

ALLAN GRAY
LONG TERM INVESTMENT MANAGEMENT

Q²

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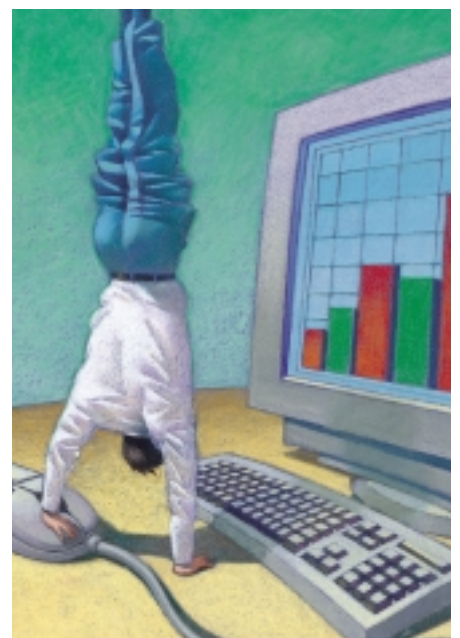
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The story behind the picture

This illustration depicts Allan Gray's contrarian approach to investing. Seeing things differently enables us to find value in companies many other investment managers tend to ignore.



It gives me great pleasure to introduce this first edition of Allan Gray's 'Quarterly Commentary'. Our intention is to share information on a regular basis with our clients, prospective clients, intermediaries and other industry participants. In 'Quarterly Commentary' you will find comment on our investment strategies, information about our products and news about the group. We have chosen what we hope is a user-friendly format which also allows us some journalistic licence.

Mark Herdman
Chief Operating Officer



COMMENTS

FROM THE CHIEF OPERATING OFFICER

In this issue, our 'Investment Commentary' focuses on shares. Dr Simon Marais, our Chief Investment Officer, discusses a company we find attractive, namely Altron. Simon also reviews Didata which has a substantial market capitalisation and is widely owned, but which is not represented in our clients' portfolios. This section is an extract from our 31 March 2000 Unit Trust Report. We feel it is sufficiently relevant to reproduce for those readers who have not seen the report.

Occasionally we will present macro commentary on investment markets or asset classes, but our primary focus will always be on individual investments, specifically shares. This focus reflects our investment approach which concentrates on variables with the greatest predictive value and therefore the highest probability of achieving success. It is our experience that picking stocks for our clients is far more lucrative than attempting to forecast markets. Our long-term share performance track record demonstrates this point. For the period 15 June 1974 (the date we first started managing money) to 30 June 2000, our clients earned a return of 28.5% per annum versus 18% for the All Share Index.

ALLAN GRAY VIEWPOINT

In 'Allan Gray Viewpoint', we make observations on issues in the investment industry. This quarter we present our view on product

proliferation and risk profiled funds. This topic ties in with the launch on 1 July 2000 of the Allan Gray Stable Fund, a unit trust fund aimed at investors whose particular risk profile seeks capital stability and a high income return.

INVESTMENT TRENDS

'Investment Trends' focusses on the securitisation or pooling and listing of direct property holdings on the stock-market. Trends in the retirement fund industry demand that all assets are easily tradable. Direct property has been the most illiquid class of asset and its attractiveness to investors has therefore suffered. With this in mind, we listed our clients' direct property holdings, together with those of a number of other pension funds, on the Johannesburg Stock Exchange on 14 June 2000 in Allan Gray Property Investments Limited (Grayvest).

GRAY MATTERS

'Gray Matters' highlights interesting non-investment specific aspects of Allan Gray and outlines changes that take place within the Group. This quarter we profile two new directors - Stephen Mildenhall and Dr Sibs Moodley-Moore. We also comment on Allan Gray Namibia which is experiencing pleasing client growth under a management structure aligned to Allan Gray Limited. Finally, 'Gray Matters' names some large new clients who have recently joined us.

PERFORMANCE PROFILE

It is gratifying that our investment performance this year continues to excel, notwithstanding the exceptional performance achieved in 1999. As can be seen from the Performance Profile on page 13, all of our various client groups have enjoyed performance considerably in excess of their respective benchmarks. Our international affiliate the Orbis Group, which manages our clients' offshore investments, has performed well in 2000. The Orbis Global Equity Fund has produced a 2.0% return in US\$ for the period 1 January 2000 to 29 June 2000 compared with -1.4% returned by the Average Global Equity Fund. The Orbis Leveraged (US\$) Fund, which had a poor 1999, a year in which most international value oriented investment managers struggled, has generated a return of 28.2% over the same period, benefiting from the recent out-performance of value shares relative to glamour stocks.

We hope you find our Quarterly Commentary informative and useful. Please let us have any comments or criticisms which might assist us in meeting your investment needs.

With kind regards

A handwritten signature in blue ink that reads "Mark Herdman".

MARK HERDMAN
Chief Operating Officer



COMMON SENSE BE INVESTMENT COMMENTARY

Allan Gray's investment philosophy relies on investment analysis rather than glamour or fashion. Although we might avoid investing in what appear to be very popular shares, we never ignore them in our share analysis. We strive to have a good understanding of businesses based on detailed analysis which flows through into our share selection. Each quarter we will share with you some of our research on equities held in the Allan Gray funds on your behalf.

Simon C Marais
Chief Investment Officer, Allan Gray Limited

ALTRON

Altron, which is currently priced at R5,80c, is the holding company of Altech, Powertech, Fintech and USKO. We believe that the underlying investments of Altron are very attractive.

ALTECH

Altech is exposed to the telecommunications sector through its holding in Autopage (cellular service provider) and its 40% stake in a joint venture with Alcatel of France (AAT) in the supply of telecommunications equipment. Autopage should continue to benefit from the growth in cellular communications in South Africa. AAT was affected by changes in Telkom's procurement policy in the last financial year but should experience growth from a resumption of Telkom spending and the introduction of a second fixed line network operator in the next couple of years. Another significant component of Altech is UEC which is the largest contributor to Altech's earnings. UEC manufactures digital decoders and owns the basic operating software for the machines. UEC has experienced rapid growth as digital systems have replaced analogue. This rapid growth is expected to continue for a number of years. Pace Micro Technology (listed on the London Stock Exchange) is a similar business to UEC except that it is twice its size from a turnover perspective. Pace is currently trading on approximately 100 times earnings.

Altech also has several smaller businesses and in excess of R5.00 per share in cash. Given the high growth assets which Altech owns, it is attractive at its current price of R15.60, being valued at just over 10

times earnings and yielding a dividend of 4%. This compares very well with the All Share Index valued at 15 times earnings and paying a dividend of 2.4%.

POWERTECH

Powertech is predominantly involved in the manufacture of cables (power & telecommunications) and while its earnings in the last financial year were impacted by the weak South African economy and changes in Telkom's procurement policy, there is significant potential for earnings growth from the current base. On the telecommunications side it is exposed to the rapid growth in demand for optical fibre. Powertech is currently trading at a price of R3.30 which represents seven times depressed earnings and yields a dividend of 4.5%.

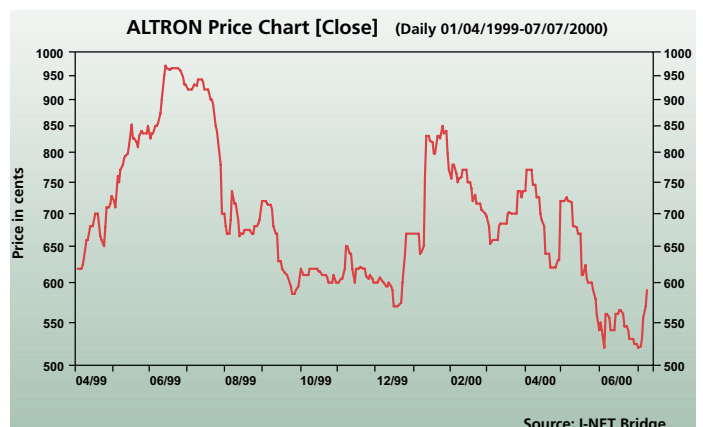
FINTECH

Fintech has three major businesses:

1. Document management services. The main profit contributor is a 50% stake in the Xerox franchise for Southern Africa that sells, leases and maintains Xerox office equipment such as copiers, printers, etc.
2. IT and communications built around the supply and maintenance of ATM's to ABSA, FirstRand and Nedcor.

3. A finance business that feeds off the other two divisions.

Fintech's earnings per share growth over the last ten years has been 5% p.a. faster than the earnings of the All Share Index. In the past year to February 2000 Fintech showed no growth in earnings. The prime reason is the huge drop in interest rates seen over the past year. The majority of Fintech's finance business is funded with their



own capital. The clients whose equipment Fintech finances pay interest at a rate equal to the prime overdraft rate. Since this rate declined by 6% over the past year, the income Fintech derives from finance dropped significantly even though the size of the finance business increased.

Over the next few years we expect Fintech to resume its growth trend, although perhaps at a somewhat slower rate due to the higher base after

FORE GLAMOUR OR FASHION

the strong growth over the last decade and a lower inflation rate. However, it is unlikely that Fintech's long-term growth rate will not at least match that of the All Share Index. Yet, despite its positive history and outlook together with its proven management, Fintech is priced at R4.36 or just over 5 times earnings and yielding a dividend of 6.2%.

USKO

While Altron's investment in Usko is small in the overall group it should provide the base for a growing IT business in future.

CONCLUSION

The Altron Group is embarking on a major restructuring exercise. Recently a consortium consisting of the Venter family and Altron management bought Anglo American's holding in Ventron (Altron's holding company) and Altron at an effective price of just over R7.00 per share (versus a current price of R5.80 per share). The acquisition was partially funded with debt. It has subsequently been announced that Ventron is to be unbundled.

Altron is currently trading at a discount of approximately 20% to its underlying investments. One is therefore buying attractively priced assets at a discount and with a management team that is keen to realise value.

DIDATA

EARNINGS GROWTH WITHOUT VALUE

It is fashionable these days to make a distinction between value investors and growth investors. At Allan Gray we believe this distinction is misleading. The value of a company is determined only to a small extent by its current profits. Much more important are future earnings and in particular the sustainable growth rate of these earnings. A company with low current earnings, but prospects of high growth for many years to come, can offer excellent value even if the price is a high multiple of its current earnings.

Investors in Allan Gray funds will find an absence of very popular shares such as Dimension Data, Datatech, Coronation and Bidvest which have shown consistent increases in earnings per share (eps) of 30 per cent per annum or more. Why do we find these shares unattractive, even though a superficial analysis indicates that their eps will continue to grow, at least in the short term at a very high rate?

The reason is that constant increases in reported eps do not necessarily indicate a superior business. A company whose underlying business grows profits rapidly is an attractive investment. However, it is possible to show high eps growth with negligible increases in underlying profits. The telltale sign of such a company is continual increases in the number of shares in issue by the company.

To see how this works, see the example set out in Table 1 in which, for simplicity, we ignore tax. Assume that a company does nothing except place its capital in the bank where it earns 10 per cent per annum. The company starts with R1000 of capital on which it

Capital (R)	ROE	Earnings (R)	No. Shares	EPS (R)	NAV per Share (R)	Share Price (R)	P/E
1000	10%	100	100	1.00	10	50	50
2000	10%	200	120	1.67	17	84	50
4000	10%	400	144	2.78	28	139	50
8000	10%	800	173	4.63	46	232	50
Growth rates p.a.		100%	20%	67%	67%	67%	

earns R100. A decision is taken to list, and 100 shares are issued. Thus eps will be 100 cents. The company convinces the stock market that it is worth R50 per share by promising outstanding benefits that will arise from some new fashionable venture.

At the start of the second year management issues 20 new shares at R50 each, raising another R1000 of capital that goes straight to the bank. The total capital of the company is now R2000 on which it earns R200. The total number of shares in issue is now 120 – the original 100 shares plus the 20 new shares issued. But notice what happens to the company's eps. It is now $200/120 = 167$ cents or 67 per cent higher than the previous year even though there has been no growth in the underlying business, which is money in the bank. As long as the company can convince investors that it is able to grow and maintains its rating, it can repeat the relatively small rights issues and show 67 per cent per annum growth ad infinitum.

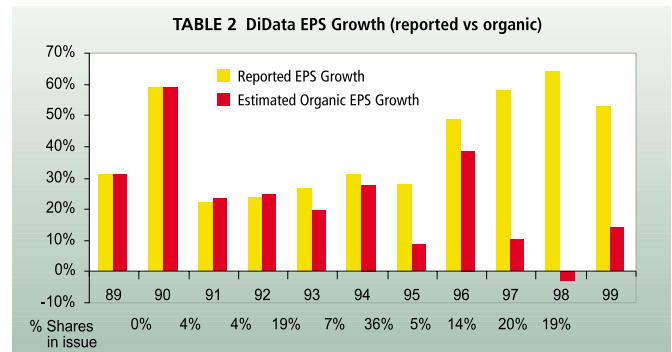
Does the company create value for shareholders? Not in our opinion, since anybody can put money in the bank and the company earns no more than any other investor. What occurs is that early investors can do very well, but this is solely at the expense of investors who join the game at a later stage. Since the original vendors and directors are usually the early investors, the investing public ends up losing money. While the game continues everything looks fine, but the moment the market loses confidence in the company and refuses to buy more shares, the 'chain-letter' type scheme collapses. There are numerous recent examples of cases where this has happened. The shares of many IT companies, such as Usko, Brainware and Wentech, fell apart when they could not place further shares. Other examples are shares in African Merchant Bank, Real

Africa Durolink, Primedia and Macmed.

Even companies with solid underlying profitability can enhance their results with this strategy. Table 2 shows the reported eps growth of Dimension Data (DiData) for the last ten years. Below the graph we

show the annual increase in DiData's number of shares. The money was raised for various acquisitions while a significant portion is still held in cash. Using the mathematics outlined above, one can estimate

DiData's earnings growth excluding the effect of their many rights issues. This paints a very different picture from the reported eps growth rate of over 50 per cent per annum over the past three years. The organic growth rate of DiData's business units is closer to 10 to 20 per cent per annum. The return on capital for DiData, after adding back goodwill written off, is about 11 per cent. This return is less than that of many companies which you will find in your fund and which trade on much more conservative earnings multiples than DiData's.



Our conclusion is that DiData's organic growth does not justify its optimistic market rating. Its latest acquisitions will once again boost eps but it is not clear that they will add value for all DiData shareholders. It is possible to make profits by trading in the shares of such companies, but the investment depends on investor sentiment surrounding the share holding up. We prefer to focus on companies which often have lower growth rates than the 50 per cent plus per annum reported by DiData, but whose growth all originates from the underlying business rather than a significant proportion of growth emanating from financial engineering. This practice means that your fund will typically underperform in periods of intense stock market speculation. However, history has shown that this more rational approach yields superior returns over the longer term with much less risk. We remain confident that it will continue to do so in future.

ALLAN GRAY

It has become common practice for investment management firms to offer clients a vast array of investment products, and to regularly launch new ones.

Hilton Davies
General Manager Unit Trusts

Product proliferation is, according to daily newspaper reporting, most apparent in the unit trust industry where the number of funds has grown from 24 to 278 in 10 years. The same trend can be seen in the life insurance, wrap fund and similar industries.

This approach, taken by most investment firms, holds numerous advantages for them. Firstly, they cannot be held accountable for poor investment performance as their clients have taken some of the key investment decisions themselves, such as choosing between equity and bond funds, consumer and IT funds, value and growth funds. Secondly, the investment firm may deliver poor results overall, but providing it has enough products one of them is sure to give the firm something positive to advertise. Thirdly, salespeople like to have products that are easy to sell. In the investment business these are products that have had strong recent performance, irrespective of future prospects. With a large product portfolio, it is likely that at least one product will be easy to sell due to strong, recent performance.

OUR PRODUCT PHILOSOPHY IS DIFFERENT

At Allan Gray our product philosophy is quite different. We don't believe in requiring our clients to make some of the toughest investment decisions themselves. We believe that we are employed to make those decisions. We hold ourselves fully accountable for our clients' investment performance. We manage investments for the long term and therefore do not make use of short-term promotional tactics.

We do however recognise that investors are not all alike, and that they vary according to their own specific circumstances of age and financial means. These individual circumstances can be distilled into statements of 'income requirement'

and 'risk tolerance' where risk concerns potential loss of capital or underperformance of some defined benchmark. For example, a young person with a high salary and excellent career prospects can tolerate a high degree of risk and has no immediate investment income requirement. The senior citizen who has a modest sum of money on which to live requires a high degree of security and a high income yield.

Strong parallels exist between investors' needs and categories of investments. Just as investors can generally be classified according to their tolerance for risk, so too categories of investments range from low to high risk in terms of risk of capital loss. Higher risk investments generally promise superior returns whereas stable investments generate pedestrian returns. For example, bank deposits have negligible risk of capital loss and produce fairly stable returns – but typically the cost of this stability is poor long-term investment performance with inflation eroding 'real' wealth over time. Broadly speaking, the opposite is also true. Investments that have little or no protection against capital loss, such as shares, usually produce highly volatile performance but in the long run create 'real' wealth.

Within the risk spectrum between bank deposits and shares one finds a range of investments such as bonds, debentures, listed property and the like.

The capital risk in this spectrum of investments is to a large extent dependent upon the income yields of the various investments. Higher yielding investments tend to be priced in relation to prevailing and expected cash returns. As cash returns tend to be less volatile than the price/earnings ratios of shares, higher yielding investments, including higher yielding shares, are less risky than the share indices on the whole.



VIEWPOINT

PRODUCT PHILOSOPHY

The above would seem to imply that highly risk tolerant investors, those who are young or wealthy, should invest in shares, whereas risk-averse investors should keep their savings in the bank. We believe this is too simplistic.

It is not uncommon to find that the market's assessment of risk and return appears to be less than rational. Through our proprietary analysis we are able to uncover shares in sound companies with good prospects which, surprisingly, generate dividend yields that approach bank deposit returns especially on an after-tax basis. Such shares have some profound attractions. Firstly, they produce a high level of tax-free income and, secondly, they tend to behave quite differently to the rest of the stock-market. In investment jargon such shares are described as having a low beta – this means that if the overall stock-market rises or declines, these shares move less percentage-wise. Therefore they provide an element of capital stability together with a better yield.

We believe that investors with different characteristics are best served by suitably designed funds. To this end we have created a spectrum of risk-profiled funds. These funds vary according to the risk-tolerance attributes of our clients.

For the risk-averse and income-conscious investor we offer the **Allan Gray Stable Fund**. The average investor is likely to choose the **Allan Gray Balanced Fund** and the risk-tolerant investor is likely to find the **Allan Gray Equity Fund** attractive. We think that most investors will be able to find a good match between their own personal circumstances and the characteristics and objectives of one of the Allan Gray funds. In this way we can exercise full investment discretion while adhering to our clients' specific risk parameters. Comparisons of the Allan Gray funds are set out in the adjoining table 'Characteristics and Objectives of Allan Gray Funds'.

CHARACTERISTICS AND OBJECTIVES OF ALLAN GRAY FUNDS			
	STABLE FUND	BALANCED FUND	EQUITY FUND
Maximum equity exposure	60%	75%	95%
Share orientation	A portfolio chosen for its high income yielding potential.	A portfolio selected for superior long-term returns.	A portfolio selected for superior long-term returns.
Return Characteristics/ Risk of monetary loss	<ul style="list-style-type: none"> superior after-tax returns to bank deposits limited capital volatility capital preservation over any 2-year period. 	<ul style="list-style-type: none"> superior long-term returns risk will be higher than the Stable Fund but less than the Equity Fund. 	<ul style="list-style-type: none"> superior long-term returns risk higher than Balanced Fund but less than average General Equity fund due to our low risk investment style.
Target Market	<ul style="list-style-type: none"> Highly risk-averse investors Eg. investors in bank deposits or money market funds. 	<ul style="list-style-type: none"> Investors seeking long-term wealth-creation who have delegated the asset balancing decision to Allan Gray. 	<ul style="list-style-type: none"> Investors seeking long-term wealth creation who have delegated only the equity selection function to Allan Gray.
Income	Highest income yield in the Allan Gray suite of funds.	Average income yield in the Allan Gray suite of funds.	Lowest income yield in the Allan Gray suite of funds but typically higher than that of the average General Equity fund.
Income Distribution	Distributed quarterly.	Distributed bi-annually.	Distributed bi-annually.
Compliance with Pension Fund Investment Regulations	Complies.	Complies.	Does not comply.
Fee principles	Performance-fee oriented to out-performance of taxed bank deposits. No fees if capital loss is experienced over a 2-year period.	Performance-fee oriented to out-performance of the average Prudential Sector Fund.	Performance-fee oriented to out-performance of the JSE All Share Index.

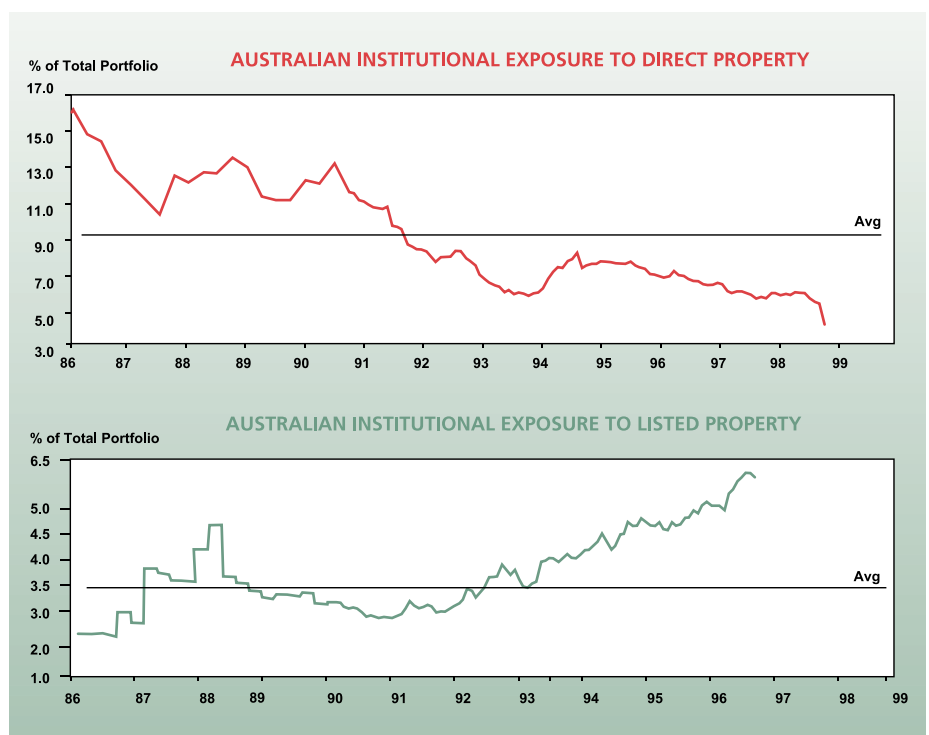
INVESTMENT TRENDS

SECURITISATION OF PROPERTY

With the move to defined contribution retirement schemes, it became apparent that illiquid direct property holdings hampered funds' ability to properly structure products for their members. The sale of liquid assets such as cash, bonds and shares often resulted in an overweight direct property position in the rump of many funds. Listing these property assets in a securitised portfolio has given funds the flexibility to maintain a suitable property exposure with none of the previous drawbacks.

AUSTRALIA - AN ECONOMY MUCH LIKE OURS

Both in the USA and Australia, the two largest listed property markets in the world, the trend during the 1990s has been the growing securitisation and listing of previously directly held property holdings. In Australia, an economy much like ours and with many of the same trends in the retirement fund environment, the listed property market is now over AUD30 billion. It is the fifth largest sector comprising nearly



6% of the total market capitalisation on the stock exchange. The average institution, which in 1986 had 16% of its assets in direct property holdings and approximately 2% in

Securitisation involves the exchange of individual assets for a share in a larger pool of assets. A major benefit of this is the risk diversification the pool of assets provides, and the listing on a stock exchange gives better liquidity and regular auction pricing.

John Rainier
Managing Director
Allan Gray Property Trust and
Allan Gray Property Investments Limited



listed holdings, now has only 4% in direct property and 6% in listed property. The adjoining graphs indicate this substantial move away from direct property holdings into listed property.

INAPPROPRIATE TIMING?

A number of years ago, Allan Gray realised that the changes mentioned above, supported by world-wide trends, indicated that it would be most advantageous for our

clients to list their direct property holdings on the JSE. Until recently however, listed property has traded at its greatest discount to underlying NAV since the establishment of the sector. Clearly the timing was inappropriate. After the re-rating in 1999, listed property values have moved closer to those of direct properties.

PROPERTY LISTING

Allan Gray Property Investments Limited

(‘Grayvest’) was listed on 14 June 2000 on the property loan stock sector of the JSE. It is currently the largest company on that sector by market capitalisation, and complements Allan Gray Property Trust, our existing ungeared property vehicle.

Grayvest was born out of our clients’ direct property holdings as well as properties from numerous other pension funds.

PROPERTY - A SUFFERING ASSET CLASS

Property as an asset class has suffered from total neglect by most asset managers, evidenced by the decline in exposure in the mean pension fund from 11% of total assets in 1990 to 2% in 1999. In fact this action has been totally foolhardy as can be seen in the adjoining table which shows the returns of competing asset classes over a one and three year period to 30 June 2000 (percent per annum).

As the table shows, property trusts have produced the best capital appreciation and, as expected, highest income return over the past three years. On a one year view property trusts have comfortably out-performed the next best, the All Bond Index.

	1 YEAR to 30 June 2000	3 YEARS to 30 June 2000		
	Total Return %	Capital Return %	Income Return %	Total Return %
All Share Index	12,0	1,3	2,7	4,0
Financial and Industrial Index	7,0	-1,8	2,2	0,4
All Bond Index	20,5	1,7	14,9	16,6
Property Trust Index	24,8	2,9	18,8	21,7

These are exciting times in all aspects of our business. This year we appointed two new directors to the main board, reinforced Allan Gray Namibia's senior management, increased our contribution to community-based education, took on numerous retirement fund clients in South Africa and Namibia, and added to our number of unit trust unitholders. In addition, we launched another unit trust and listed Allan Gray Property Investments Limited.

Mark Herdman
Chief Operating Officer



NEW DIRECTORS APPOINTED

One of our newly appointed directors, Stephen Mildenhall, who is just 28 years old, is a very good example of our employment and staff development policy in practice. We employ the brightest young graduates we can find.

Stephen falls into this category. He obtained his B Com (Hons) with distinction from U.C.T. He was awarded numerous prizes and scholarships and was on the Dean's Merit List for three years. He went on to complete a post Graduate Diploma in Accounting and served his articles with Deloitte & Touche qualifying as a CA (SA) in

1996 and a Chartered Financial Analyst in 1998. Once employed we provide analysts with rigorous on-the-job training under a mentor. Stephen joined us in 1997 and was fortunate to work closely with Dr Allan Gray advising on South African shares for the Orbis Africa Fund. Stephen has a passion for investments and has shown remarkable progress as a stock picker and equity portfolio manager. Once such talent manifests itself it is vital for us to nurture and to stimulate it. Stephen was appointed to the Board in January this year and is a meaningful shareholder in the business.



Stephen Mildenhall
Director

The current environment of profit warnings and corporate failures of many of 1998's 'new listings' serves to validate the soundness of the Allan Gray investment philosophy which looks beyond market sentiment and thus avoids such shares.

GRAY MATTERS

TO THE MAIN BOARD

Dr Sibs Moodley-Moore has also been appointed to our Board. She was employed as a consultant in March 1998 to assist us in the development of our transformation, affirmative action and black empowerment policies.

Sibs has had a distinguished academic career lecturing various political and social science courses (specialising in diversity management) at a number of institutions including the University of Stellenbosch,

Trinity College (Hartford, Connecticut, USA) and University of Maryland (Seoul, Korea). She has done research and was a visiting lecturer in Canada, Singapore and Malaysia. Sibs is currently on sabbatical in the USA and is studying for an MBA at the University of Connecticut. She spends three weeks every term in our offices but as from next year will work for us three days a week until her lecturing commitments at the University of Stellenbosch have been met.

The opportunity to drive transformation and empowerment issues at all levels of Allan Gray is tremendously exciting. A company already imbued with a culture of excellence will become even better, truly the leading asset management firm in South Africa.

Sibs Moodley-Moore
Director



EXCITING DEVELOPMENTS IN NAMIBIA AND AT HOME



I am excited about the opportunity to focus all my energies on research as research is the key to intelligent investment decision making.

Renée Tubbesing
Chief Investment Officer
Allan Gray Namibia

In May we aligned the senior management structure of Namibia with that of Allan Gray by appointing the then General Manager Simon Garoëb to Chief Operating Officer and Renée Tubbesing as Chief Investment Officer. Renée is currently in the process of employing an additional analyst. Her team works closely with the South African investment team and their work, which involves research on stocks listed on the Namibian stock exchange, will be expanded to include South African companies.

WE ALWAYS ENDEAVOUR TO TREAT ALL OF OUR CLIENTS EQUALLY

One of the most satisfying experiences for an investment manager is welcoming new clients. Our client base is growing in all areas: segregated retirement funds, private clients and unit trust unitholders. We welcome them all and reassure them of two things. Firstly, all of our clients are equally important, irrespective of size or how long they have been with us. We always endeavour to treat them equally by providing similar performance for similar mandates. Secondly, we also realise that together with welcoming a client comes a responsibility to clearly understand and fulfil their needs.

Our clients are vitally important to us so please do not hesitate to contact any one of our senior executives by telephone, e-mail or letter, should you have any enquiries.

NEW RETIREMENT FUNDS UNDER MANAGEMENT

In South Africa the three largest retirement funds that have joined us are De Beers Pension Fund, Durban Pension Fund and Tongaat-Hulett Pension Fund. In Namibia, University and Polytechnic of Namibia Retirement Fund and Edcon Namibia Retirement Fund (Edgars Consolidated Stores Namibia) have, amongst others, joined Allan Gray Namibia.



The current structure will enable me to concentrate on growing the Namibian business as well as servicing our client base.

Simon Garoëb
Chief Operating Officer
Allan Gray Namibia

GRAY MATTERS

LENDING A HELPING HAND

Since 1997 we have supported a wonderful academic institution, Headstart College, situated in Salt River, Cape Town. Headstart College began in January 1992 and its focus is the upgrading of students' results in English, Mathematics and Physical Science. These subjects in particular were not being effectively taught in schools in disadvantaged areas and, as a result, students were being denied a significant number of career opportunities in scientific and technological fields.

Students who attend the college at present are largely Xhosa-speaking and come from the surrounding historically Black townships such as Khayelitsha, Guguletu, Nyanga-Crossroads and Langa. When entering the college they have typically passed Grade 12 but with quite poor results, usually below 40%.

A MORE EFFECTIVE CONTRIBUTION

The professional and committed teaching staff has produced almost 1000 students who are now able to make a more effective contribution towards the country's economy. These are students who had little chance of a career or of further study before they came to Headstart College.

Headstart College has consistently produced high pass rates in all the academic subjects it offers. Approximately 70% of Headstart College students have been able to gain access to tertiary education, including universities,

technicians and teacher and nursing colleges. A number of ex-Headstart students have already graduated and are in employment or doing post-graduate degrees.

Allan Gray Limited has supported Headstart College both financially and materially in its educational upliftment objectives. We are the second largest financial supporter of the college and have donated computers and office equipment as well as providing technical assistance in the establishment of a computer centre. We have recently participated in a highly successful 'workshadow' program enabling students to gain exposure to and experience in the financial services industry.



**Headstart College
Salt River, Cape Town**

ALLAN GRAY PERFORMANCE

	Annualised performance in % per annum (except 1/2 year) to 30 June 2000				
	1/2yr	1 yrs	3 yrs	5 yrs	Since inception
Allan Gray Global Balanced Mandate Pension Funds	2.1	25.8	21.7	20.5	23.8¹
Mean of the Consulting Actuaries Survey*	-1.8	15.2	9.4	14.3	18.7
Allan Gray Equity Mandate Pension Funds	-5.1	22.9	17.9	19.6	18.5²
All Share Index	-8.7	12.0	4.0	10.0	12.7
Allan Gray Namibia Balanced Mandate Pension Funds	2.8	23.3	17.4	17.7	18.3³
Alexander Forbes Namibia Average Manager*	-2.4	13.8	7.7	12.9	12.7
Allan Gray Unit Trust - Equity Fund**	-5.4	21.8	-	-	162.9⁴
All Share Index**	-8.7	12.0	-	-	58.4
Allan Gray Unit Trust - Balanced Fund**	1.2	-	-	-	22.9⁵
Average Prudential Fund**	-5.2	-	-	-	11.6
Allan Gray Unit Trust - Stable Fund	n/a				
Bank Call Deposits	n/a				

* The returns for Quarter 2, 2000 are estimated from various JSE Actuaries Indices as the relevant survey results have not yet been released.

** The returns since inception for the Unit Trusts and their benchmarks are unannualised.

Inception dates: ¹1.1.1978 ²1.1.1990 ³1.1.1994 ⁴1.10.1998 ⁵1.10.1999

ALLAN GRAY PRODUCTS

SEGREGATED PORTFOLIOS

RETIREMENT FUND INVESTMENT MANAGEMENT IN SOUTH AFRICA

Allan Gray manages large retirement funds on a segregated basis where the minimum portfolio size is R100 million. These mandates are exclusively of a balanced or asset class specific nature.

RETIREMENT FUND INVESTMENT MANAGEMENT IN NAMIBIA

Allan Gray Namibia manages large retirement funds on a segregated basis.

PRIVATE CLIENTS

Allan Gray manages segregated portfolios for individuals where the minimum portfolio size is R20 million.

POOLED PORTFOLIOS

ALLAN GRAY BALANCED FUND (UNIT TRUST)

In this fund the firm provides investment management for smaller retirement funds and individuals in a pooled vehicle identical to that for segregated retirement fund portfolios. The fund complies with the Prudential Investment Guidelines as laid down in the Pension Funds Act. The minimum investment requirement is R5 000.

ALLAN GRAY STABLE FUND (UNIT TRUST)

In this fund the firm provides investment management for smaller retirement funds and individuals where the investor has a low tolerance for risk. The fund complies with the Prudential Investment Guidelines as laid down in the Pension Funds Act. The minimum investment requirement is R5 000.

ALLAN GRAY EQUITY FUND (UNIT TRUST)

In this fund the firm provides an investment vehicle for smaller retirement funds and individuals seeking to make asset allocation decisions themselves, but wishing to make use of Allan Gray for share selection. The minimum investment requirement is R10 000.

ALLAN GRAY NAMIBIA INVESTMENT TRUST

In this fund Allan Gray Namibia provides investment management for smaller Namibian retirement funds in a pooled vehicle that is identical to that for segregated Namibian retirement fund portfolios. The minimum investment requirement is N\$5 million.

ALLAN GRAY

LONG TERM INVESTMENT MANAGEMENT

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