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**Review**

- Despite a double-digit rise, the Portfolio underperformed its benchmark
- A declining risk premium resulted in outperformance by riskier and cyclical industries
- Falling US Dollar augmented non-US equity returns

**Performance (for the Periods Ending December 31, 2003)**

	Last Quarter	Last 12 Months	3 Years annualized	5 Years annualized	Since Inception <sup>1</sup>	Volatility <sup>2</sup>
<b>Global Eq Portfolio (net)</b>	<b>11.69%</b>	<b>31.38%</b>	<b>(3.45%)</b>	<b>4.42%</b>	<b>4.68%</b>	<b>16.82%</b>
Global Eq Portfolio (gross)	12.03%	33.03%	(2.23%)	5.73%	6.00%	16.81%
MSCI ACWF	14.42%	33.99%	(3.24%)	(0.22%)	4.51%	16.57%
Lipper Global Fund	14.14%	31.96%	(3.31%)	2.02%	5.35%	16.26%

<sup>1</sup>Inception Date: 12/1/1996, annualized; <sup>2</sup>Variations of monthly returns from the average, since inception, annualized  
**Past performance is not indicative of future results.** The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Currently, the investment advisor of the Portfolio is waiving a portion of its fee. Absent such waiver, the expense ratio of the Portfolio would be higher and the Portfolio's performance lower.

**The Fund invests in foreign securities, which may involve greater volatility and political, economic, and currency risks and differences in accounting methods. It also invests in emerging markets, which involve unique risks, such as exposure to economies less diverse and mature than the U.S. or other more established foreign markets. Economic and political instability may cause larger price changes in emerging markets securities than other foreign securities.**

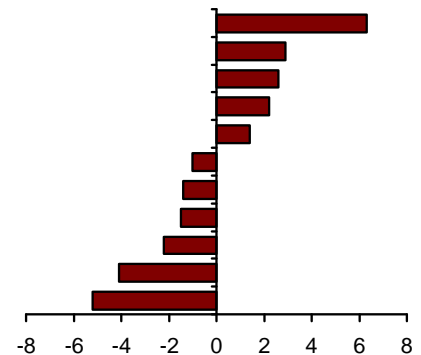
**Outlook**

- Worries over the ability of the US to fund itself at current interest and exchange rates
- The potential for market volatility is high—both up and down
- We are attracted to industry consolidators who can preserve pricing power

**Active Risk**

SECTOR	HLF Global Equity Portfolio	MSCI ACW Free
Info Technology	19.4%	13.1%
Cons Discretionary	14.6%	11.7%
Consumer Staples	11.6%	9.0%
Cash	2.2%	0.0%
Materials	6.9%	5.5%
Industrials	8.7%	9.7%
Utilities	2.2%	3.6%
Energy	5.9%	7.4%
Telecom Services	3.3%	5.5%
Health Care	7.0%	11.1%
Financials	18.2%	23.4%

Over/Under the Benchmark %



**Portfolio Activity**

Purchases	Sector	Sales	Sector
Estee Lauder	Cons Staples	CVRD	Materials
Kookmin Bank	Financials	Genetech	Health Care
Praxair	Materials	Johnson Electric	Industrials
Qiagen	Health Care	POSCO	Materials
Sharp	Cons Discretionary	Yukos	Energy

All Portfolio holdings and sector allocations are subject to review and adjustment in accordance with the Fund's investment strategy and may vary in the future and are not recommendations to buy or sell any security. A complete list of holdings appears on page 13 of this report.

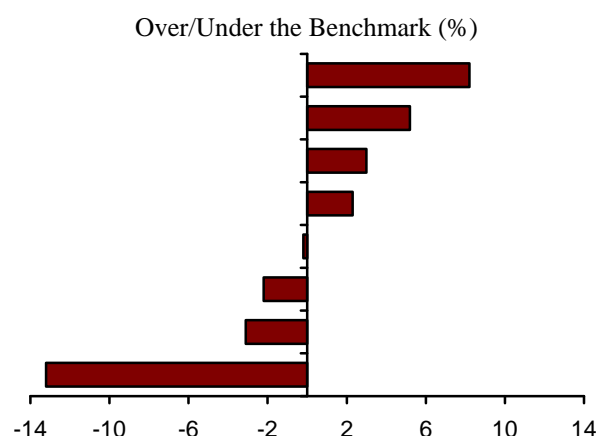
## Ten Best Stocks by Absolute Return

HOLDING	GICS SECTOR	REGION	RETURN	END WEIGHT
Denway Motors	Consumer Discretionary	Emerging Markets	76.6%	1.8%
Deutsche Bank	Financials	Europe EMU	36.2%	2.8%
Bangkok Bank	Financials	Emerging Markets	34.8%	1.6%
Medco Health Solutions	Health Care	United States	31.1%	0.9%
Dassault Systemes	Information Technology	Europe EMU	30.1%	2.7%
Qualcomm	Information Technology	United States	29.6%	1.8%
Munich Re	Financials	Europe EMU	28.4%	2.3%
Rio Tinto	Materials	Pacific ex-Japan	26.0%	2.4%
Air Liquide	Industrials	Europe EMU	25.0%	2.2%
Vodafone	Telecom Services	Europe ex-EMU	24.5%	3.3%

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## Active Regional Exposure

REGION	HLF Global Equity Portfolio	MSCI ACWF
Emerging Markets	12.7%	4.5%
Japan	13.8%	8.6%
Europe EMU	16.8%	13.9%
Cash	2.3%	--
Canada	2.4%	2.5%
Europe non-EMU	12.7%	14.9%
Pacific ex-Japan	--	3.1%
United States	39.3%	52.5%



## Portfolio Characteristics

Characteristic	HLF Global Eq	ACWF	Characteristic	HLF Global Eq	ACWF
Avg Wtd Market Cap (\$B)	\$42.6	\$67.6	Alpha	0.39	0.00
Price/Earnings (Trailing)	27.9x	25.6x	Beta	1.02	1.00
Price/Cash Flow	14.8x	13.4x	R-Squared	0.92	1.00
Price/Book	2.6x	2.5x	Sharpe Ratio	0.04	-0.04
Dividend Yield	1.4%	2.0%	Standard Deviation	5.04	4.70
Return on Equity	18.9%	15.7%	Correlation	0.96	1.00
Number Holdings	58	2203	Turnover (5-Year Average)	42%	---

Source: Wilshire Atlas

*Average Weighted Market Capitalization* is the product of a security's price and the number of shares outstanding. *Price/Earnings* is the ratio of a firm's closing stock price and its trailing 12 months' earnings per share. *Price/Cash Flow* is the ratio of a firm's closing stock price and its fiscal year end cash flow per share. *Price/Book* is the ratio of a firm's closing stock price and its fiscal year end book value per share. *Dividend Yield* is indicated dividend rate divided by current price, expressed as a percent. *Return on Equity* is the net income divided by total common equity outstanding, expressed as a percent.

*Alpha* is a measure of risk-adjusted return. *Beta* is a measure of the portfolio's sensitivity to the market. *R-Squared* is a measure of how well a portfolio tracks the market. *Sharpe Ratio* is the return over the risk free rate per unit of risk. *Standard Deviation* is the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. *Correlation* is the statistical measure of the degree to which the movements of two variables are related. *Turnover* is the ratio calculated by dividing the lesser of purchases or sales by average capital, expressed as a percent.