

**Investment Philosophy**

Harding Loevner utilizes a bottom-up approach for building a diversified portfolio of high-quality durable-growth companies that are well-managed, financially-strong and possess clear competitive advantages. We purchase shares at prices where we see value. We seek long-term relative outperformance with lower risk. Our investment process focuses on understanding the competitive structure of industries, since we believe this has a significant influence over the long-term durability of corporate margins and earnings growth.

**Fund Facts**

CUSIP	412295883
Inception Date	03/26/07
Minimum Investment <sup>1</sup>	\$5,000
Total Fund Assets	\$8.3 M
Sales Charge	None
Total # of Holdings	84
Net Expense Ratio <sup>2</sup>	1.75%
Gross Expense Ratio	5.21%
Turnover (2 Yr Average)	18%
Redemption Fee	2.00% first 90 days
Dividend Policy	Annual
NAV	\$9.22

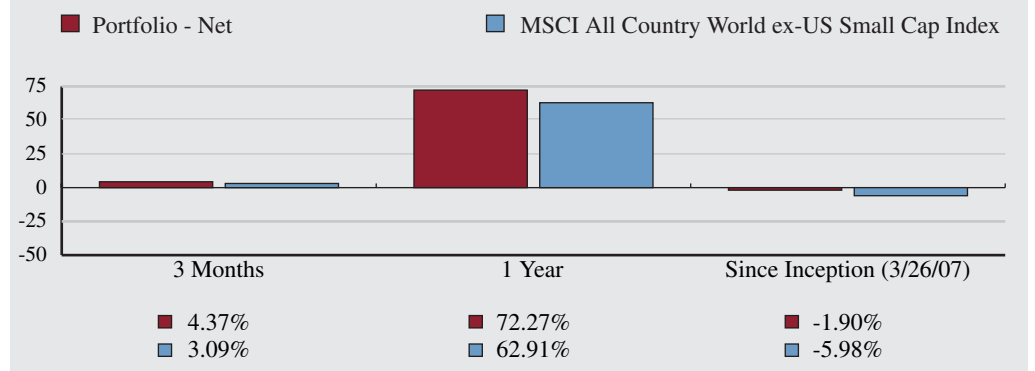
**Investment Objective**

The International Small Companies Portfolio seeks long-term capital appreciation through investments in equity securities of small companies based outside the United States. Companies considered to be small are those with a market capitalization below \$3 billion.

**Total Returns (%)**

	Inception Date	3 Months	1 Year	Average Annualized Total Returns as of December 31, 2009 Since Inception
International Small Companies Inv. Class - Net	03/26/07	4.37	72.27	-1.90
MSCI All Country World ex-US Small Cap Index		3.09	62.91	-5.98
Lipper International Small Cap Fund Index		2.92	48.75	-8.22

**Total Returns**



**Sector Exposure (%)**

Sector	HLMSX	Benchmark <sup>3</sup>
Cons Discretionary	12.3	16.8
Cons Staples	13.3	5.9
Energy	0.0	6.0
Financials	8.3	18.0
Health Care	12.4	5.7
Industrials	29.1	22.1
Info Technology	8.6	10.1
Materials	10.4	12.3
Telecom Services	2.8	0.8
Utilities	1.5	2.3
Cash	1.3	-

*Performance data quoted represents past performance; past performance does not guarantee 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. Current performance of the Portfolio may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (877) 435-8105 or visiting [www.hardingloevnerfunds.com](http://www.hardingloevnerfunds.com). Performance data shown does not reflect the 2.00% redemption fee imposed on shares held 90 days or less; otherwise, total returns would be reduced.*

**The Portfolio invests in foreign securities, which will involve greater volatility and political, economic, and currency 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. The portfolio invests in smaller companies which involve additional risks such as limited liquidity and greater volatility.**

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 markets countries and targeting companies market capitalization range of USD 170 - 4,200 million in terms of the company's full market capitalization. The Index is net of foreign withholding taxes on dividends. The Lipper International Small Cap Fund Index, an unmanaged index, includes the 10 largest small cap funds tracked by Lipper Analytical Services, Inc., although some funds in the index may have somewhat different investment policies or objectives. You cannot invest directly in these Indices.

All holdings and sector/region allocations are subject to review and adjustment in accordance with the Portfolio's investment strategy and may vary in the future, and should not be considered recommendations to buy or sell any security. The Portfolio is actively managed; therefore holdings may not be current.

Investment performance reflects fee waivers and in the absence of these waivers investment performance would be reduced.

<sup>1</sup>Lower minimums available through selected fund distributors; <sup>2</sup>Harding Loevner has voluntarily agreed to cap the total annual fund operating expenses at 1.75% (on an annualized basis) of the average daily net assets of the Portfolio for an indefinite period; <sup>3</sup>MSCI All Country World ex-US Small Cap Index.

**Geographical Exposure (%)**

Region	HLMSX	Benchmark <sup>3</sup>
Canada	2.6	8.0
Emerging Markets	18.6	24.1
Europe EMU	27.6	17.7
Europe ex-EMU	19.8	23.3
Japan	15.0	17.3
Pacific ex-Japan	15.1	9.6
Cash	1.3	-

# International Small Companies Portfolio

December 31, 2009

Ticker: HLMSX



## Ten Largest Holdings

	Sector	Country	% Assets
Drillisch	Telecom Services	Germany	1.8
Stella Chemifa	Materials	Japan	1.7
Supermax	Health Care	Malaysia	1.7
Topsil	Information Technology	Denmark	1.6
Waison Meters Group	Information Technology	Hong Kong	1.5
Vitasoy International	Consumer Staples	Hong Kong	1.5
Hankuk Carbon	Materials	South Korea	1.5
Khon Kaen Sugar	Consumer Staples	Thailand	1.5
Huber & Suhner	Industrials	Switzerland	1.5
Huegli Holding	Consumer Staples	Switzerland	1.5

**Ten Largest Holdings** **15.8**

## Portfolio Characteristics

	HLMSX	Benchmark <sup>1</sup>		HLMSX	Benchmark <sup>1</sup>
Return on Assets	6.0%	3.3%	Avg Wtd Mkt Cap (mn)	\$590	\$1,274
Return on Equity	12.9%	8.7%	Price/Earnings	17.7	29.3
Debt/Equity Ratio	16.0%	32.8%	Price/Cash Flow	8.6	8.8
Profit Margin	6.6%	4.6%	Price/Book	1.7	1.2
5 Year ROE	14.1%	10.8%	Alpha <sup>3</sup>	5.69	-
Std Dev of 5 Year ROE	3.6%	5.5%	Beta <sup>3</sup>	0.95	1.00
Sales Growth <sup>2</sup>	13.1%	13.0%	R-Squared <sup>3</sup>	0.97	1.00
EPS Growth <sup>2</sup>	4.3%	3.4%	Sharpe Ratio <sup>3</sup>	0.00	-0.05
CF Growth <sup>2</sup>	5.7%	4.5%	Standard Deviation <sup>3</sup>	32.17	33.41

<sup>1</sup>MSCI All Country World ex-US Small Cap Index; <sup>2</sup>Trailing five years, annualized; <sup>3</sup>Trailing two years, annualized. Source: Wilshire Atlas (Run Date January 6, 2010) Based on the Portfolio's underlying holdings.

Average Weighted Market Capitalization: the product of a security's price & the number of shares outstanding. Price/Earnings: the ratio of a firm's closing stock price & its trailing 12 months' earnings/share. Price/Cash Flow: the ratio of a firm's closing stock price & its fiscal year end cash flow/share. Price/Book: the ratio of a firm's closing stock price & its fiscal year end book value/share. Return on Equity: the net income divided by total common equity outstanding, expressed as a percent. Alpha: a measure of risk-adjusted return. Beta: a measure of the portfolio's sensitivity to the market. R-Squared: a measure of how well a portfolio tracks the market. Sharpe Ratio: the return over the risk free rate per unit of risk. Standard Deviation: the statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. Return on Assets: net income for past 12 months divided by total assets. Earnings Per Share: portion of a company's profit allocated to each outstanding share of common stock. Debt/Equity Ratio: total long-term debt divided by total shareholder's equity. Profit Margin: relationship of gross profits to net sales.

*The Portfolio's investment objectives, risks, charges and expenses must be read and considered carefully before investing. The Prospectus contains this and other important information about the investment company. It may be obtained by calling toll free (877) 435-8105, or visiting [www.hardingloevnerfunds.com](http://www.hardingloevnerfunds.com).*

While the Portfolio is "no load", management and other expenses still apply. Please refer to the Prospectus for further details.

The Portfolio is distributed by Quasar Distributors, LLC.

## Investment Adviser

Former global managers for the Rockefeller family formed Harding Loevner LP, the Portfolio's adviser, in 1989. Its investment staff of 23 have an average of 18 years experience, and seven years of tenure. Independent and employee owned, Harding Loevner manages \$6.7 billion for foundations, endowments, pension plans, family offices and individuals.

## Portfolio Managers



**Josephine Lewis**  
Tulane University, BSM, 1997  
University of Maryland, MBA, 2006  
9 Years investment experience  
4 Years with Harding Loevner

**Robert Cresci**  
Lead Portfolio Manager  
Boston College, BA, 1985  
Fordham University, MBA, 1992  
24 Years investment experience  
3 Years with Harding Loevner

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