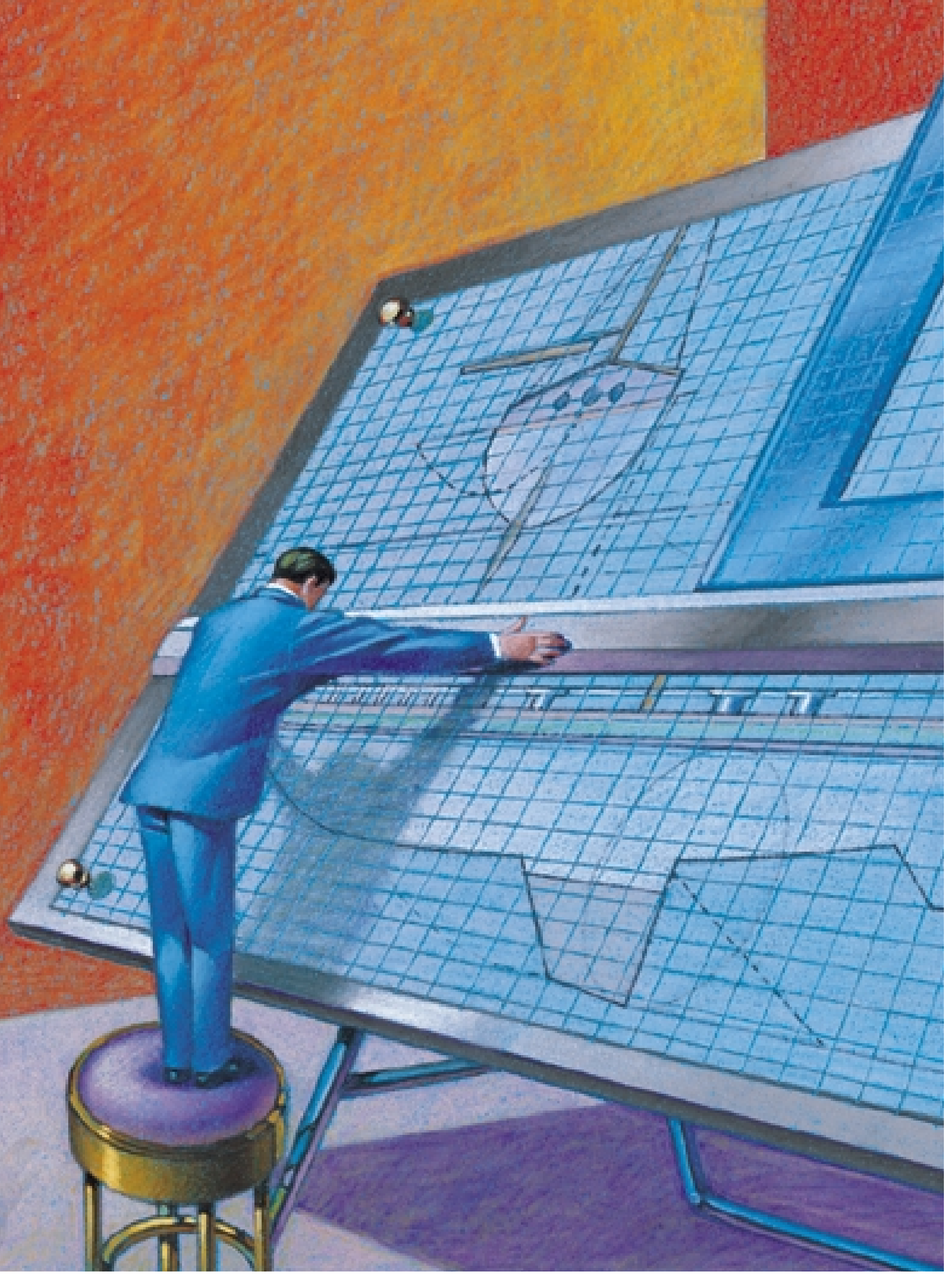


ALLAN GRAY

LONG TERM INVESTMENT MANAGEMENT

Q2

ALLAN GRAY QUARTERLY COMMENTARY 30 JUNE 2001

Inside this issue

ALLAN GRAY
LONG TERM INVESTMENT MANAGEMENT

Q2

The story behind the picture
This illustration serves as a visual analogy for the intricate planning process Allan Gray undertakes before making long-term investment decisions.

The offshore Orbis Global Equity Fund and the Allan Gray Money Market Fund are two new additions to our product line-up. Read about them on Page 8.

Mark Herdman
Chief Operating Officer

COMMENTS
FROM the Chief Operating Officer

In this issue of the Allan Gray Quarterly Commentary, we look at some of the complexities involved in the investment decision-making process and new products.

'Investment Viewpoint' by our equity strategist, Jack Mitchell, who is also a fixed interest portfolio manager, discloses some aspects of how we formulate medium-term views on macro-variables such as the business cycle and commodity prices. Jack highlights how our investment approach - which involves investing in shares when they are priced significantly below the value of their underlying businesses - is far more rewarding when applied consistently than trying to predict economic or stockmarket cycles.

INVESTMENT COMMENTARY

In 'Investment Commentary', Dr Simon Marais tells why our clients' portfolios have a far greater exposure to small cap. shares than most of our peers' funds. The primary reason is simply that we believe this sector of the stockmarket currently contains a large number of attractive investment opportunities. Already it appears as if the significant underperformance of small cap. shares relative to large shares has ended, and is reversing, as it did in the U.S.

Both Jack and Simon's articles will also appear in our second quarter Unit Trust Report.

NEW PRODUCT NEWS

Given our philosophy of not proliferating products, it is unusual for Allan Gray to launch two new products in one quarter. We prefer to limit investor choice but still cater for specific risk-reward profiles. This is done by accepting responsibility for some of the tough decisions an investor is often asked to make such as the selection of asset classes or equity sectors.

However, the Orbis Global Equity Fund and Allan Gray Money Market Fund are important additions to our product offering.

We are very excited to be able to offer the world's top performing offshore global equity fund. The Orbis Global Equity Fund is managed by the Orbis Group, our international affiliate, and is number one in the world over the last 10 years according to the latest Standard and Poor's rankings.

Our Money Market Fund enables unit trust investors to 'park' their money while deciding which fund to invest in, or to use as a safe haven if capital protection is of paramount importance.

GRAY MATTERS

In 'Gray Matters' we discuss the new position at Allan Gray entitled Head of Retail Marketing and Distribution. The profiled Johan de Lange fills this role. We are immensely proud of our Information Centre (formerly known as the library) which is also featured. It, and the people who run it, play a critical role in supporting our analysts.

INVESTMENT PERFORMANCE

The second quarter of 2001, which ended on 30 June, again proved to be a rewarding one for our clients. Our segregated retirement funds, with a full discretion global balanced mandate, earned 12.9% versus our estimate of the mean of the Consulting Actuaries Fund Survey of 11.0%. Shares returned 16.6% compared to the JSE All Share Index at 13.9%. Foreign assets, managed by the Orbis Group, continued to perform very well generating 10.1% in Rands compared with our foreign asset benchmark of 1.3% in Rands.

The total return produced by our clients' global balanced portfolios for the first six months of 2001 was 25.4% versus our estimate of the mean of the Consulting Actuaries Fund Survey of 8.1%.

Please refer to Page 12 for the performance details of all our various mandates and Page 13 for our long-term share performance track record.

With the current volatility in financial markets and extreme differences in valuations which still persist in world stockmarkets, it is a particularly favourable investment environment for our fundamental, value-based approach. Hence, we look forward to continued sound performance.

I trust that you enjoy this issue of our 'Quarterly Commentary'.

With kind regards

MARK HERDMAN
Chief Operating Officer

investment

SHARE SELECTION AND

Our share portfolios are constructed principally on our tried and tested value-based methodology while our view of the economy, business cycles and commodity prices is also influential.

Jack Mitchell
Director, Allan Gray Limited
Chairman, Allan Gray Unit Trusts, Allan Gray Property Trust Management Limited and Allan Gray Property Investments Limited

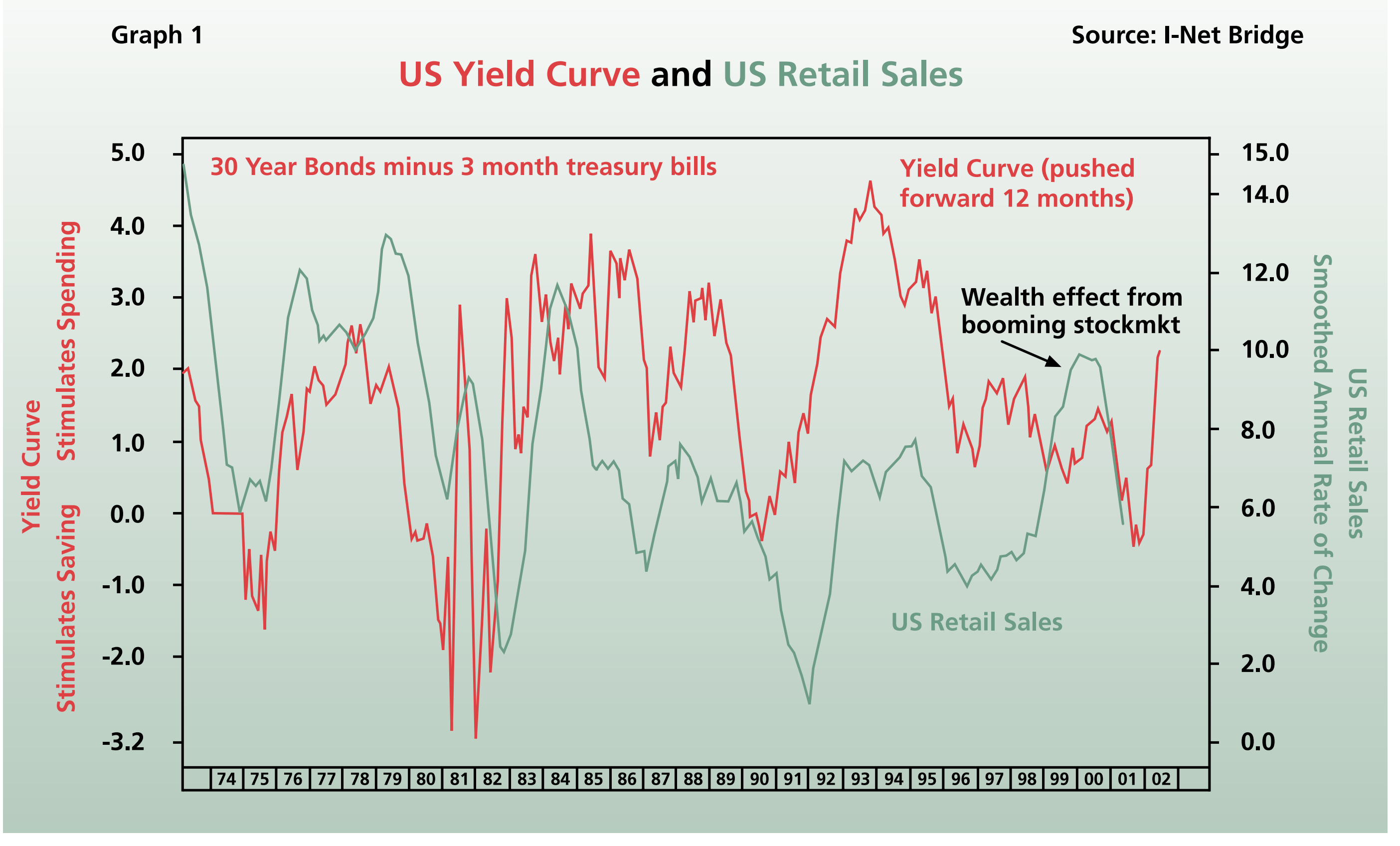
In our endeavours to create wealth for our clients, the investment team at Allan Gray channels most of its efforts into selecting the right shares. This focus stems from the experience we have gained through investing in businesses priced below intrinsic value, and the rewards that this has produced. For your convenience, our complete equity performance record is published on Page 12 of this quarterly commentary.

Objective analysis of a company's prospects allows a fair value to be placed on the price of its shares. Shares that are incorrectly priced inevitably gravitate back to fair value over time. This principle applies equally to over and undervalued shares.

Investing in shares priced significantly below their true value provides a cushion against disappointment before the investment turns sour. While our share selection is not immune to mistakes, some of which we referred to in our last quarterly commentary, we

viewpoint

ECONOMIC FORECASTING



are convinced that a portfolio of undervalued shares has low risk.

Our share portfolios are constructed principally on our tried and tested value-based methodology while our view of the economy, business cycles and commodity prices is also influential. However, we have noted over the years that predicting cycles is less helpful than share selection in creating wealth. Nevertheless, given the fact that we are often asked for our views on these broader investment topics, we would like to share some aspects of our approach to these difficult questions with you in this commentary.

THE COST OF MONEY EFFECT

When faced with the choice of borrowing money and spending it, or conversely saving money and investing it, the price one pays or is paid, is paramount. Simply put, cheap borrowing leads to increased expenditure, whereas high returns stimulate saving.

Central banks are strongly influential in the everyday cost of money. While they can influence short rates, they have limited control over the cost of long-term money or bond rates. Consequently, the cost of short and long-term money can move in opposite directions.

For instance, if a central bank engineers a sharp drop in the cost of borrowing, the market will anticipate increased spending which will lead to increased borrowing, the effect of which will cause interest rates to rise. Therefore, the cost of longer-term borrowing often moves higher even as short rates are falling. The divergence in USA rates

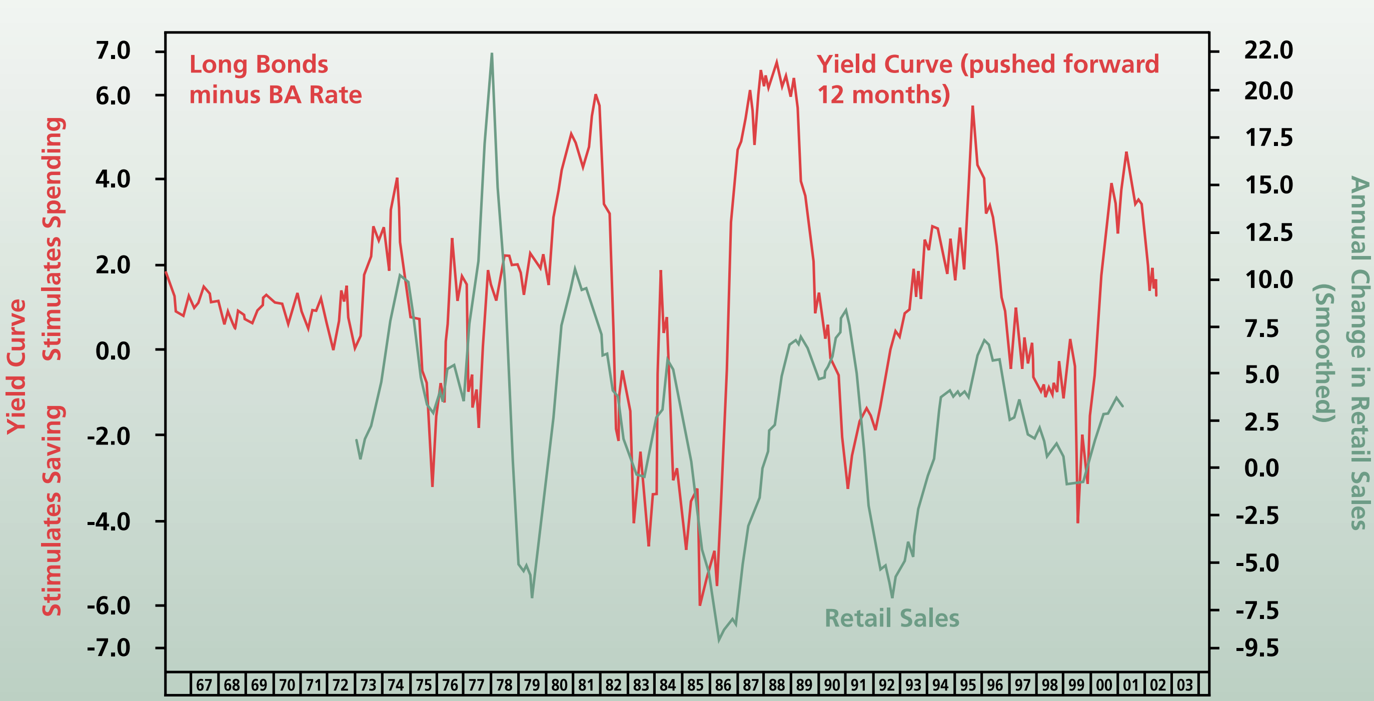
investment

SHARE SELECTION AND ECONOMIC FORECASTING - CONTINUED

Graph 2

Source: I-Net Bridge

SA Yield Curve and Retail Sales



in the second quarter of this year illustrates this point. When short rates are lower than long rates, the spread between them is known as a positive yield curve.

On the other hand, should the central bank sharply increase the cost of money, market forces will tend to anticipate a decrease in spending, leading to a reduction in borrowings.

Under such circumstances long rates have a tendency to fall, even though short rates are rising.

If the return on money today is higher than future returns, the spread is referred to as a negative or inverted yield curve.

When short rates are well below long rates, an improvement in spending can be expected. In a classic business cycle this culminates in an extensive capital investment phase as businessmen operating at full capacity seek to enhance their business facilities. Typical business cycle upturns are three to four years in duration.

Conversely, when short rates are higher than long rates, the anticipation is for the economy to weaken over a similar time span. Full economic cycles, peak-to-peak or trough-to-trough, normally last seven to eight years.

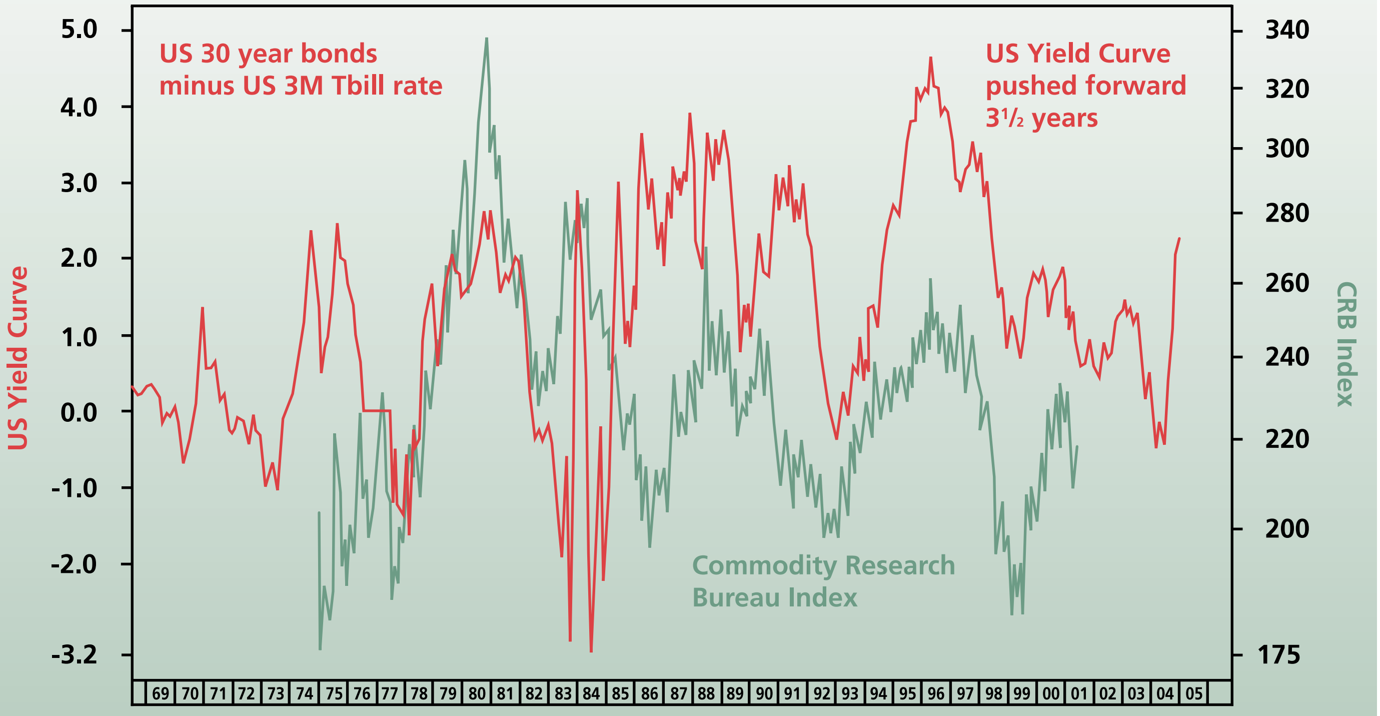
In summary, it can be seen that long rates anticipate economic forces and therefore where short rates are headed. This is why the difference between short and long-term rates is such a good predictor of the economy.

viewpoint

Graph 3

Source: I-Net Bridge

US Yield Curve and Commodity Prices



THE USA EXAMPLE

As can be seen from Graph 1 on Page 3 there is a close correlation between the shape of the yield curve and retail expenditure one year later. The most obvious deviation was the recent 1999 / 2000 spending binge which was not forecast by the yield curve. We attribute this exception to the 'feel good' effect arising from the extraordinary boom in the stockmarket to which we referred in our last quarterly commentary.

Given recent movements in the yield curve, the US economy is likely to continue weakening this year and to pick up strongly in 2002.

THE SOUTH AFRICAN EXAMPLE

Similar to the USA example, there is a close correlation in Graph 2 between the shape of the yield curve and retail expenditure one year later. There are some noticeable exceptions. For instance, the spending boom in late 1977 and subsequent collapse in 1979 was largely unforeseen. Further, the prolonged upturn in 1990 was against the cycle, leading to the delayed recovery in 1992.

The recent flattening of the yield curve indicates the SA economy is likely to be weak over the next 12 months.

COMMODITY PRICES AND THE YIELD CURVE

We have shown that changes to the shape of the yield curve have an impact on spending patterns approximately one year later and, in addition, an up or down cycle typically takes three to four years to develop fully.

Towards extremes in the business cycle, for example when business is very good, businessmen are inclined to increase their business capacity, whereas in exceedingly poor business conditions, such plans are scrapped. Insofar as capital expenditure uses large amounts of commodities, commodity prices are particularly responsive to extremes in the business cycle.

Comparing commodity prices to the US yield curve shows a close correlation some 3½ years after the trend change in the cost of money as shown in Graph 3. Given the lagged response of one year before any initial change in spending takes place, it can be seen that commodity prices are reacting 2½ years later, that is, well into the mature or capital investment/disinvestment phase of the cycle.

Unfortunately for South Africa, the lead indicator points to weakness in commodity markets through to 2004 with some respite next year. On this measure, weakness in commodity shares in 2003 could provide an outstanding entry point.

investment

SMALL CAPS: A FERTILE HUNTING GROUND FOR FUNDAMENTAL INVESTORS

The market is ignoring small cap shares yet the sector includes many good businesses with quality management and strong balance sheets.

Simon C Marais
Chairman, Allan Gray Limited

Investors who have known us for a long time are likely to notice that the number of shares in our portfolios (currently 64 in the Equity Fund Unit Trust) is far more than one would normally expect in a portfolio managed by Allan Gray. The reason is the inclusion of a large number of shares in small companies.

Over long periods of time there is no reason to believe that one class of share will always outperform another. The same is true of the shares of small and large companies. Graph 1 compares the returns of small cap* shares in the US against the S&P 500 index (which comprises large companies) over the past 75 years. Over that period small cap shares have yielded better returns than their larger cousins, but have been much more volatile. There is good reason for this. Smaller companies are more exposed to the ups and downs of the economy and industries in which they operate, hence the volatile returns.

On the other hand, small companies have much more room to grow than large corporations which already have a dominant market share. Over the past 20 years Microsoft has grown at an amazing pace from its small original base. Now that they dominate the computer world, it will be impossible to maintain the same growth rate. In fact, it is much more likely that some new competitor like Linux could erode their massive market share and reduce future earnings.

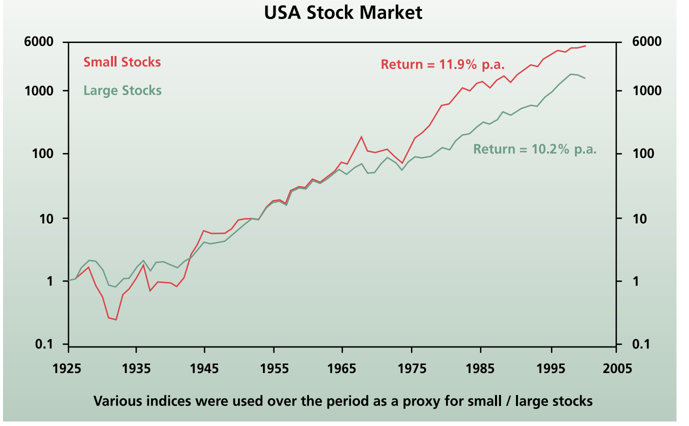
What does this mean for investors? Over the very long term it is a mistake to ignore small companies since they have recorded the highest long-term returns. However, given their volatility, one must be especially careful about these companies when their prices are high due to their popularity with investment managers. At this stage their scope for disappointment is great. But at the same time the expected returns from a collection of small caps at depressed prices is significantly more than for the share market as a whole.

As shown in Graph 2, during the bull market of early 1998, small companies were all the rage. New listings were a daily occurrence and almost all were hugely oversubscribed by fund managers who were desperate to gain exposure to this red-hot sector of the market. By the middle of 1998 some of these small upstarts had market capitalisations exceeding that of many large companies with ten times the profit supported by long and proud histories.

With the market crash in August 1998, the market's appetite for these small shares vanished. As investors looked at shares much more rationally, and the small caps included many dubious new listings, small shares dropped even more than the broader indices.

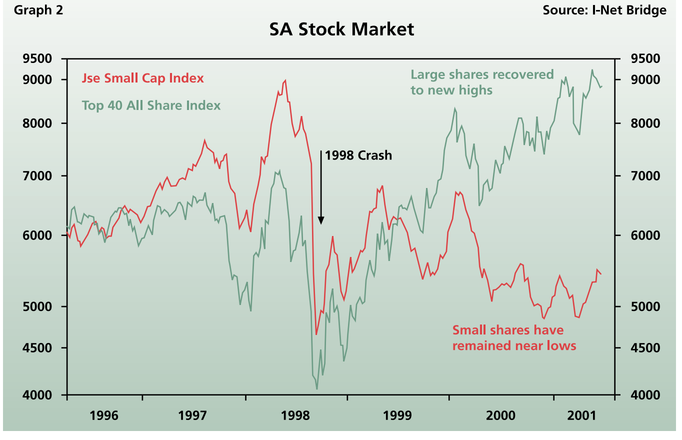
During 1999 the All Share Index recovered strongly moving to a new high. However, with the tough economy and poor quality of many

Graph 1 Source: I-Net Bridge



Various indices were used over the period as a proxy for small / large stocks

commentary



smaller companies, the small cap index recovered little of its 1998 losses. The underperformance continued throughout 2000 and the first few months of 2001.

The market is currently completely disillusioned with small companies, resulting in constant outflows from small cap unit trusts.

At the same time it has become reactionary policy at many large institutions to focus only on the major shares. In fact, at the end of March 2001 over 80% of institutional portfolios were invested in the Top 40 companies on the JSE. Most large brokerage houses, now more than ever, focus exclusively on the large cap shares, since this is where the majority of business is generated. In addition, asset managers are becoming increasingly unwilling to move too far from their benchmarks. The benchmark is heavily weighted towards large companies forcing ever more money into these shares.

Conditions such as these provide a fertile hunting ground for fundamental business investors like ourselves. Admittedly, there are many poor quality businesses among the small caps following the listings boom of 1997/98. In some cases, even the current low prices are likely to prove optimistic. But the sector also includes many quality companies with good businesses, high quality management and strong balance sheets. In the blanket move away from small caps, the market is completely ignoring these shares. It is not uncommon for our analyst to be the only investment professional to have called on some of these companies in the last 12 months.

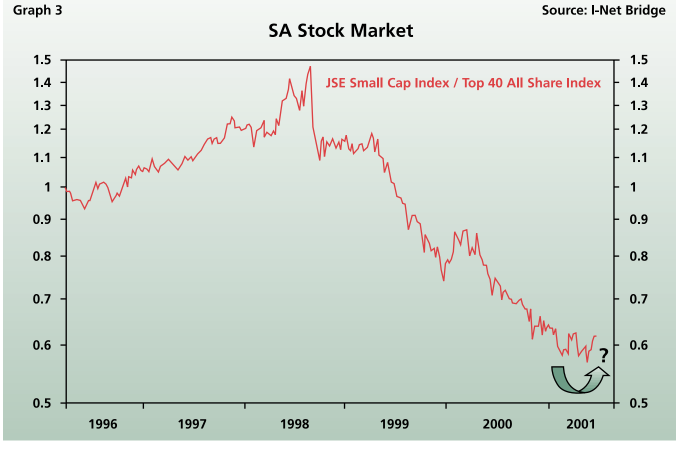
We have identified many opportunities here for our clients' portfolios. The best shares in this sector are excellent quality companies with sound prospects at low prices (Mr Price, EL Bateman, Bowcalf, Kagiso, Fintech and MediClinic). Other opportunities are good companies with long histories that have experienced tough conditions, but whose shares can be bought on a low price/earnings multiple on earnings that are currently depressed. As the earnings recover to more normal levels, investors can benefit from both increasing earnings and higher ratings as the better prospects are factored in by the stock market. Such shares include Foschini (featured in our last quarterly commentary), Powertech, Hudaco, Dorbyl, Astral, M & R, Argent and Astrapak.

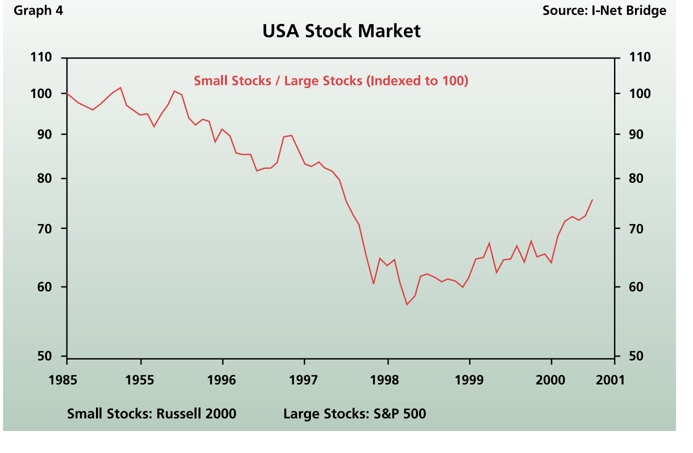
A final category would be higher risk opportunities where companies have had volatile recent histories, but where the price of the share is so low that very little upside is discounted. A small position in a number of these opportunities, especially those where we feel more confident about their business prospects, could prove very rewarding for our clients without a major increase in risk. These shares include small IT shares like Bytes, Spescom, Unihold and Ixchange, as well as Rainbow, Scharrig Mining and Trencor.

Allan Gray buys good value on behalf of its clients and tends not to be overly concerned about when the value will be unlocked. If you buy a solid company at a large discount to its true value your investment will ultimately be rewarded.

As indicated in Graph 3 we believe the long slide of small companies relative to the benchmark All Share Index may be nearing the end. In the USA as shown in Graph 4, smaller shares have recently made strong gains in a tough overall stock market after a long period of underperformance. Themes on overseas markets normally lead our domestic market providing further hope that we may be seeing the first sustained upturn of small caps in June.

*Cap is an abbreviation for capitalisation which is calculated by multiplying the number of issued shares of a company by the market price per share. This gives the total value of the company as reflected by the stockmarket.





NEW product

ORBIS GLOBAL EQUITY FUND

Dr. Allan WB Gray, founder of Allan Gray and Orbis Investment Management Limited with William Gray, Orbis President and Portfolio Manager

We are pleased to announce that in May the Financial Services Board granted its approval for Allan Gray to market and distribute the Orbis Global Equity Fund. This is an exciting development as it means we can now offer South African clients the opportunity to invest in one of the world's leading offshore global equity funds.

The Orbis Global Equity Fund is managed by our international affiliate, the Orbis Group. Based in Bermuda, Orbis was established in 1988 when Allan W B Gray, who founded Allan Gray Limited in South Africa in 1974, moved abroad.

Prior to starting Allan Gray Limited, Dr Gray worked for the U.S.-based Fidelity Management and Research (one of the world's largest investment management firms) for eight years where he gained considerable international investment experience. Realising early on that South Africa would eventually ease its exchange control policy, and that our clients would require international asset management, he established Orbis.

Orbis has offices in London and Bermuda and manages eight offshore mutual funds listed on the Bermuda Stock Exchange. The investment team comprises 14 investment professionals, including Dr Gray, and his son William who is a portfolio manager as well as President of the Group.

Orbis's flagship fund is the Orbis Global Equity Fund. Introduced on 1 January 1990, the Fund remains fully invested in global equities and aims

Percentage Total Rates of Return in US$		ORBIS GLOBAL EQUITY FUND	WORLD INDEX	AVG. GLOBAL EQUITY FUND
Annualised	Since inception	15.5	7.8	6.6
	Latest 10 years	17.3	10.3	8.1
	Latest 5 years	17.1	8.6	5.5
	Latest 3 years	18.8	2.3	1.1
	Latest year	28.1	(18.2)	(19.5)

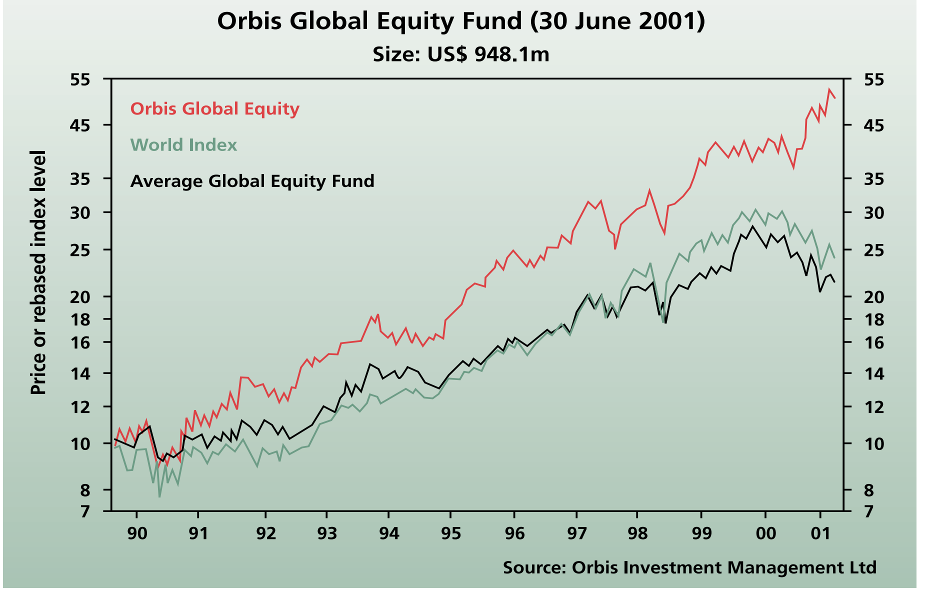
news

to earn higher returns than world stockmarkets. Its benchmark is the FTSE World Index including income. Applying the same investment approach and process as Allan Gray Limited, Orbis has achieved an exceptional performance track record with this Fund. The performance chart appears opposite and the table on Page 8.

Since inception the Fund has delivered an annualised return of 15.5% versus 7.8% for the world index and 6.6% for the average global equity fund. For the last 10 years up to 30 June 2001, the Orbis Global Equity Fund is ranked as the top performing offshore global equity fund in the world, as measured by Standard and Poor's. Currently there are 542 funds included in this sector with a total value of approximately $64 billion. The Orbis Global Equity Fund ranks amongst the top 10 funds in size with $948 million.

Over almost every period since inception, including the latest 10, 5, 3 and 1 year periods, the Fund's performance falls within the top five percent of all funds surveyed. The Fund has no front-end fee and no compulsory charge. The units are both bought and sold at Net Asset Value which means that for every $1 invested you get $1 of underlying assets. The only fee is for investment management and is linked to performance.

If the Fund outperforms the World Index over a three-year rolling period by 25 percentage points, it incurs the maximum fee of 2.5% per annum; if it equals the World Index it pays 1.5% per annum. The fee can fall to 0.5% per annum for underperformance.



ALLAN GRAY MONEY MARKET FUND

On 2 July 2001, we launched a new unit trust, the Allan Gray Money Market Fund. This Fund caters for investors who have the following needs:

- Those who want to find a short term parking space for surplus funds during times of market volatility.
- Those who are risk averse and require a high degree of capital stability.
- Those who have a short term horizon.

With this in mind the fund invests in selected money market instruments. Its investment objective is to exceed the return of the Alexander Forbes three-month deposit index, as well as provide a high degree of capital stability with minimal risk of loss.

The fund is managed by Michael Moyle, who holds an M.Sc., an MBA and is a CFA charterholder. In addition to managing the fund, Michael's responsibilities include portfolio construction and the analysis of derivatives, fixed income and money market instruments. Prior to joining Allan Gray in 1997, he worked as an engineering analyst in South Africa and the USA.

gray matters

A NEW MARKETING POSITION AT ALLAN GRAY

Prior to establishing our Unit Trust Management Company in 1998, our clients consisted of large corporate and parastatal retirement funds and a limited number of private clients. We had no marketing or front office client servicing team. Clients requiring our investment management services approached us via one of the large asset management consultants, or directly.

With the trend towards individual choice (where members of retirement funds are allowed to select a specific risk-profiled portfolio and investment manager which matches their specific needs) we realised that the man-in-the-street was soon to play a more dominant role in our business. We had a very low public profile, and our distinct and quite different investment philosophy and approach was not well-known. We therefore took an active decision to elevate our public profile in an attempt to improve the investing public's understanding of Allan Gray and to assist them in their selection of an investment manager.

The launch of our unit trusts marked our entrance into the retail market and was our first direct interaction with the private investor, their advisers in the I.F.A's (Independent Financial Advisers) and the bulk providers such as the linked investment service providers (LISP's). We have been fortunate in that we have experienced extraordinary growth in our unit trust business with our Equity Fund now over R1bn (three months before its third birthday) and total assets under management over R1.6bn (in only three funds).

But, while this has been gratifying, and the comments about the quality of our client servicing very complimentary, we are aware that we need to do a lot more in establishing long term relationships with our clients and their service providers - particularly the I.F.A's who advise them, the multi-mangers who use our Funds to construct their portfolios and the LISP's who provide them with administration services.

Initially, we will aim to improve communication with our clients as well as focus on an educational drive to explain and promote our distinct investment philosophy.

In order to implement this relationship building strategy, we created a new function titled Head of Retail Marketing and Distribution and employed Johan de Lange to fill this role. Johan is profiled on this page and is currently building a team to assist him in servicing all our retail clients.

In addition, in order to maintain our high standards of front office client service, whose staff are now handling over 2000 calls per month, we have employed a further two client service assistants to add to our existing team of three: Carlene Dodgen and Ntombi Hlazi join Janine Titus, Sharna Jegels and our Client Liaison Manager, Anne Mayers.

PROFILE

Johan de Lange - Head of Retail Marketing and Distribution

Johan joined Allan Gray on 1 June 2001. This new position primarily entails the marketing of our unit trusts and building of long-term relationships with our clients and with other major role players such as IFA's, multi-managers and linked product companies.

Johan has a strong retail distribution background. He joined us from Equinox Financial Solutions (an online investment administration business) and prior to that was at Momentum Administration Services (now Momentum Wealth) for over four years. He has a B.Proc and is an Admitted Attorney with the Law Society of the Northern Provinces. He also has a FPI qualification (Financial Planning Institute).

Email: Johan@allangray.co.za

Johan de Lange
Head of Retail Marketing and Distribution

An investment in knowledge
pays the best interest
- Benjamin Franklin

From left to right: Lorato (Rachel) Bogacwi, Debby Myers, Viola Reizenberg

SUPERIOR RESEARCH REQUIRES SUPERIOR KNOWLEDGE GATHERING SKILLS

Allan Gray devotes a substantial portion of its business efforts to detailed company-specific investment research as it is our experience that such research holds the key to superior long-term performance.

At the heart of quality research is quality information. As Dr. Allan Gray has so often said, 'the more difficult the information is to find, the more valuable it is.'

The Allan Gray research team is fortunate to have at its disposal what we believe is one of the most professional and highly developed information centres in our industry. The 'Library' has been one of our critical resources since inception in 1974, enabling us to analyse the histories of companies as far back as possible. In the early days before historic databases and computer graphics became available, we created our own references and drew long-term charts manually.

In step with the Information Age, our Library has become a full-fledged Information Centre.

The Allan Gray Information Centre is a service, research and knowledge management resource dedicated to supplying the information needs of all Allan Gray staff. Here all information is accessed, generated, stored and transferred, so that employees throughout the firm can make use of it easily.

Our search for companies whose shares are priced such that they represent superior fundamental value begins by applying a number of sorting techniques. These include the creation of a research universe that concentrates on 160 companies out of a possible 613, based on profitability and marketability. The Information Centre focuses on these companies and their respective industries, providing our analysts with in-depth, long-term information upon which they can base their conclusions.

To this end also, we subscribe to over a 100 journals covering industries and investment-related topics of interest to our staff. The Information Centre has embraced new technologies to assist with the provision of current news, reports, share and commodity prices and industry statistics. The internet, worldwide web, online search facilities, and online databases and journals, all contribute to the availability of instant information to an investment team that is driven by a critical need for knowledge.

PROFILES

Debby Myers - Information Centre Manager
BA (UCT) H Dip Lib (UCT)

Debby joined Allan Gray in March 1990 as the Information Centre Manager. Over the past ten years she has introduced new knowledge management systems into the resource centre and keeps in touch with international best practice by attending the Special Libraries Association Annual Conference together with 6000 librarians from all over the world. She is passionate about her work and prides herself on providing superior service. Debby is responsible for the creation each year of our research universe of shares, and the updating of many of our in-house online databases and statistical research spreadsheets. Ultimately, Debby is responsible for the acquisition and distribution of all information at Allan Gray.

Lorato (Rachel) Bogacwi

Lorato has been an assistant in the Information Centre for the past ten years. She is responsible for the daily filing of the listed company information and the distribution of the brokers' reports. Rachel enjoys the challenge of working in a research environment and dealing with people.

Viola Reizenberg

Viola is responsible for the daily newspaper clippings and the company annual reports as well as our in-house subject files and international industry files. She has been with Allan Gray for the past five years. Viola is committed to providing excellent service at all times enjoying interaction with the research analysts and being part of the Allan Gray team.

allan gray performance

ALLAN GRAY LIMITED PERFORMANCE PROFILE

	Annualised performance in percent per annum (except second quarter) to 30 June 2001					Assets under management
	Second quarter	1 yr	3 yrs	5 yrs	Since inception	R millions
SEGREGATED RETIREMENT FUNDS						
Global Balanced Mandate	12.9	49.5	41.5	23.8	24.8[1]	8 825
Mean of the Consulting Actuaries Fund Survey*	11.0	18.9	14.4	12.6	18.8	
Domestic Balanced Mandate	12.7	39.2	44.2	24.6	25.0[1]	3 498
Alexander Forbes Domestic Manager Watch*	12.4	19.8	14.8	12.8	18.8	
Equity-only Mandate	17.3	46.3	42.7	20.7	20.7[2]	4 204
All Share Index	13.9	23.0	13.9	8.8	13.5	
Namibia Balanced Mandate	11.5	48.0	37.4	21.2	21.9[3]	1 037
Alexander Forbes Namibia Average Manager*	11.0	21.7	13.3	12.3	16.0	
UNIT TRUSTS**						
Stable Fund	4.8	21.2	-	-	21.2[4]	63.3
Benchmark***	2.1	8.6	-	-	8.6	
Balanced Fund	11.9	37.4	-	-	35.1[5]	520.9
Average Prudential Fund	9.9	15.7	-	-	15.6	
Equity Fund	16.7	41.7	-	-	61.4[6]	1 017.2
All Share Index	13.9	23.0	-	-	27.5	

* The Consulting Actuaries Fund Survey is compiled by Alexander Forbes Asset Consultants and included 195 retirement funds totalling R168 billion at the end of 2000, which makes it the largest performance survey in terms of assets measured. The returns for Quarter 2, 2001 are estimated from various JSE Actuaries Indices as the relevant survey results have not yet been released.

** The returns for the Unit Trusts and their respective benchmarks are net of investment management fees.

*** After tax return of call deposits plus two percentage points.

Inception dates: [1] 1.1.1978 [2] 1.1.1990 [3] 1.1.1994 [4] 1.7.2000 [5] 1.10.1999 [6] 1.10.1998.

ALLAN GRAY LIMITED SHARE RETURNS vs ALL SHARE INDEX

Period	Allan Gray*	All Share Index	Out/(Under) Performance
1974 (from 15.6)	-0.8	-0.8	0.0
1975	23.7	-18.9	42.6
1976	2.7	-10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	-0.3
1979	86.9	94.4	-7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	-4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	-4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	-5.1	9.6
1991	30.0	31.1	-1.1
1992	-13.0	-2.0	-11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	-17.4	-4.5	-12.9
1998	1.5	-10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001 (to 30.6)	25.8	12.4	13.4
Annualised to 30.6.2001			
3 years	47.2	13.9	33.3
5 years	21.5	8.8	12.7
10 years	22.2	13.8	8.4
Since 15.6.74	29.1	18.2	10.9
Average out-performance			10.9
Number of years out-performed			21
Number of years under-performed			6

*Note: Allan Gray commenced managing pension funds on 1.1.1978. The returns prior to that date are of individuals managed by Allan Gray. These returns exclude income.

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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 - UNIT TRUSTS

CHARACTERISTICS AND OBJECTIVES OF ALLAN GRAY UNIT TRUST FUNDS

	MONEY MARKET FUND	STABLE FUND	BALANCED FUND	EQUITY FUND
Benchmark	The Alexander Forbes 3-month deposit index.	After tax return of call deposits plus two percentage points.	The average (market value-weighted) of the Domestic Prudential Unit Trust Sector excluding the Allan Gray Balanced Fund.	All Share Index including income.
Maximum equity exposure	0%	60%	75%	95%
Portfolio orientation	Invested in selected money market instruments providing a high income yield.	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 objectives	Superior money market returns.	Superior after-tax returns to bank deposits.	Superior long-term returns.	Superior long-term returns.
Risk of monetary loss	• Low risk • High degree of capital stability.	• Limited capital volatility • Seeks to preserve capital over any 2-year period.	• Risk will be higher than the Stable Fund but less than the Equity Fund.	• Risk higher than Balanced Fund but less than the average general equity fund due to our low risk investment style.
Target market	• Highly risk-averse investors • Investors seeking a short-term parking place for their funds.	• Risk-averse investors e.g. investors in bank deposits or money market funds.	• Investors seeking long-term wealth-creation who have delegated the asset balancing decision to Allan Gray.	• 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.	Higher income yield than the Balanced Fund 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 monthly.	Distributed quarterly.	Distributed bi-annually.	Distributed bi-annually.
Compliance with Pension Fund Investment Regulations	Complies.	Complies.	Complies.	Does not comply.
Fee principles	Fixed fee of 0.5% (excluding VAT) per annum.	Performance-fee oriented to out-performance of taxed bank deposits. No fees if a negative return is experienced over a rolling 2-year period.	Performance-fee oriented to outperformance of the average Prudential Sector Fund.	Performance-fee oriented to outperformance of the JSE All Share Index.
Minimum lump sum investment requirement	R50,000.	R5,000.	R5,000.	R10,000.

POOLED PORTFOLIOS - LIFE COMPANY

(The minimum investment per Life Company client is R10 million)

CHARACTERISTICS AND OBJECTIVES OF ALLAN GRAY LIFE PORTFOLIOS

	RISK-PROFILED PORTFOLIOS			ASSET CLASS PORTFOLIOS			
	STABLE	BALANCED	ABSOLUTE	MONEY MARKET	BOND MARKET	LISTED PROPERTY	EQUITY
Investor Profile	• highly risk-averse institutional investors, eg investors in money market funds.	• institutional investors with an average risk tolerance.	• institutional investors seeking superior absolute returns (in excess of inflation) over the long-term with a higher than average short-term risk tolerance.	• institutional investors requiring management of a specific money market portfolio.	• institutional investors requiring management of a specific bond market portfolio.	• institutional investors requiring management of a specific listed property portfolio.	• institutional investors requiring management of a specific equity portfolio.
Product Profile	• conservatively managed pooled portfolio • investments selected from all asset classes • shares selected with limited downside and a low correlation to the stock market • modified duration of the bond portfolio will be conservative • choice of global or domestic-only mandate.	• actively managed pooled portfolio • investments selected from all asset classes • represents Allan Gray's houseview for a balanced mandate • choice of global or domestic-only mandate.	• aggressively managed pooled portfolio • investments selected from all asset classes • will fully reflect the manager's strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio • choice of global or domestic-only mandate.	• actively managed pooled portfolio • investment risk is managed using modified duration and term to maturity of the instruments in the portfolio • credit risk is controlled by limiting the exposure to individual institutions and investments.	• actively managed pooled portfolio • modified duration will vary according to interest rate outlook and is not restricted • credit risk is controlled by limiting the exposure to individual institutions and investments.	• actively managed pooled portfolio • portfolio risk is controlled by limiting the exposure to individual counters.	• actively managed pooled portfolio • represents Allan Gray's houseview for a specialist equity-only mandate • portfolio risk is controlled by limiting the exposure to individual counters.
Return Characteristics/ Risk of Monetary Loss	• superior after-tax returns to bank deposits • limited capital volatility • strives for capital preservation over any two-year period.	• superior long-term returns • risk will be higher than Stable Portfolio but less than the Absolute Portfolio.	• superior absolute returns (in excess of inflation) over the long-term • risk of higher short term volatility than the Balanced Portfolio.	• superior returns to the Alexander Forbes Money Market Index • low capital risk • high flexibility • capital preservation • high level of income	• superior returns to that of the JSE All Bond Index plus coupon payments • risk will be higher than the Money Market Portfolio but less than the Equity Portfolio • high level of income.	• superior returns to that of the Alexander Forbes Listed Property Index (adjusted) • risk will be no greater than that of the benchmark and will be lower than the Equity Portfolio • high level of income.	• superior returns to that of the JSE All Share Index including dividends • absolute risk will be no greater than that of the benchmark
Benchmark	Taxed bank deposits.	Mean performance of the large managers as surveyed by consulting actuaries.	Mean performance of the large managers as surveyed by consulting actuaries.	Alexander Forbes Money Market Index.	JSE All Bond Index plus coupon payments.	Alexander Forbes Listed Property Index (adjusted).	JSE All Share Index including dividends.
Fee Principles	Fixed fee, or performance fee based on out-performance of the benchmark.	Fixed fee, or performance fee based on out-performance of the benchmark.	Fixed fee, or performance fee based on out-performance of the benchmark.	Fixed fee.	Fixed fee.	Fixed fee.	Fixed fee, or performance fee based on out-performance of the benchmark.

Notes 1 The above risk-profiled portfolios comply with Regulation 28 of the Pension Funds Act.
2 The above asset class portfolios comply with the asset class requirements of Regulation 28.

NAMIBIAN POOLED PORTFOLIO - ALLAN GRAY NAMIBIA INVESTMENT TRUST

This fund provides investment management for 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.

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INTERNATIONAL POOLED PORTFOLIOS

ORBIS GLOBAL EQUITY FUND

Type of Fund	U.S. dollar denominated Equity Fund which remains fully invested in global equities.
Investment objective	Aims to earn higher returns than world stockmarkets. Its benchmark is the FTSE World Index, including income. The Fund's currency exposure is managed relative to that of the benchmark.
Structure	Open-ended Bermuda mutual fund company. (Similar to unit trusts in South Africa).
Dealing costs	None. No front-end fee (initial charge) or transaction charges (compulsory charge). Please note that this is not a Rand-dominated unit trust so a prospective investor is required to have funds offshore.
Manager's fee	0.5% - 2.5% per annum depending on performance.
Subscriptions/redemptions	Weekly each Thursday.
Reporting	Comprehensive reports are distributed to members each quarter.
Client Service Centre	Allan Gray client service desk on 0860 000 654


View of the V&A Waterfront from Allan Gray Headquarters

ALLAN GRAY

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