latter, yet to be revealed. With more than half the US economy facing substantive regulatory and tax changes, there is little wonder why company managements are cautious about investing.

Economic growth has few robust supports. Consumption demand in Europe and the US is destined to be weak due to private deleveraging and public spending cuts, and thus the great hope of policy makers is for investment demand in developing economies to continue its rebound, and for consumer demand

in those same developing economies to grow rapidly from its modest base. This hope has certainly been encouraged by recent reality in China and in Brazil, two of the biggest emerging markets, over the last twelve months, so much so that inflation, rather than deflation, is becoming a potential policy headache. Chinese authorities have been attempting to shift economic activity away from residential property development and local government-sponsored factory construction, by ordering credit to be rationed and by high-profile prosecutions of local government corruption related to development. Brazil is enjoying the rebound in iron ore and pulp & paper prices that had collapsed during the worst months of the financial crisis, while Lula-promoted social programs have stimulated building demand, reigniting growth and loan demand in the country.

A number of countries, then, have already begun raising interest rates in response to accelerating economic activity and a bounce in monetary inflation. These include countries with resurgent domestic consumption demand, such as Brazil and India, as well as those with significant commodity exports including Australia, New Zealand, Canada, Norway, and Malaysia, and finally a few countries with large capital goods exports to developing countries, such as Sweden, Taiwan, and, this past week, South Korea.

Real yields, that is, interest rates adjusted for expected or experienced inflation, are near zero in most developed economies, and strongly positive in just a handful of developing ones. As investors seek to secure a positive return on their capital with a minimum of risk, they have quite naturally gravitated to those latter markets. Recall that Brazil last year imposed taxes on capital inflows from foreign investors, in recognition of the pernicious effect that short-term portfolio flows could have on their money growth and thus their domestic inflation. Indonesia has followed suit, and the closed capital accounts of China are intended to have similar effects. This quarter brought the news that China would allow the renminbi to appreciate against a basket of other currencies, which is in part intended to dampen imported inflation.

In an environment of scarce and uneven economic growth, uncertain corporate earnings growth, and low interest rates, we remain relatively optimistic for the returns to those equities that can generate both growth and good returns on capital. Despite the greater uncertainty in the macroeconomic environment, the alternatives for portfolio investment capital have limited appeal. In our view, it is not a coincidence that emerging markets outperformed developed markets this quarter. Indeed, we object to the generic description of the investment environment as that of ‘increased risk aversion.’ Rather, markets were making relative judgments about where risks are greater (or lesser) than had been previously acknowledged. We find the best likelihood of good company returns to come from well-managed multinationals operating across a diversified range of markets including

especially developing ones, or else from companies domiciled within the emerging markets themselves.

Portfolio Structure

Portfolio turnover continues to be low, averaging 14% over the past three years. One feature of our investment process is that the structure of the portfolio changes only modestly and incrementally through time.

We made three new purchases this quarter, however. We bought a new holding in Unicharm, Japan's premier manufacturer of absorbent consumer products. Unicharm is a rare Japanese company in that it has been producing organic revenue growth that rivals that of its global peers in the Consumer Staples sector, and done so by sustained investment outside its home market. This growth is such that we forecast Unicharm's non-Japanese revenues should comprise more than half the company's total sales sometime in the next two years. The company has gone toe to toe with Procter & Gamble (the global leader in baby diapers, adult incontinence products, and feminine hygiene), with excellent success in Japan over the last two decades, and is proving to be an able competitor across the rest of Asia as well, where the use of disposable products is low but growing rapidly. Unicharm boasts strong brands as well as low-cost manufacturing processes, so its growth has been incrementally profitable, leading to rising returns on capital.

One feature of our investment process is that the structure of the portfolio changes only modestly and incrementally through time.

We also sold two Japanese holdings, **Kubota** and **Sumitomo Realty & Development**, which offer little promise of near-term growth, to fund other purchases.

We sold our holding in **Nokia** after the stunning reports of Apple Computer's first quarter sales growth, and made a new investment in ARM Holdings, the UK designer of semiconductor chipsets for mobile devices. We view ARM as the "arms dealer" for the mobile device industry, given its dominance of energy-efficient telecommunications chips through its design experience and its patents. ARM stands to continue reaping the benefits from Apple's success with the iPhone, but more importantly, it should gain from Apple's competitors attempts to catch up to the iPhone with better smart phones and other mobile devices of their own.

We bought **Itau Unibanco**, a large Brazilian bank, after the shares plummeted on news that Bank of America was anxious to sell its 5% holding in the company, in order to bolster its own capital ratios. We have followed this bank over the past

decade, and have owned it in our related Emerging Market strategy for many years, as it has demonstrated its ability to navigate the volatile economy in Brazil with adept and conservative management, generating high returns and strong growth year after year. The temporary decline, along with news that the family holding company would invest an additional \$1 billion in the shares being sold, gave us the incentive and opportunity to invest. This purchase, combined with our repurchase of **ICICI Bank** in the first quarter, extends the skew of our financial sector holdings towards emerging markets-oriented businesses.

The portfolio continues to be of very high quality, invested in companies growing faster than their peers, yet with strong balance sheets, high margins, and high returns. The largest sector overweights are in Information Technology, Consumer Staples, and Health Care, with no exposure to Utilities, and a light exposure, relative to the benchmark, in Financials.

International Equity Holdings (as of June 30, 2010)

| Sector/Company/Description | Country | End Wt.(%) |
|--|---------------|------------|
| Consumer Discretionary | | |
| Jupiter Telecom - Cable TV service provider | Japan | 1.3 |
| Li & Fung - Trading & logistics | Hong Kong | 2.4 |
| LVMH Moët Hennessy - Luxury goods | France | 2.4 |
| Swatch Group - Watch manufacturer | Switzerland | 1.4 |
| WPP - Advertising & marketing | UK | 3.3 |
| Consumer Staples | | |
| Bunge - Agri-business & food | Bermuda | 2.1 |
| China Resources Enterprise - Conglomerate | China | 1.1 |
| L'Oréal - Personal care products | France | 2.2 |
| Nestlé - Food & beverage | Switzerland | 3.5 |
| Tesco - Food retailer | UK | 1.7 |
| Unicharm - Absorbent consumer products | Japan | 2.2 |
| Unilever - Branded products | UK | 1.6 |
| Wal-Mart de México - Goods / food | Mexico | 2.7 |
| Energy | | |
| BG Group - Integrated gas | UK | 1.8 |
| Cenovus Energy - Integrated oil company | Canada | 0.7 |
| EnCana - Natural gas producer | Canada | 0.8 |
| Gazprom - Natural gas producer | Russia | 1.9 |
| Imperial Oil - Integrated petroleum | Canada | 1.7 |
| Petrobras - Oil & natural gas production | Brazil | 1.2 |
| Sasol - Alternative fuels | South Africa | 0.7 |
| Schlumberger - Petroleum industry services | United States | 1.6 |
| Financials | | |
| Allianz - Insurance | Germany | 2.4 |
| Bank Pekao - Commercial bank | Poland | 0.8 |
| DBS Group - Commercial bank | Singapore | 2.0 |
| Erste Group Bank - Commercial bank | Austria | 1.7 |
| ICICI Bank - Commercial bank | India | 1.5 |
| Itau Unibanco - Private bank | Brazil | 1.5 |
| Standard Chartered - Commercial bank | UK | 2.8 |

International Equity Holdings (as of June 30, 2010)

| Sector/Company/Description | Country | End Wt.(%) |
|---|--------------|------------|
| Health Care | | |
| Alcon - Eyecare | Switzerland | 2.5 |
| Cochlear - Hearing implants | Australia | 2.0 |
| Fresenius - Provider of renal equipment & care | Germany | 1.7 |
| M3 - Medical information services | Japan | 0.9 |
| Novo Nordisk - Biotechnology | Denmark | 1.3 |
| Qiagen - Biotech & instrumentation | Germany | 1.6 |
| Roche Holding - Pharma & diagnostics | Switzerland | 1.8 |
| Synthes - Orthopedic product manufacturer | Switzerland | 1.1 |
| Teva Pharmaceuticals - Pharma manufacturing | Israel | 0.8 |
| Industrials | | |
| Atlas Copco - Industrial compressors & equipment | Sweden | 2.6 |
| Fanuc - Industrial robots & machine tools | Japan | 2.6 |
| Schneider Electric - Electrical control equip. | France | 2.2 |
| Information Technology | | |
| ARM Holdings - Mobile devices chips design | UK | 2.4 |
| Autonomy - Software developer | UK | 2.4 |
| Dassault Systemes - CAD/CAM software | France | 3.4 |
| Hoya - Optical glass | Japan | 1.9 |
| Keyence - Detection devices | Japan | 2.8 |
| Samsung Electronics - Electronics | South Korea | 2.1 |
| Taiwan Semiconductor - Dedicated IC foundry | Taiwan | 2.0 |
| Materials | | |
| Air Liquide - Industrial gas | France | 3.3 |
| JSR - Specialty chemicals | Japan | 1.8 |
| Telecom Services | | |
| América Móvil - Cellular phone operator | Mexico | 2.3 |
| MTN Group - Cellular phone operator | South Africa | 1.7 |
| Telkom Indonesia - Fixed-line & mobile | Indonesia | 1.8 |
| Utilities | | |
| No holdings | | |

Portfolio holdings are supplemental information only and complement the fully compliant International Equity Composite GIPS Presentation. The portfolio end weight excludes cash. The portfolio is actively managed therefore holdings shown may not be current. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable. To request a complete list of portfolio holdings for the past year contact Harding Loevner.

Last Quarter

Largest Contributors (%)

| | Sector | Weight | Contribution |
|-------------------|--------|--------|--------------|
| Unicharm | STPL | 0.8 | 0.21 |
| Fanuc | INDU | 2.3 | 0.17 |
| Dassault Systemes | INFT | 3.0 | 0.12 |
| M3 | HLTH | 0.8 | 0.12 |
| ARM Holdings | INFT | 1.6 | 0.12 |

Largest Detractors (%)

| | Sector | Weight | Contribution |
|------------------|--------|--------|--------------|
| Bunge | STPL | 2.2 | -0.47 |
| Hoya | INFT | 1.9 | -0.44 |
| Allianz | FINA | 2.5 | -0.43 |
| Erste Group Bank | FINA | 1.8 | -0.40 |
| JSR | MATS | 1.9 | -0.37 |

Last 12 Months

Largest Contributors (%)

| | Sector | Weight | Contribution |
|----------------------------|--------|--------|--------------|
| China Resources Enterprise | STPL | 1.7 | 1.32 |
| WPP | DSCR | 2.9 | 1.21 |
| Li & Fung | DSCR | 2.2 | 1.20 |
| Dassault Systemes | INFT | 2.9 | 1.11 |
| Wal-Mart de México | STPL | 2.5 | 1.09 |

Largest Detractors (%)

| | Sector | Weight | Contribution |
|------------|--------|--------|--------------|
| Bunge | STPL | 2.6 | -0.52 |
| MTN Group | TCOM | 1.1 | -0.37 |
| Nokia | INFT | 1.8 | -0.29 |
| Bank Pekao | FINA | 0.2 | -0.24 |
| BG Group | ENER | 2.0 | -0.22 |

The portfolio holdings identified above do not represent all of the securities held in the portfolio. It should not be assumed that investment in the securities identified has been or will be profitable. The following information is available upon request: (1) information describing the methodology of the contribution data in the charts above; and (2) a list showing the weight and contribution of all holdings during the quarter and the last 12 months. Past performance does not guarantee future results. In the charts above, "weight" is the average percentage weight of the holding during the period, and "contribution" is the contribution to overall performance over the period. Quarterly data is not annualized.

Portfolio Characteristics¹

| | HL Intl | ACW ex-US |
|------------------------------|----------|-----------|
| Wtd Median Mkt Cap (\$Mil) | \$24,251 | \$23,762 |
| Return on Assets | 7.6 | 3.5 |
| Return on Equity | 13.2 | 11.1 |
| Std Dev of 5 Year ROE | 3.1 | 4.9 |
| Debt/Equity | 24.3 | 45.0 |
| Profit Margin | 10.4 | 8.5 |
| Sales Growth ² | 11.4 | 9.2 |
| Earnings Growth ² | 8.0 | 3.1 |
| CF Growth ² | 9.6 | 5.9 |
| Dividend Growth ² | 7.3 | 4.9 |

Portfolio Characteristics

| | HL Intl | ACW ex-US |
|---------------------------------|----------|-----------|
| Avg Wtd Mkt Cap (\$Mil) | \$34,975 | \$37,260 |
| Price/Earnings ³ | 18.6 | 17.1 |
| Price/Cash Flow ³ | 9.5 | 7.3 |
| Price/Book ³ | 1.9 | 1.5 |
| Dividend Yield ³ | 2.0 | 3.0 |
| Alpha ⁴ | 5.64 | – |
| Beta ⁴ | 0.96 | 1.00 |
| R-Squared ⁴ | 0.97 | 1.00 |
| Sharpe Ratio ⁴ | -0.04 | -0.10 |
| Standard Deviation ⁴ | 25.42 | 26.13 |

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

Purchases

| Company | Country | Sector |
|---------------|---------|--------|
| ARM Holdings | UK | INFT |
| Itau Unibanco | Brazil | FINA |
| Unicharm | Japan | STPL |

Sales

| Company | Country | Sector |
|--------------------------|---------|--------|
| Kubota | Japan | INDU |
| Nokia | Finland | INFT |
| Sumitomo Realty & Devel. | Japan | FINA |

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Source: Wilshire Atlas (Run Date: July 8, 2010); Harding Loevner International Equity Composite; MSCI Barra

International Equity Composite Performance (as of June 30, 2010)

| | Intl Equity (Gross) | Intl Equity (Net) | MSCI ACW ex-US ¹ | MSCI EAFE | Internal Dispersion ² | Number of Accounts | Composite Assets (\$M) | Firm Assets (\$M) |
|-----------------------|---------------------|-------------------|-----------------------------|-----------|----------------------------------|--------------------|------------------------|-------------------|
| 2010 YTD ³ | -4.63% | -4.98% | -10.80% | -12.93% | N.A. ⁴ | 25 | 780 | 6,703 |
| 2009 | 44.12% | 43.09% | 42.14% | 32.46% | 0.6% | 24 | 779 | 6,400 |
| 2008 | -38.90% | -39.34% | -45.24% | -43.06% | 0.3% | 21 | 490 | 3,266 |
| 2007 | 13.80% | 13.01% | 17.12% | 11.63% | 0.4% | 30 | 1,076 | 6,356 |
| 2006 | 24.67% | 23.86% | 27.16% | 26.86% | 0.6% | 35 | 1,168 | 4,720 |
| 2005 | 21.41% | 20.59% | 17.11% | 14.02% | 0.8% | 34 | 952 | 2,562 |
| 2004 | 12.95% | 12.16% | 21.36% | 20.70% | 0.4% | 48 | 1,019 | 1,524 |
| 2003 | 28.14% | 27.20% | 41.41% | 39.17% | 0.8% | 67 | 974 | 1,357 |
| 2002 | -14.10% | -14.76% | -14.67% | -15.66% | 0.4% | 64 | 783 | 1,082 |
| 2001 | -17.38% | -17.98% | -19.50% | -21.21% | 0.3% | 62 | 867 | 1,154 |
| 2000 | -14.92% | -15.60% | -15.09% | -13.96% | 0.1% | 60 | 1,092 | 1,392 |

¹Benchmark Index; ²Asset-weighted standard deviation (gross of fees); ³The 2010 YTD performance returns and assets shown are preliminary; ⁴N.A.—Internal dispersion is less than a 12-month period.

International Equity Composite contains fully discretionary US dollar-based international equity accounts and for comparison purposes is measured against the MSCI All Country World ex-US Index (gross of foreign withholding taxes). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark is Reuters. The exchange rate source of the Composite is Bloomberg. Additional information about the benchmark, including the percentage of composite assets invested in countries or regions not included in the benchmark, is available upon request.

The MSCI All Country World ex-US Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the US. The Index consists of 44 developed and emerging market countries. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. The Index consists of 22 developed market countries. You cannot invest directly in these Indices.

Harding Loevner LP 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, LLP. Harding Loevner has received a firm-wide GIPS verification beginning November 1, 1989. The most recent verification was for the Quarter ending March 31, 2010.

Harding Loevner LP is an investment adviser registered with the Securities and Exchange Commission. Harding Loevner is an affiliate of Affiliated Managers Group, Inc. (NYSE: AMG), an investment holding company with stakes in a diverse group of boutique firms. 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 does not guarantee 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 International Equity accounts is 1.00% annually of the market value up to \$20 million; 0.50% of amounts from \$20 million to \$100 million; 0.45% of amounts from \$100 million to \$250 million; above \$250 million on request. 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 International Equity Composite was created on December 31, 1989.

HARDING LOEVNER LP

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