HARDING · LOEVNER®

International Equity

2008 Second Quarter Report

Composite Performance (%) For Periods Ending June 30, 2008

	Last Quarter	Last 12 Months	Three Years[1]	Five Years[1]	Ten Years[1]	Since Inception[1,2]	Volatility[3]
HL Intl Equity (gross of fees)	(0.70)	(1.23)	16.27	17.76	7.92	9.57	14.70
HL Intl Equity (net of fees)	(0.86)	(1.92)	15.49	16.96	7.14	8.69	14.58
MSCI All Country World ex-US Index[4]	(0.86)	(6.20)	16.16	19.42	7.73	6.46	15.96
MSCI EAFE	(1.93)	(10.15)	13.34	17.16	6.23	5.75	16.26

[1]Annualized Returns; [2]Inception Date: December 31, 1989; [3]Annual Standard Deviation; [4]The 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 Intl	ACW ex-US
Health Care	15.7	5.3
Cons Staples	13.9	6.9
Info Technology	10.6	6.2
Cash	3.8	--
Energy	16.9	13.2
Industrials	11.7	10.6
Telecom Services	3.5	6.4
Cons Discretionary	5.1	8.2
Utilities	0.0	5.3
Materials	5.4	13.6
Financials	13.4	24.3

Over/Under The Benchmark

-12.0 -6.0 0.0 6.0 12.0

Regional Exposure (%)

Region	HL Intl	ACW ex-US
Other[1]	6.4	--
Cash	3.8	--
Europe ex-EMU	25.6	24.3
Canada	6.8	7.4
Pacific ex-Japan	6.8	7.5
Japan	14.5	15.5
Emerging Markets	17.2	19.8
Europe EMU	18.9	25.5

Over/Under The Benchmark

-8.0 -4.0 0.0 4.0 8.0

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

Market Review & Outlook

- After a volatile quarter, markets delivered near break-even returns despite the ongoing credit crisis and inflation worries.
- Policy risk is growing as governments grapple with rising prices and slowing economies.

Portfolio Highlights

- Holdings in Consumer Staples are hurt in short term by the rising cost of inputs; pricing power will determine long-run returns.
- Continued focus on agricultural producers and processors that are likely to benefit from rising food prices.

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Portfolio holdings and allocations are supplemental information only and complement the International 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.

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Performance Summary

The International Equity Composite remained essentially flat for the quarter, falling 0.7%, a performance that matched the MSCI All Country World ex-US Index, which fell 0.9%. For the half year, the Composite has declined 5.6%, outperforming the Index, which has fallen 9.8%.

Market Review

The quarter witnessed violent market moves on both the upside and the downside, with the net result a small decline. The rescue of Bear Stearns by JPMorgan with the Fed's blessing in mid-March gave investors hope, albeit temporarily, that the worst of the mortgage and liquidity crisis had been priced and discounted by equity and credit markets. In the ensuing weeks, global stock markets rose roughly 15%, and stocks of financial companies rose even more.

Market Performance (%)

Market	Trailing 12 Months	2Q 2008
	USD	USD
Canada	14.3	11.2
Germany	(5.5)	(1.8)
Japan	(12.0)	2.5
United Kingdom	(13.0)	(0.8)
United States	(12.2)	(2.1)
Europe EMU	(10.4)	(5.4)
Europe ex-EMU	(11.2)	(1.8)
Pacific ex Japan	(1.1)	1.6
Emerging Markets	4.9	(0.8)
MSCI ACW xUS Index	(6.2)	(0.9)

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2008)

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

Sector	Trailing 12 Months	2Q 2008
	USD	USD
Consumer Discretionary	(20.2)	(7.9)
Consumer Staples	(2.3)	(7.8)
Energy	21.5	18.4
Financials	(22.1)	(9.0)
Health Care	(3.2)	2.0
Industrials	(11.7)	(3.6)
Information Technology	(12.5)	(1.8)
Materials	19.5	10.1
Telecom Services	0.3	(2.5)
Utilities	6.0	1.9

Source: Wilshire Atlas; MSCI Barra (as of June 30, 2008)

However, by mid-May, the rebound in commodity prices and the response of monetary authorities around the world to the coincident arrival of disturbing headline inflation data caused market participants to reassess their optimism, and share prices began to fall anew, with the exception of resource-related stocks. Investors worried that inflation, having been ignored as of secondary importance to growth concerns, would now capture the attention of policy makers, but that it might already be late in the game of containing commodity price rises from spilling over into wages and more generalized price inflation.

This possibility was reinforced by the utter imperviousness of oil prices to 'negative' spin: crude oil rallied in spite of news of stockpiling, of more Saudi supplies, and of declining auto miles being driven in the US, the first meaningful signs of 'demand destruction' for gasoline deriving from either high prices or falling incomes.

"There was very wide divergence in the performance of markets in the quarter, largely determined by the side of the commodity and energy import/export divide a country stood on."

There was very wide divergence in the performance of markets in the quarter, largely determined by the side of the commodity and energy import/export divide a country stood on. The best performing sectors, by a wide margin, were Energy and Materials, and the best performing markets were those with large weightings devoted to natural resources: Brazil rose 18%, Norway rose 14%, Canada and Russia each rose 11%, and Australia rose 4%. The worst performing sectors were Financials (again), Consumer Discretionary (again), and Consumer Staples (this was different). The worst performing markets included those that import most of their energy and commodities, including India (down 20%), Belgium (down 19%), Ireland (down 18%), and Taiwan (down 11%). A rare outperformer amongst the resource importers was Japan, up 2%.

Currency played little role in the relative performance of developed markets, with the euro virtually unchanged in the quarter, while the yen weakened against the US dollar. Emerging markets currencies were mixed against the dollar.

Performance Attribution

The portfolio performed in line with the Index in the quarter. The Financials sector was again a source of outperformance against the benchmark. We maintained our small (underweight) holding in

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.

this large (if shrinking) sector, and our concentration of holdings in Singapore (**DBS**) and Japan (**Monex Group**, **Nomura**, and **Sumitomo Realty & Dev**)—far from the US epicenter of the mortgage crisis, but also somewhat removed from the inflation surprises and monetary tightening affecting a number of emerging markets—contributed good stock selection results. Overweight holdings in Energy and Health Care also contributed, although poor stock selection in both of these outperforming sectors detracted from relative performance. Our insistence that non-cyclical sectors would be safer than cyclical ones was tested by cost pressures experienced by manufacturers of food, beverage, and household products at the hands of commodity producers—and our bias in favor of Consumer Staples and against Materials (and against mining in particular) hurt relative performance once again.

We have few geographic tilts currently in the portfolio, and there was little to report in terms of attribution from this angle. We are overweight in Sweden (down 9%), where our two holdings, **SE Banken** and **Atlas Copco**, were poor performers in the quarter, as was our lone holding in Australia, **Cochlear**. Switzerland, down 5% and home to financial services giants and **Nestlé** (whose stock declined on fears of rising input costs), was not a clever market to be overweight in during the quarter.

Outlook

Our regular readers will recall that we have previously devoted a good deal of space to our concerns about inflation risks. Nevertheless, we have been surprised by the speed with which inflation has become a focus of the marketplace. We are of the belief that the real asset deflation emanating from the housing slump in the US, and now the UK, Ireland, and Spain, not to mention the reduced capacity for debt-financed consumption by US individuals, would counter the broader inflationary influence from rising energy and food prices. We remain convinced of this scenario for the major developed economies, but recognize the increasing seriousness of the inflation problem for emerging economies.

The likelihood of policy error is growing, as headline inflation is now well above central bank policy interest rates in a number of emerging economies, and slightly so in developed countries. Energy and food prices, which comprise a far bigger share of the consumer shopping basket in emerging economies, are wreaking havoc with the multi-year pattern of gentle disinflation that has provided positive reinforcement for improving policies on the part of most governments in developing countries. But the habits of subsidy and price control remain embedded in many of these countries, and policy makers now face the ugly choice of either inflicting higher prices on their constituents to reduce the strain on government coffers, or reducing demand in the aggregate through the blunt instrument of tighter monetary policy. Most are trying a little of both, but remain behind the curve in getting (or allowing) their economies to adjust to the current reality of higher energy and food prices. The result is that headline inflation is still rising, and inflation is becoming more deeply entrenched in developing countries through wage increases that outstrip productivity increases.

Emerging markets countries thus have to make bigger policy changes than the developed countries, which have generally more flexible economies and suffer fewer government-sponsored distortions, yet the former often possess less-robust policy institutions. Fiscal and monetary policy makers in emerging markets countries are caught between the Scylla of instituting unpopular, growth-retarding measures that reduce inflation, and the Charybdis of facing potentially severe social unrest in reaction to sharp increases in the cost of living, already surfacing in some areas. A well-trod path is one that resists the need to allow energy and food costs to rise to destroy demand (through conservation or substitution) and instead permits the inflation disease to infect the broader economy. Curing that would require a far more brutal policy response, as developed economies discovered to their dismay just 30 years ago.

We worry about policy errors by US and European policy makers as well, less from mismanagement of inflation risks and more from under-appreciation of just how long lasting the debt and asset deflation stemming from the mortgage crisis could be. But between the two sets of actors and their respective challenges, we'd rather bet on a Federal Reserve led by Mr. Bernanke—whose academic interests before he took on a policy role were exactly in the area of debt deflations and depression—than on a host of relatively immature policy institutions with short histories of policy stability.

We've been less surprised by the sudden and growing fear of cyclical downturn—but even there, we did not foresee the deterioration in capital goods share-price performance, a casualty of central banks wrestling with surging inflation fears, especially in emerging economies. Rather than witnessing the 'de-coupling' of emerging and developed economy business cycles, we suspect that higher interest rates in emerging markets may already be affecting plans for fixed asset and infrastructure spending, which inevitably will cause a decline in the order books for global capital goods suppliers.

We prefer developed economies to emerging for the time being, as being less risky and more resilient.* Our sense is that neither

*We are taking this opportunity, when we are cautious on emerging markets and underweight them relative to the MSCI All Country World ex-US Index, to increase our long-held internal risk limit of 20% maximum in EM-domiciled investments for International Equity portfolios to a 30% maximum. While we do not see any pressing reasons to add to our EM holdings today, neither do we want to restrict our ability in the future to own more than the Index. Our internal limit has remained unchanged for more than a decade, even as the Index weight has tripled through both relative appreciation and new listings of previously state- or privately-owned companies. Hence, the change in exposure limit represents, for now, an investment policy item rather than an investment action—one whose timing we have chosen to avoid any behavioral bias on our part.

market sentiment nor market valuations are in the same camp as we are. Although there have been substantial outflows from emerging markets funds over the past few months, there has been no wholesale abandonment of the region by the investment community, and the multiples for various emerging market indices are at rough parity with those in developed markets—despite experiencing substantially higher inflation and rising interest rates. Price/earnings ratios are related to many variables, of course, but historically, high inflation has savaged that particular valuation measure, to shareholders' great cost.

That said, we also remain skeptical about the ability of consumers in developed countries, especially the US and UK, to sustain, let alone increase, their purchases of goods and services while energy costs are hitting disposable incomes and while rising job losses are increasing the psychological pressure on households to repair the damage to their balance sheets wrought not just by long-term debt accumulation, but now also by housing and financial-asset wealth declines. We are pessimistic that financial services can return to their 'normal' profitability and revenue growth of the past several years, even if, against historical patterns, they manage to escape further credit losses as the economic cycle weakens.

"We prefer to face a risky world with a portfolio of companies that are less leveraged, faster growing, with more able management operating in more benign industry competitive structures than the average company."

What seems clear to us and, increasingly, to investors at large is that the risks facing both policy makers and investors are higher than they have been for a number of years. Prices are adjusting to that perception, but the possible range of outcomes is unusually wide: at one extreme is losing control of inflation and thereby squandering three decades of hard-won fiscal-policy credibility, and at the other is tipping the global economy into recession by making policy errors that exacerbate the US/UK credit crisis.

Portfolio Structure

If risks are higher than they have been for some time, the portfolio manager's job of mitigating them seems equally daunting. As always, we prefer to face a risky world with a portfolio of companies that are less leveraged, faster growing, with able management operating in industries with benign competitive characteristics.

We have maintained our overweight in the Energy sector. We have no particular insight into the current oil price surge, beyond our oft-repeated observation that producers are struggling to raise production, even while demand is consistently growing thanks to increased energy consumption in the developing economies. For the first time, we've seen the beginnings of evidence that demand is slackening in response to those very high prices. This year has seen miles traveled by US auto owners decline year over year for just the second time in twenty years. We note that the declines are particularly pronounced in states with the worst housing market busts—California, Florida, and Nevada—a wrinkle that may be a harbinger of greater declines nationwide as the housing pain sinks in more broadly.

In many developing countries, market price signals finally are being sent via cuts in subsidies and controlled price hikes for gasoline, diesel, and electricity. We have hopes, if not any evidence, that demand will slow in those countries as well. If it does, and oil prices fall, refining margins could rise for integrated suppliers such as **Imperial Oil**. Our other holdings have greater economic exposure and stock-price correlation to the price of crude oil, but only a sustained decline would alter the long-term prospects for gas producers (**Encana**, **BG Group**, **Gazprom**), which benefit from the environmental and efficiency advantages over oil and coal, or for **Schlumberger**, whose customers are forming exploration budgets based on estimates of a long-term minimum price, rather the current spot price, of oil.

While we have limited our exposure to the Consumer Discretionary and Financials sectors, we hold a significant overweight in Health Care and a smaller overweight in Information Technology, viewing companies with a large portion of their costs coming from the creation of intellectual capital (R&D, patents, etc.) as relatively sheltered from the rising costs facing other manufacturing companies. That has generally proven true. However, we did sell Information Technology holding **Yokogawa Electric** of Japan. This company produces semiconductor test equipment and process controls for large petrochemical plants. We became disillusioned with management's assertions that profitability and sales growth would soon improve, and worry that the company would fall victim to a worsening environment for capital spending in Asia.

We also have a large overweight in Consumer Staples. Our preference for companies in this rather non-cyclical sector, however, did not prove rewarding in the latest quarter, as their costs—for packaging materials, for food inputs, and for their extensive distribution systems—have risen much more quickly than their ability to raise prices for their products. This was recently made clear by Proctor & Gamble, which revealed that its distribution network, created in the mid-1980s in a period of very low energy prices, may require a multi-year investment program to revamp it for a world of sustained high energy prices. This is a problem quite likely to be shared by our holdings that are competitors of P&G, such as **Nestlé** and **Unilever**. So, despite our continued cautious view of more cyclical industries, we are reluctant to add to this non-cyclical sec-

tor, worried that margins may not prove as resilient as we had once projected them to be.

Rather, we have been attracted to agricultural producers and processors. Given their proximity to the sources of food cost increases, we see them as more likely to benefit from, rather than fall victim to, the cost pressures rippling through the food chain. **Bunge**, the soybean processor and fertilizer producer, and **Sime Darby**, the palm oil producer, have been discussed in prior letters. This quarter, we bought a new holding in **Olam International**, the Singapore-based wholesaler and processor of food ingredients, chiefly edible nuts, which it sources from the Middle East and Africa and sells to food manufacturers and retailers across Europe, North America, and Asia. The company's shares had fallen on concerns about its quite ravenous working capital needs, but **Olam International** easily raised capital via a convertible bond offering, and appears to have well in hand the capital it needs for its ample investment opportunities around the world.

"We view companies with a large portion of their costs coming from the creation of intellectual capital (R&D, patents, etc.) as relatively sheltered from the rising costs facing other manufacturing companies."

Aiming at another industry's need to reduce fixed costs put in place in another era, we bought a new holding in **So-Net M3**, a Japanese internet-based provider of health care marketing services to doctors. We think their model is gaining traction in the US, where initial efforts centered around oncologists has received quite a positive reception from doctors and a subsequent buy-in from many large pharmaceutical companies (the revenue source), which are eager for more efficient ways to get their product messages out to powerful but harried health-care decision makers. We are excited by the prospect of any company that might alter the high-cost distribution structure of pharmaceutical companies.

We made some adjustments to our Financials holdings in the quarter. We bought a new holding in German insurer **Allianz**. Insurance companies in general have proven less exposed to the follies of the mortgage-securitization-inspired credit crisis. Allianz has spent this decade consolidating its position not only in its home market, but in France and Italy as well. Now, it is poised to rationalize its holding in Dresdner Bank, the retail, corporate, and investment bank it acquired in the unwinding of the great German financial cross-holdings early this decade. We think **Allianz** has both the capital strength and the management vision to create value through further consolidation of the insurance industry across Europe over the next few years, as industry participants react to new capital and accounting rules.

We sold our holding in **Banco Santander**, the Spanish bank. The stock has been an outstanding performer over the past five years, including over the past twelve months of financial strain. We have nothing but praise for the execution of Chairman Emilio Botín's vision of a pan-Latin America franchise, and for the company's bold expansion of retail activities across Europe. But those merits seem to be included in the price now, whereas the Spanish housing market is sinking into its own morass of overbuilding and too-rapid mortgage growth. We prefer to watch from the sidelines as the now-familiar story unfolds once again.

Finally, we sold our holding in **UBS**, after it rallied sharply from its March lows. News that the private bank was the subject of a tax evasion probe by US authorities was the final straw for us. The value of the company lay in its private banking franchise; the possibility of malfeasance in that area renders moot all of management's efforts to reshape and 'right-size' the rest of the business in our view.

These changes leave the portfolio slightly more heavily weighted in Health Care and Consumer Staples, and reduce still further our holdings of Financials.

International Equity Holdings (as of June 30, 2008)

Sector/Company/Description	Country	End Wt.%
Consumer Discretionary		
Li & Fung - Trading & logistics	Hong Kong	1.4
LVMH Moët Hennessy - Luxury goods	France	1.9
WPP Group - Advertising & marketing	United Kingdom	1.9
Consumer Staples		
Bunge - Agri-business & food	Bermuda	4.0
Nestlé - Food & beverage	Switzerland	2.9
Olam International - Agri-business & food	Singapore	1.2
Tesco - Food	United Kingdom	2.8
Unilever - Branded products	United Kingdom	1.4
Wal-Mart de México - Goods / food	Mexico	2.1
Energy		
BG Group - Integrated gas	United Kingdom	2.8
EnCana - Natural gas producer	Canada	3.8
Gazprom - Natural gas producer	Russia	2.1
Imperial Oil - Integrated petroleum	Canada	3.3
Sasol - Alternative fuels	South Africa	3.0
Schlumberger - Petroleum industry services	United States	2.7
Financials		
Allianz - Insurance	Germany	2.1
Bank Pekao - Commercial bank	Poland	1.2
DBS Bank - Commercial bank	Singapore	1.2
Erste Bank - Commercial bank	Austria	1.7
Monex Group - Internet investment service	Japan	0.8
Nomura Holdings - Brokerage	Japan	1.5
SE Banken - Commercial bank	Sweden	1.3
Standard Chartered - Commercial bank	United Kingdom	1.8
Sumitomo Realty & Dev - Real estate	Japan	1.2
Swiss Reinsurance - Life & health reinsurer	Switzerland	1.3
Health Care		
Alcon - Eyecare	Switzerland	2.5
Cochlear - Hearing implants	Australia	1.8
Fresenius - Renal equipment & care	Germany	2.5
Nobel Biocare - Dental implants & prosthetics	Switzerland	1.1
Qiagen - Biotech & instrumentation	Germany	2.6
Roche - Pharma & diagnostics	Switzerland	3.0
So-Net M3 - Medical information services	Japan	1.1
Synthes - Orthopedic product manufacturer	Switzerland	1.7
Industrials		
Atlas Copco - Industrial compressors & equipment	Sweden	2.2
Fanuc - Indust. robots & machine tools	Japan	1.9
Hutchison Whampoa - Conglomerate	Hong Kong	1.5
Kubota - Indust. & farm machinery	Japan	2.3

International Equity Holdings (as of June 30, 2008)

Sector/Company/Description	Country	End Wt.%
Industrials *continued*		
Schneider Electric - Electrical dist. products	France	2.0
Sime Darby - Plantations & manufacturing	Malaysia	2.2
Information Technology		
Dassault Systemes - CAD/CAM software	France	3.0
Hirose Electric - Electrical components	Japan	1.0
Hoya Corp - Optical glass	Japan	1.2
Keyence Corp - Detection devices	Japan	2.2
Samsung Electronic - Electronics	South Korea	1.7
Taiwan Semiconductor - Dedicated IC foundry	Taiwan	1.9
Materials		
Air Liquide - Industrial gas	France	3.7
JSR - Specialty chemicals	Japan	1.8
Telecom Services		
América Móvil - Cellular phone operator	Mexico	2.2
Telekom Indonesia - Fixed-line & mobile	Indonesia	1.5
Utilities		
No holdings		

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Last Quarter

Largest Holdings (%)

	Sector	Weight
Bunge	Consumer Staples	3.8
Air Liquide	Materials	3.5
EnCana	Energy	3.3
Imperial Oil	Energy	3.1
Tesco	Consumer Staples	2.8

Largest Contributors (%)

	Sector	Weight
Bunge	Consumer Staples	3.8
EnCana	Energy	3.3
Sasol	Energy	2.6
Schlumberger	Energy	2.3
Alcon	Health Care	2.2

Largest Detractors (%)

	Sector	Weight
SE Banken	Financials	1.5
Nobel Biocare	Health Care	1.2
América Móvil	Telecom Services	2.1
WPP Group	Consumer Discretionary	2.1
Telekom Indonesia	Telecom Services	1.4

Last 12 Months

Largest Holdings (%)

	Sector	Weight
Bunge	Consumer Staples	3.7
Air Liquide	Materials	3.3
BG Group	Energy	3.0
Imperial Oil	Energy	2.9
EnCana	Energy	2.8

Largest Contributors (%)

	Sector	Weight
BG Group	Energy	3.0
Sasol	Energy	2.8
EnCana	Energy	2.8
Bunge	Consumer Staples	3.7
Numico	Consumer Staples	0.1

Largest Detractors (%)

	Sector	Weight
UBS	Financials	1.5
Nobel Biocare	Health Care	1.6
WPP Group	Consumer Discretionary	2.3
SE Banken	Financials	1.7
Sumitomo Realty & Dev	Financials	1.4

Percent weight figure shown is the average percent over the period. Contributors and detractors in order of contribution to portfolio.

Portfolio Characteristics[1]

	HL Intl	ACW ex-US
Return on Assets	8.9	6.2
Return on Equity[2]	18.0	18.0
Std Dev of 5 Year ROE	3.6	3.8
Debt/Equity	29.4	37.5
Profit Margin	12.7	11.0
Sales Growth[3]	12.3	11.1
Earnings Growth[3]	17.3	17.1
CF Growth[3]	13.7	11.3
Dividend Growth[3]	8.6	9.3

Portfolio Characteristics

	HL Intl	ACW ex-US
Avg Wtd Mkt Cap ($Mil)	$46,378	$55,681
Price/Earnings[4]	16.8	12.6
Price/Cash Flow[4]	11.7	8.1
Price/Book[4]	2.6	1.9
Alpha[5]	1.16	--
Beta[5]	0.93	1.00
R-Squared[5]	0.95	1.00
Sharpe Ratio[5]	0.27	0.25
Standard Deviation[5]	12.80	13.37

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

Purchases

Company	Country	Sector
Allianz	Germany	Financials
Olam International	Singapore	Consumer Staples
So-Net M3	Japan	Health Care

Sales

Company	Country	Sector
Banco Santander	Spain	Financials
UBS	Switzerland	Financials
Yokogawa Electric	Japan	Info Tech

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Source: Wilshire Atlas (Run Date: July 8, 2008); Harding Loevner International Equity Composite; MSCI Barra

International Equity Composite Performance (as of June 30, 2008)

	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)
2008(YTD)[3]	(5.59%)	(5.92%)	(9.84%)	(10.58%)	N.A.[4]	24	922	6,080
2007	13.80%	13.01%	17.12%	11.63%	0.4%	30	1,079	6,344
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
1999	51.54%	50.44%	30.90%	27.30%	0.5%	56	1,230	1,423
1998	12.05%	11.26%	14.46%	20.33%	0.2%	64	977	1,372

[1]Benchmark Index; [2]Asset-weighted standard deviation (gross of fees); [3]The 2008 YTD Composite performance shown is preliminary; [4]N.A.–Internal dispersion less than a 12-month period.

International Equity Composite contains fully discretionary U.S. 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 47 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 21 developed market countries. You cannot invest directly in these Indices.

Harding Loevner LLC 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, 2008.

Harding Loevner LLC 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 International 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 International Equity Composite was created on December 31, 1989.

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