HARDING · LOEVNER®

International Small Companies

July 2010 Monthly Update

The International Small Companies Composite rose 7.6% while the benchmark MSCI All Country World ex-US Small Cap Index increased 8.3%. Year to date, the Composite is up 4.3%, better than the Index, which rose 2.7%.

There was little dispersion in the returns of large and small cap global equity markets in July. Small-cap markets in the European Monetary Union (EMU) recovered substantially, rising 12%, in aggregate, following news that nearly all European banks passed the European Central Bank's stress tests and the announcement of better-than-expected earnings releases.

The strategy's underperformance this month was due mainly to stock selection, especially in Europe. Shares of Swedish nuclear waste services consultant **Studsvik** declined, for example, after the company reported facing higher structural costs due to regulatory delays and government budget issues that have limited the progress of nuclear decommissioning, particularly in the UK and US. In Thailand, **Khon Kaen Sugar** turned in a poor performance due to short-term volatility in sugar prices and increased domestic quotas. The largest positive contributors this month included **Wasion Meters Group**, which won a large tender for the Chinese state electrical grid; **Draegerwerk**, which issued a positive interim earnings result; and **Paypoint**, which benefits from the decision by the UK lottery commission to block Camelot (which holds a government contract to operate the national lottery) from entering the e-payment market. Returns were also helped by our large overweight in the outperforming EMU region.

Global mergers and acquisitions (M&A) activity continues to pick up, evidenced by the value of deals so far this year, surpassing $1 trillion through July, putting 2010 on pace to beat last year's $1.8 trillion mark. This illustrates to us the confidence many companies have despite the mixed signals given by economic indicators about the prospects for recovery. Portfolio companies that have recently completed transactions include Australian business solutions company **SAI Global**, which acquired Massachusetts-based ethics and compliance training provider Integrity Interactive. The move gives SAI immediate scale in North America and a large multilingual course library. Swiss company **Huber & Suhner** divested its automotive radio frequency connectors business to tighten its focus on higher end connectivity solutions. In addition, Italian industrial and medical gas producer **SOL** acquired the Scottish affiliate of Netherlands-based Dolby Medical Home Respiratory Care and announced a joint venture in India with Sicgil India, a carbon dioxide manufacture and distribution business. Also of note, **Chong Hing Bank** was recently approached by Industrial and Commercial Bank of China to see if it would consider a merger.

Portfolio companies are investing internally as well, such as China's **Yip's Chemical**, a large volume producer of acetate solvents and coating products. The company announced July 11 that it plans to invest RMB1 billion to construct a new plant in Shanghai to manufacture architectural paints and develop its Bauhinia paints brand. The project is expected to add an additional annual production capacity of 280,000 tons of coating products and ancillary solvents to meet growing demand.

Purchases in the month included **Samwha Capacitor**, a South Korean designer of high voltage capacitors designed for broad use in power utilities, electronics, and telecommunications applications. We added to our exposure in Indonesia with the purchase of **Bank Bukopin**, which provides financial services to the micro, small, medium, and cooperative business segments and operates over 300 offices and a network of 333 ATMs across 22 provinces. The bank is a strategic lender to the government-run logistics agency for basic foodstuffs. Also in Indonesia, we purchased **Wijaya Karya**, an engineering and construction services company focused on large infrastructure projects. We anticipate steady growth in the number of public-work projects being initiated on the national and provincial levels—as well as new corporate projects—which should in turn boost demand for Wijaya's services.

Analyst travels in the month included Yoko Sakai's annual summer pilgrimage to her native Japan where she is visiting companies in a variety of industries.

Returns (%) for the Periods Ending July 31, 2010[1]

	1 Month	Calendar YTD	1 Year	3 Years[2]	Since Inception[2,3]
HL Intl Small Companies (gross of fees)	7.58	4.33	23.94	-2.65	3.87
HL Intl Small Companies (net of fees)	7.48	3.59	22.44	-3.83	2.69
MSCI ACW ex-US Small Cap Index[4]	8.26	2.69	19.39	-7.22	-1.95

[1]The July 2010 Composite performance shown is preliminary; [2]Annualized Returns; [3]Inception Date is December 31, 2006; [4]The Benchmark Index.

The International Small Companies Composite contains fully discretionary US dollar-based international small companies accounts. 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. Harding Loevner claims compliance with the Global Investment Performance Standards (GIPS®). Harding Loevner has received a firm-wide GIPS verification by Ashland Partners & Company, LLP beginning November 1, 1989. The most recent verification was for the Quarter ending March 31, 2010. Performance data quoted represents past performance; past performance does not guarantee future results. The US dollar is the currency used to express performance. For complete information on the construction and historical record of the International Small Companies Composite, please contact Harding Loevner at (908) 218-7900 or visit www.hardingloevner.com.

The MSCI All Country World ex-US Small Cap Index is a free-float market capitalization index that is designed to measure small cap developed and emerging market equity performance. The Index consists of 44 developed and emerging market countries, targeting companies market capitalization range of USD 170–4,200 million in terms of the company's full market capitalization. You cannot invest directly in this Index.

Bold indicates companies held in the portfolio during the month. The portfolio is actively managed therefore holdings may not be current. They should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the securities identified has been or will be profitable. To request a complete list of holdings for the past year, please contact Harding Loevner.

Contributors to Returns (%) for the Month Ending July 31, 2010

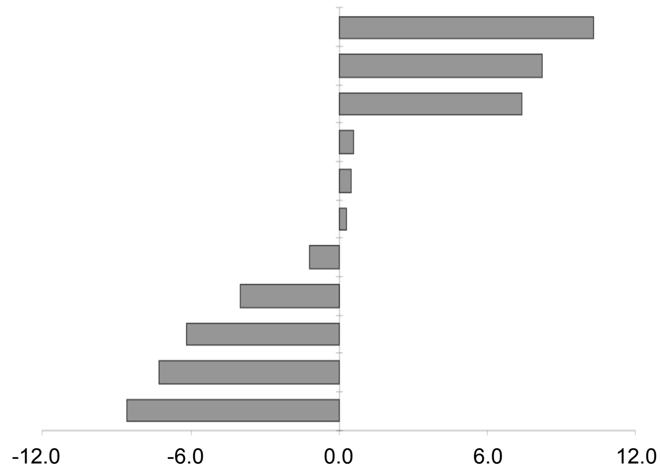
Largest Contributors	Sector	Portfolio Weight	Contribution
Wasion Meters Group	Info Technology	1.3	0.33
Draegerwerk	Health Care	1.8	0.31
Chong Hing Bank	Financials	1.6	0.28
PayPoint	Industrials	0.9	0.26
Topsil	Info Technology	2.3	0.26

Largest Detractors	Sector	Portfolio Weight	Contribution
Khon Kaen Sugar	Cons Staples	1.1	-0.10
Studsvik	Industrials	1.0	-0.04
BML	Health Care	0.9	-0.03
Binggrae	Cons Staples	1.1	-0.03
Tsumura	Health Care	1.1	-0.03

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 month. 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. The portfolio is actively managed therefore holdings shown may not be current. They should not be considered recommendations to buy or sell any security.

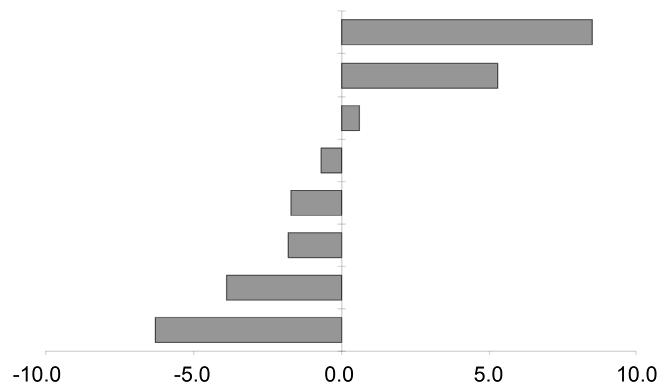
Sector Exposure (%) at July 31, 2010

Sector	HL Intl Sm Cos	ACW xUS Small Cap	Over/Under the Benchmark
Industrials	31.8	21.5	
Cons Staples	14.4	6.2	
Health Care	12.9	5.5	
Cash	0.6	–	
Telecom Services	1.4	0.9	
Info Technology	10.3	10.0	
Utilities	1.3	2.5	
Materials	9.1	13.1	
Energy	0.0	6.2	
Cons Discretionary	9.2	16.5	
Financials	9.0	17.6	



Geographical Exposure (%) at July 31, 2010

Region	HL Intl Sm Cos	ACW xUS Small Cap	Over/Under the Benchmark
Europe EMU	24.6	16.1	
Pacific ex-Japan	15.3	10.0	
Cash	0.6	–	
Middle East	0.0	0.7	
Emerging Markets	22.9	24.6	
Europe ex-EMU	20.6	22.4	
Japan	13.6	17.5	
Canada	2.4	8.7	



Source: Wilshire Atlas; MSCI Barra 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.

Portfolio holdings and sector/geographic allocations are supplemental information only and complement a fully compliant International Small Companies Composite GIPS Presentation, which is available upon request.

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