

Harding, Loevner Funds, Inc.

April 30, 2005

Excerpted from the Harding, Loevner Funds, Inc. 2005 Semi-Annual Report and Commentary

Dear Shareholder:

Enclosed is the Semi-Annual Report to Shareholders for the period ended April 30, 2005.

Our philosophy has always been, and continues to be, a research process geared to search for companies that grow, that display financial strength, that boast competent managements, and that demonstrate a sustainable competitive advantage. When these characteristics combine in a particularly felicitous way, we have found what we define as a "quality growth company." If its shares are attractively valued, we consider it for inclusion in our portfolios.

During 2003 and through 2004, the developed international markets have not favored companies fitting the description of either quality or growth (and certainly not those that embody both), as the world economy recovered from the 2000-2002 recession. In the face of global fiscal stimulus and more-than-ample liquidity, greater risk taking in stock markets was rewarded. Cyclical and otherwise riskier companies found favor among investors, and the high quality, more steadily growing businesses that we prefer languished in relation. As an example of this phenomenon, consider the disparity in returns between the companies that fall in the top 20% of the MSCI All Country World ex-US benchmark by the measure of return on assets, vs. the bottom 20%. In the period from September 2002 through December 2004, those companies that fall in the lowest quintile outperformed those in the highest quintile by 50 percentage points (111% to 61%).

During the more recent period, covered by this report, however, the long embrace of lower quality companies appears to have come to an end at last. "Quality" factors, represented by fundamental measures such as high return on assets, low debt/equity ratios, and high profit margins, have proven to be powerfully positive determinants of performance. With our portfolio focused upon companies embodying these traits, we are gratified by these developments, which, if sustained, should favor our style.

Our regular narrative, for the period ended June 30, 2005 will contain more detailed analysis of portfolio and market developments.

Sincerely,



David R. Loevner
Chief Executive Officer

Opinions expressed are those of Harding Loevner and are not intended to be forecasts of future events, a guarantee of future results, nor investment advice. **Past performance is not a guarantee of future results. Investing involves risk. There is no guarantee that any investment strategy will meet its objective.**

HARDING LOEVNER LP

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