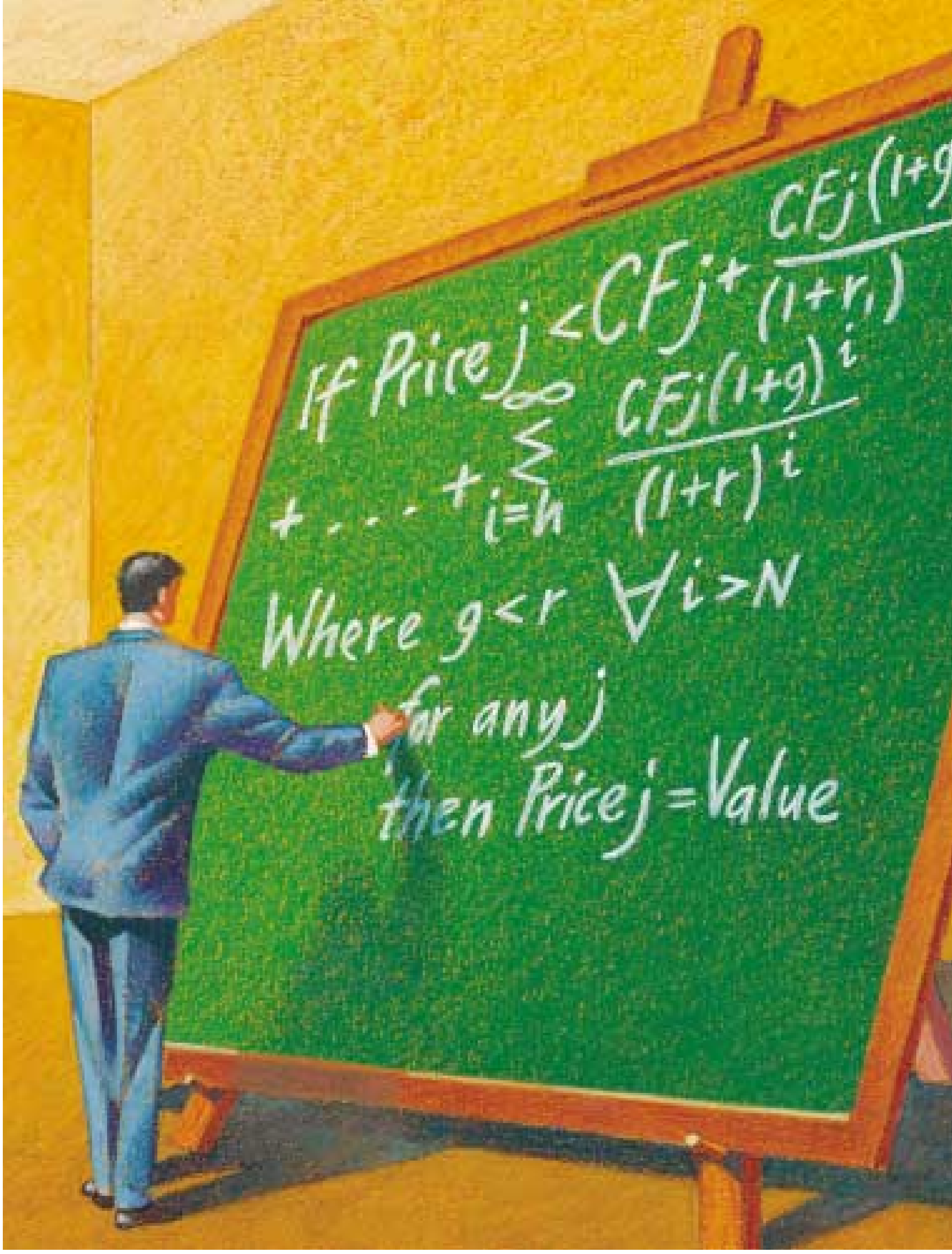


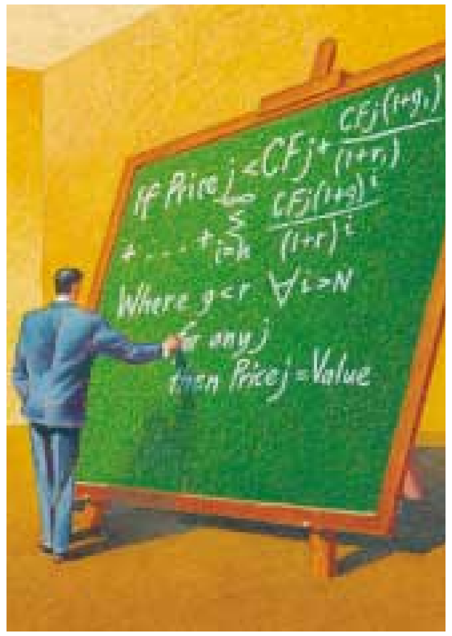
ALLAN GRAY

LONG TERM INVESTMENT MANAGEMENT

Q3

ALLAN GRAY QUARTERLY COMMENTARY 30 SEPTEMBER 2000

INSIDE THIS ISSUE



The story behind the picture

This illustration, intentionally enhanced for advertising purposes, represents Allan Gray's value-oriented investment formula. In essence, it involves identifying businesses with sound intrinsic value whose shares are cheap but have considerable upside potential. This enables us to ignore market sentiment and concentrate on realising meaningful long-term growth in our clients' portfolios.

ALLANGRAY
LONG TERM INVESTMENT MANAGEMENT

Q3

Our introductory edition of 'Quarterly Commentary' published at the end of June 2000 elicited positive and pleasing feedback from a wide range of recipients. I'd like to thank all those who responded and I hope that you find our Q3 edition equally informative. More to the point, I trust that you will continue to share our optimism about Allan Gray and the quality of investment service we strive to deliver to all our clients.

Mark Herdman
Chief Operating Officer

COMMENTS
FROM THE CHIEF OPERATING OFFICER

We start this issue with a specific 'Stock Market Perspective' written by one of our seasoned professionals, Jack Mitchell. We always find Jack's observations incisive, reflecting the depth of his 28 years of experience in the investment business. His article highlights the marked difference in the composition of our clients' share portfolios compared with the average portfolios of the other nine largest investment managers. It also expresses our willingness to stray from the herd in the search for fundamentally undervalued investment opportunities. We believe that this is the foundation of our long-term track record of outperformance.

INVESTMENT COMMENTARY

In 'Investment Commentary', Stephen Mildenhall differentiates two styles of investing: growth and value. He identifies common misconceptions about the value approach and analyses two related shares, SISA and Kersaf, as examples which contradict these views. Both counters are substantially represented in our clients' portfolios.

Both 'Investment Viewpoint' and 'Investment Commentary' articles will appear in our third quarter Unit Trust Report.

NEW BUSINESS DEVELOPMENTS

'New business developments' introduces Allan Gray Life, our recently established Life Company. With the formation of Allan Gray Life, together with our segregated and unit trust businesses, the Group can now offer its investment services and range of investment products to a diverse client base with differing needs. We also profile the product range of Allan Gray Life.

GRAY MATTERS

'Gray Matters' focuses on one of our development and training policies for investment staff. The article explains how our people are encouraged to study for, and to obtain, the internationally acknowledged Chartered Financial Analyst designation. We also describe our bursary and scholarship programme which is aimed at empowering previously disadvantaged people through education.

INVESTMENT PERFORMANCE

The strong momentum of outperformance established in 1999 and the first half of 2000 has continued in the third quarter for all of our clients and across our whole product range. As can be seen from the Performance Profile on page 12, this has resulted in substantial added value to our clients over a 3 and 5 year period. Our long term track record for segregated global balanced retirement funds is 24.0% p.a. versus 18.8% p.a. for the average retirement fund over the 22.75 years since inception. Over this period, an Allan Gray portfolio with this mandate would be worth 165% more than a portfolio that earned the returns of the average pension fund.

The main driver of this performance has been our equity returns. When stock markets are weak and volatile as has been the case since the beginning of the year, our share selection tends to perform strongly. This is shown by our clients' 7.6% equity return for the year to 30 September 2000 versus a negative 1.3% delivered by the All Share Index.

Whilst massive short term outperformance is always welcome, this is not Allan Gray's promise to clients. The degree of recent outperformance that our clients have enjoyed is unlikely to be repeated to the same extent. We are however totally convinced about our ability to generate superior performance, and therefore wealth, over the long term.

We hope you enjoy this issue.

With kind regards

MARK HERDMAN
Chief Operating Officer

INVESTMENT VIEWPOINT

We believe the risk/reward playoff is now firmly in favour of small shares as opposed to larger shares.

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

STOCK MARKET PERSPECTIVE

IS THE INDEX A FAIR REFLECTION OF THE MARKET?

Stock market observers measure share performance in terms of indices. In the US the best-known indices are the Dow Jones Industrial Average, the Standard & Poor's 500 and the Nasdaq 100. In the UK reference is often made to the 'Footsie' - the Financial Times (FT) 100 Index - whereas in South Africa the Johannesburg Stock Exchange All Share Index (ALSI) is the broadbased yardstick.

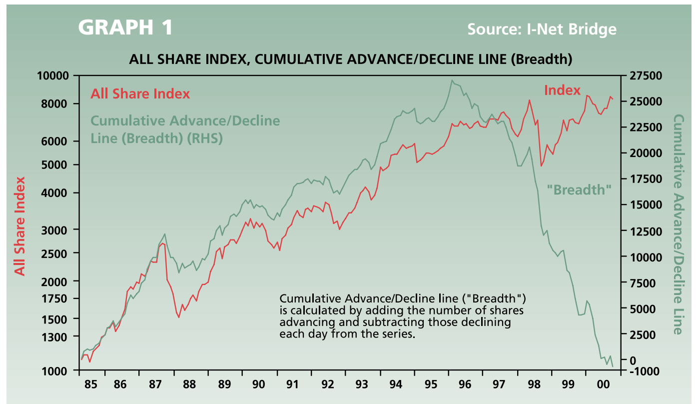
While some historical indices such as the Dow Jones Index are simple arithmetical computations, the preference these days is to construct indices on a money-weighted basis. This is a two dimensional approach using the share prices of companies that make up the index and weighting them according to the total value of shares in each company (issued shares x price). This weighting is commonly known as the market capitalisation (market cap) of a company. Consequently, large companies have a profound effect on index movements whereas small companies have significantly less influence.

In sustainable bull or bear markets the underlying mass of shares moves in tandem with the index. The principal reason for this is that the major determinants of share trends, such as economic growth and the cost of capital in the form of interest rates, tend to affect all market participants.

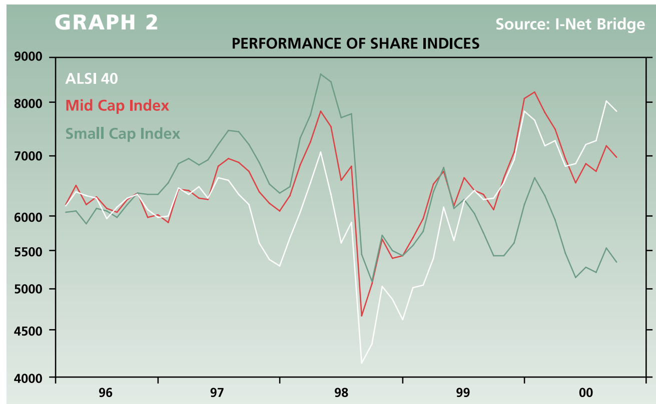
Unfortunately, market trends are not always this straightforward. Occasionally, the index and the majority of shares move in opposite directions. In market jargon the trend of the index is not supported by 'breadth'. Eventually these divergent trends play themselves out whereupon the index and breadth move back into synchronisation with each other.

The reason we bring this particular stock market perspective to your attention at this juncture is that most indices world-wide have been out of synchronisation with the mass of shares for some time. Specifically, the indices have been strong whereas most shares have been weak. The same has also been true for the South African stock market, as depicted in Graph 1.

Notice how the majority of shares, having confirmed the uptrend for many years, failed to do so after January 1996. The record high in the second quarter of 1998 attained by the ALSI was not confirmed by breadth. This divergent trend was again emphasised in January 2000. Once again the most recent strength of the index has not been confirmed by the majority of shares. This casts further doubt on the sustainability of the uptrend for the index.



Apparently buyers are choosing to be increasingly more selective, making ever bigger investments in large cap shares while offloading the rest. Resultantly, large cap shares are becoming progressively more expensive relative to their smaller counterparts. We believe this presents an opportunity to uncover attractive investments amongst the smaller companies as opposed to the larger ones. This observation is irrespective of which market trend eventually prevails.



LARGE, MEDIUM AND SMALL SHARES

In 1996 indices were first established in South Africa that monitor the movement of shares based on their size in the ALSI. The 40 largest shares are subcategorised as the 'ALSI 40'. The largest holding in this subcategory is Anglo American plc representing 10.6 percent of the ALSI and the smallest is Comparex with 0.2 percent. In total, these 40 shares account for a full 78.7 percent of the ALSI.

Next most meaningful in terms of value is the 'Mid Cap Index' which holds 58 counters ranging from Lonmin (1.0 percent of ALSI) to Unifer (0.1 percent of ALSI). This index accounts for 12.9 percent of the ALSI. Not surprisingly, the smallest index in terms of value is known as the 'Small Cap Index'. It comprises a mass of 476 counters, representing the balance (some 8 percent) of the ALSI. How have these share indices performed over the past five years? (See Graph 2.)

Notice how in the final run-up to the bull market peak in 1998 investors favoured the small cap shares which were subsequently offloaded in the sell-off in the third quarter of that year. Thereafter large cap shares performed best, with small cap shares remaining out of favour. Clearly the market goes through phases in which one group of shares is preferred over the other. Mid cap shares move between the two extremes, but being closer in make up to the ALSI 40 are, for the most part, influenced by larger shares.

Small shares tend to thrive when investors throw caution to the wind, whereas larger shares often find favour after the first sign of trouble. The initial shock tends to send investors scurrying back to the perceived security of 'blue chip' shares. With the recent precipitous fall in small shares etched in their minds, this category is presently being shunned by investors as "too risky" and these shares continue to be discarded as fast as the market can bear.

While it is clear that investors go through substantial mood swings regarding the merits of large versus small shares, what are the facts regarding the respective underlying earnings performance of these share categories? (See Graph 3.)

Although the time frame is relatively short, it is clear that medium sized shares have out-performed large shares in terms of earnings performance. Small shares, which have been particularly cyclical, have only recently underperformed. This is to be expected in a poor economic environment. Over the longer term, international data confirms that larger shares do not outperform smaller shares in terms of earnings performance.

HOW HAS THE PRICE EARNINGS MULTIPLE FOR THE DIFFERENT CATEGORIES MOVED SINCE THE MARKET SLUMP OF 1998?

Price Earnings Multiple	Sept 1998	Sept 2000
ALSI 40	9.4	15.2
Mid Cap Index	11.6	13.8
Small Cap Index	9.0	11.1

Given that the earnings growth rate for large shares is the same as for smaller shares, the multiple on earnings of 15.2 currently awarded to large shares seems generous relative to the 11.1 multiple on small shares. Not surprisingly, our proprietary research throws up the most attractive shares in the unpopular small share category.

Our research into how the top ten investment managers have recently constructed their share portfolios in terms of large versus small shares, reveals the following profile:

PERCENTAGE SHARE EXPOSURE

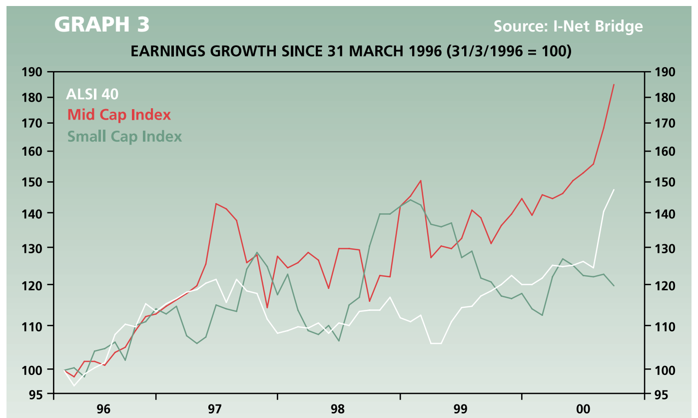
	Large Shares	Medium Shares	Small Shares
All Share Index	78.7	12.9	8.4
Large Managers*	81.8	15.4	2.8
Allan Gray	21.6	32.9	45.5

*Top ten managers excluding Allan Gray

Our reading of these statistics is that the move out of small shares to larger shares has, by and large, already occurred. The intense selling of small cap counters has driven share prices in this category down, resulting in low earnings multiples. On the other hand, the larger shares have attracted all the buying and are highly rated.

We believe the risk/reward playoff is now firmly in favour of small shares as opposed to larger shares. Bear in mind when investment managers in aggregate have very large holdings in specific shares the risk attached to these shares, should they change their minds on the merits of the investment, is high. Equally, the risk is low when they have negligible holdings in specific counters.

Most investment managers seem to find comfort amongst the herd because they do not wish to differ dramatically from industry returns. Investment managers who adopt independent thinking often have very different portfolios and are labelled as having high "relative" risk. Meanwhile the risk of actual capital loss, as demonstrated by our share portfolios at Allan Gray, is significantly lower than the average equity portfolio.



Our mission is to excel on behalf of our clients. This entails seeking out superior investments with limited risk of capital loss. Typically these investments are made at the low point of their investment cycle, not at the high or most popular point. After all, superior long-term investment performance can only stem from rational investment decisions that differentiate our clients' portfolios from those of our competitors.

INVESTMENT COMMENTARY

VALUE VERSUS GROWTH

The principal difference between ourselves and the typical growth investor is that we do not put much emphasis on short-term earnings growth.

Stephen Mildenhall
Equity Portfolio Manager and Analyst
Director, Allan Gray Limited

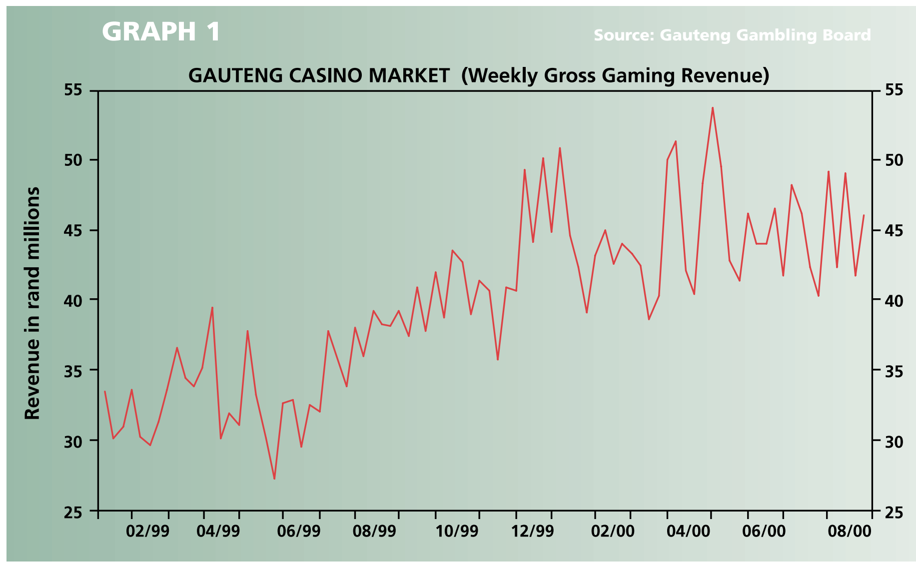
Investing styles are generally divided into two principal categories: value and growth. Interpretations of what these styles encompass differ. Many believe that value investing simply means buying shares in companies that are priced cheaply either because the underlying businesses are poor or because they have encountered tough times and there is an expectation of a turnaround. The perception also exists that value investors have a bias towards cyclical resource stocks. Growth investing on the other hand is perceived as buying shares in companies that have a predictable growth in earnings for which investors are willing to pay a premium.

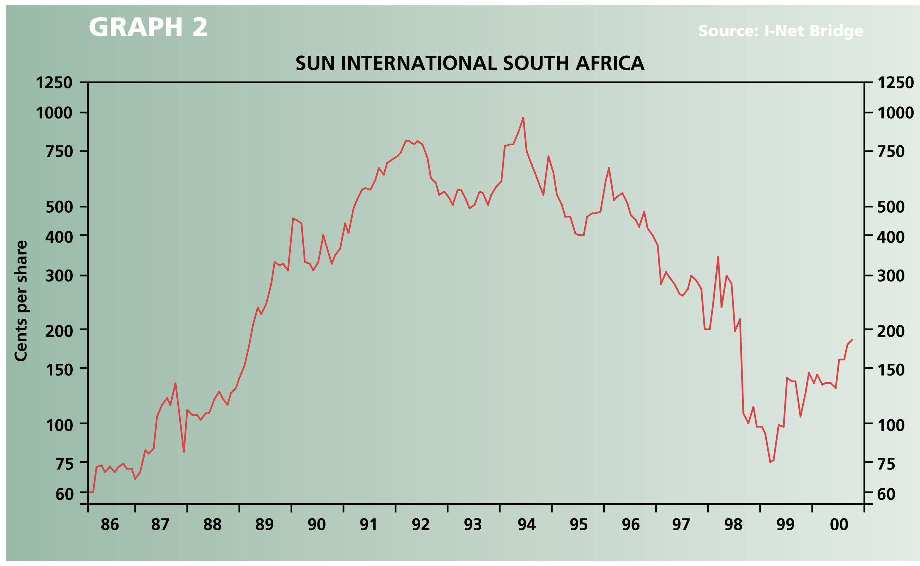
Allan Gray Limited applies a value oriented style. We seek to buy businesses that are trading below their intrinsic value. However, intrinsic value is not based solely on the underlying book value of the company's assets, but rather the value of the business taking into account its future growth prospects. While cyclical resource shares may be attractive at times, this is by no means always the case. In fact, of our clients' largest five holdings only one, Sasol, is a resource share and our clients are currently underweight in the resources sector overall. Similarly, the fact that we have a value bias does not preclude us from buying companies with significant growth prospects in growing industries.

The principal difference between ourselves and the typical growth investor is that we do not put much emphasis on short-term earnings growth.

As our corporate descriptor suggests, we are long-term investment managers. The fact that a company will produce disappointing earnings in the short term does not deter investment if the longer term prospects are promising. These situations provide the opportunity to acquire quality companies with excellent long-term growth prospects on below average ratings. When the market starts to recognise this superior earnings growth potential, shares benefit not only from growth in earnings but also from an improved rating on those earnings. This has a considerable upward impact on the share price.

Typical examples of growth shares on value ratings are Sun International (South Africa) (SISA) and its parent Kersaf Investments. Historically, there was no legal casino gambling industry in South Africa. The only casinos that existed were those in the former homelands where SISA had a monopoly on gambling. With the reincorporation of the homelands the government set about creating a regulated national gambling industry. This meant that SISA faced losing its monopoly on gambling to new, more conveniently located casinos in the major metropolitan areas. As the new casinos were





opened SISA suffered major erosion of its earnings from its existing operations. This had the effect of reducing its earnings per share (EPS) from 47.9cps in 1998 to 15.3cps in the current year.

However, at the same time, SISA and its empowerment partners were remarkably successful in winning new casino licences in Brakpan, Cape Town, Durban, Port Elizabeth and Kimberley. Of these, only Brakpan has been operating during the current financial year with the others set to open over the next 12 months starting in October 2000.

SISA has several significant advantages over its competitors in the newly regulated gambling industry. Firstly, SISA made use of its extensive historic database to position its bids in areas which have a particularly high propensity to gamble (for example, the East Rand in Gauteng). This should mean that its casinos generate higher returns than those of its competitors. Secondly, given the number of new licences won, together with its existing network of casinos, SISA will maintain its dominant position in the South African gambling industry. This position enables SISA to enjoy a sustained competitive advantage through nationally linked progressive jackpots and loyalty programmes. In addition, SISA uses smart card technology to monitor its customers' spending habits in order to target its marketing spend.

Graph 1 shows the gross gaming revenue (net loss to gamblers and gain to casinos) for Gauteng on a weekly basis since the beginning of 1999 when the first temporary casinos opened in Gauteng. Gambling spend has grown as gamblers have taken advantage of more conveniently located casinos. At the current rate of gambling spend, gamblers would lose over R2.2bn p.a. in Gauteng alone and with the imminent roll out of the remaining casinos the national figure should be more than R5bn. As many of the areas where casinos will open have never had access to the former SISA casinos, the overall gambling market will continue to grow as a percentage of personal disposable income.

SISA is a classic example of a company that is operating in a growing industry and which will experience growth in its market share (based on licences already won, many of which have exclusivity). As a result of its new licences, and the projected profitability of its casinos, SISA's earnings should experience rapid growth over the next four years. In fact, SISA should be in a position to exceed its peak earnings of 1998. Despite a significant increase in SISA's share price over the last 6 months (refer graph 2), the share still has a rating of only 12 times current year earnings compared to a rating of 14 times current year earnings for the All Share Index. Given our forecast of compound EPS growth exceeding 30% over the next four years, SISA could easily be classified as a growth share but this is not reflected in its valuation. SISA represents an outstanding opportunity to acquire a growth business at a price significantly below its true worth.

Kersaf not only stands to benefit from the growing earnings stream of SISA and its offshore gaming operations, but also from the management contracts of SISA's casinos, which it owns. The fee income from these contracts is based on a combination of a percentage of the revenues and the gross operating profit of the casinos. As a result, Kersaf will benefit significantly from the rollout of the new casino licences without investing any capital in the construction of the casinos. As with SISA, Kersaf is a compelling investment. Shares can be bought in this company - which has exceptional management and which is forecast to deliver 30% compound EPS growth over the next 4 years - for under 12 times current earnings.

These examples illustrate shares offering better than average earnings growth prospects, which implies that they can be classified as growth shares, but they are on valuations significantly below the market as a whole. These are the kind of investments that we at Allan Gray seek for our clients.

The growth rate of a company is the most important determinant of its value. Great investments offer above average long term growth potential, but at below average prices.

Simon Marais
Chief Investment Officer
Allan Gray Limited

NEW BUSINESS DEVELOPMENTS

LIFE COMPANY ESTABLISHED

On 30 August 2000 we received notification from the Financial Services Board that Allan Gray Life Limited had been registered as a long-term Insurer. On 1 September we signed our first policy and acquired units in one of our Life Company's pooled investment portfolios on behalf of a client.

Mark Herdman
Chief Operating Officer

This is an exciting event in the development of our Group. The Life Company allows us to offer our investment management services to a wider range of clients than we currently serve and to further enhance our overall product offering. Our Life Company has a limited life licence as we do not wish to underwrite any risk in our products. Normal life and disability assurance and other policies offering guarantees on the underlying investment portfolios will therefore not be offered. Our products will all be directly linked to investment portfolios.

Prior to the establishment of our Life Company, retirement fund clients could access our investment management in two ways: as segregated clients with their own portfolios with a minimum account size of R100 million or as unitholders in our unit trusts with a small minimum of R5 000. Our Life Company has a minimum account size per client of R10 million. It thereby provides another vehicle for retirement fund clients who do not qualify as segregated clients, to obtain our investment management services. Also, there are a large number of retirement funds that are insured funds. These are funds that are registered in terms of the Pension Funds Act but are exempt from annual audits by the Registrar of Pension Funds because they transact all their business via policies of insurance. Until now, we could not offer our services directly to insured retirement funds.

Another primary reason for establishing Allan Gray Life was the need to efficiently offer a range of risk-profiled investment products to retirement funds that wish to offer their members investment choice. This is a world-wide trend which is gaining momentum in South Africa. Current practice is to offer members a choice of three portfolios with different risk profiles, commonly named Conservative, Moderate and Aggressive. The risk is usually determined through asset allocation with an increasing exposure to equities seen as increasing the risk profile of the portfolio. Those members that do not wish to make the choice can select the default option which then allocates them to a portfolio based upon pre-determined criteria such as age or years to retirement. The younger members would typically be allocated to the Aggressive portfolio and as they get closer to retirement would move to the Moderate and the Conservative portfolio. This is known as the life style approach.

The assets of retirement funds which represent the members' interests are then split into the three funds according to their selection. The most efficient way to accommodate individual investment choice is to offer risk-profiled investment portfolios on a commingled or pooled basis. A life company enables the pooling of clients' assets.

Our range of risk-profiled and asset class specific portfolios offered by Allan Gray Life is shown in the table on the opposite page.

The formation of Allan Gray Life ensures that the Group can now offer its investment management services and a range of investment products to a diverse client base with differing needs. Although we now have clients accommodated in various business entities within the Group (segregated, life and unit trust) we manage their investments on an integrated basis with the objective of providing similar performance to all clients with a similar mandate. We also strive to offer a high level of service across our whole client base to ensure a common experience for all our clients.

ALLAN GRAY LIFE PRODUCTS

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.

GRAY MATTERS

ENCOURAGING OUR INVESTMENT PROFESSIONALS TO ENHANCE THEIR SKILLS

The past quarter has again been a successful period for our Group. Significantly, we received approval from the Financial Services Board to establish a long-term insurance company, Allan Gray Life (see article on page 6). We continue to welcome new retirement fund, Life Company, private individual and unit trust clients. In addition, our staff have excelled in the recently released Chartered Financial Analyst™ Program examination results.

Over the past 25 years Allan Gray has built a reputation for providing excellent on-the-job training to investment professionals. When recruiting we place a premium on an outstanding academic track record. Most of our analysts and portfolio managers graduated cum laude or with honours in their respective fields of study at undergraduate and post-graduate level.

In conjunction with rigorous training and mentoring by a portfolio manager, trainee analysts at Allan Gray are encouraged to enrol in the Chartered Financial Analyst™ Program administered by the Association for Investment Management and Research (AIMR) based in Virginia, USA.

The Chartered Financial Analyst (CFA®) designation is recognised globally as a symbol of integrity and excellence throughout the investment industry and is awarded to investment professionals who meet the following stringent professional, ethical and educational criteria:

- Professional excellence: CFA charterholders must have worked in the investment field for a minimum of three years.
- Ethical excellence: CFA charterholders must agree to abide by the AIMR code of Ethics and Standards of Professional Conduct, and must reaffirm this commitment each year to remain active.
- Educational excellence: CFA candidates must pass three sequential examinations over a minimum of three years. Exam subjects include ethics, financial accounting, quantitative analysis, economics, fixed-income and equity securities analysis and portfolio management. CFA charterholders are also encouraged to continually update their knowledge of investment issues by participating in a challenging continuing education program.

The 2000 examination results were recently released and seven of our investment professionals passed their respective levels. Two of our analysts, Barend Ritter and Michael Moyle, who are profiled on the adjoining page, successfully completed level III of the CFA program and are expected to receive their charters later this year. We will then have seven CFA charter holders at Allan Gray.

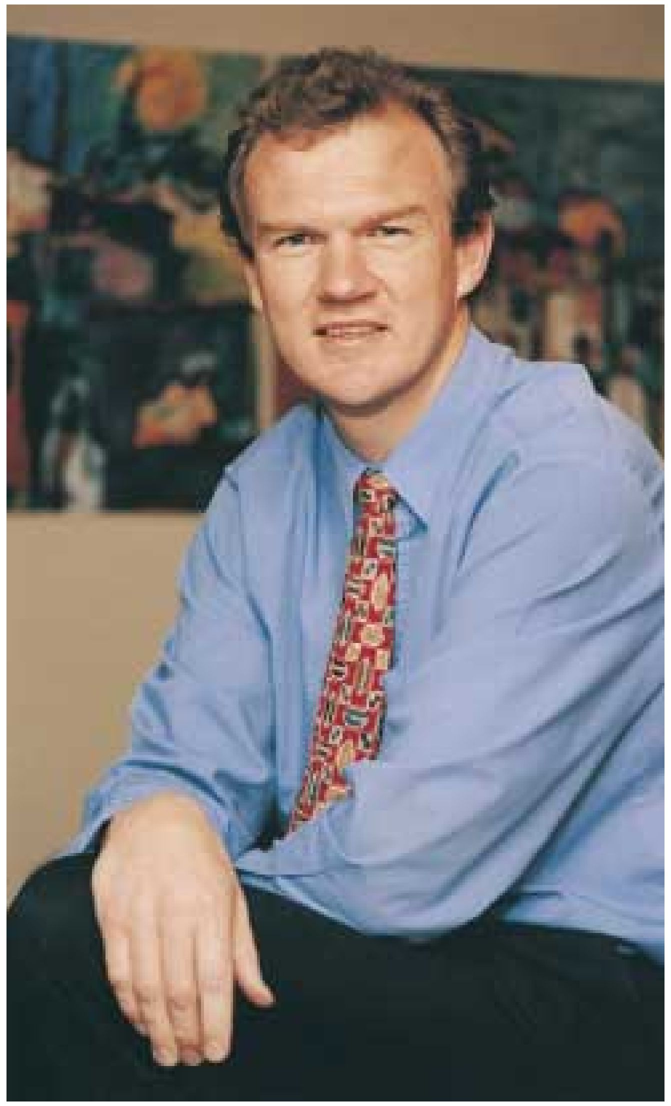
INTERESTING FACTS ABOUT AIMR AND THE CFA PROGRAM

- The Association for Investment Management and Research (AIMR) is the leading nonprofit organisation for investment professionals worldwide, providing global leadership by setting standards in investment education, professional conduct, and advocacy programs. For further information about AIMR and the CFA program, visit their website at www.aimr.com.
- The CFA charter was first awarded in 1963.
- There are currently more than 30 000 charterholders and 60 000 CFA candidates registered worldwide.
- There are 191 AIMR members and 1 382 CFA candidates in Africa (February 2000).
- Only 4 300 candidates from 68 countries successfully completed the Level III 1999 examination.
- 88% of members live in the United States and Canada.
- The number of candidates outside of North America has increased by 718% between 1985 and 1998.

Michael Moyle Quantitative Analyst
M Sc (Engineering) (Univ Texas), MBA (UCT)

PROFILE

After completing his MBA at UCT, Michael joined Allan Gray. His responsibilities as Quantitative Analyst include portfolio construction and the analysis of derivatives, fixed income and money market instruments. In addition to these duties he assists in the management of a fixed income portfolio. Prior to joining Allan Gray, he worked as an engineering analyst in South Africa and the USA.



Barend Ritter Equity Analyst and Trainee Portfolio Manager
M Eng (Chem) (Stell.)

PROFILE

Barend joined Allan Gray as an Investment Analyst in May 1997 after working at Sasol for 5 years as a Chemical Engineer in design and research. His research responsibilities at Allan Gray include the construction and non-mining resource sectors. As a trainee equity portfolio manager Barend assists in managing a portion of the equity portfolio of Allan Gray's clients.

GRAY MATTERS

Heaton van der Linde
Financial and Personnel Manager
Allan Gray Limited

We have long believed that true and lasting empowerment begins with better education and the consequent improved access to economic opportunities in the job market.

To this end, and recognising the legacy of 'apartheid education' in South Africa, we have chosen to focus Allan Gray's social investment spending on assisting previously disadvantaged students to obtain access to quality education and training at three different levels.

LEVEL 1 BRIDGING THE GAP BETWEEN SECONDARY AND TERTIARY EDUCATION

In our previous quarterly commentary we reported on our support of Headstart College, a "bridging" school focussing - with great success - on upgrading disadvantaged students' matric results in English, Mathematics and Science. Approximately 70% of Headstart College students have been able to gain access to tertiary education.

LEVEL 2 FINANCING UNDERGRADUATE DEGREES AT TERTIARY INSTITUTIONS

At an undergraduate level, Allan Gray has, through grants and annual awards, provided funding for bursaries and scholarships at both Rhodes University and the University of Namibia.

The Allan Gray Senior Scholarships at Rhodes University were established with the aim of encouraging and enabling previously disadvantaged people to pursue their studies at 3rd year undergraduate, Honours and Masters levels. The overriding criteria for awarding scholarships is academic merit. Preference is given to the numerate disciplines of Commerce and the Sciences. Eight one year scholarships of R20 000 each have been awarded during the two years that the scholarships have been in existence. The students' results have been extremely gratifying with two of the third year students continuing on to Honours and Masters in their respective fields.

Our Windhoek office is helping to address the skills shortage in Namibia through annual bursary awards to Bachelor of Accounting students studying at the University of Namibia. This programme has been particularly successful. Juliana Garises and Ali Visagie, both recipients of the bursaries in their 2nd, 3rd and 4th years of study, are expected to graduate in December 2000. Juliana and Ali have had the opportunity of "vacation work" in our Windhoek and Cape Town offices, enhancing their theoretical course work with valuable practical insights into the asset management industry.

All go at Allan Gray Namibia *From left to right: Back: Bianca Busch (Trainee Trader, Allan Gray Namibia (Pty) Ltd) and Simon Garoëb (Chief Operating Officer, Allan Gray Namibia (Pty) Ltd); Front:* **2000 Bursary recipients** *Errolice Tjipwa, Ali Visagie and Juliana Garises*

EMPOWERMENT THROUGH EDUCATION

Allan Gray Limited is firmly committed to employment equity. In order to achieve this goal, the company has had a long running process of transformation supported by bursary and scholarship programmes. It has been gratifying to observe the successes of the process where recipients of grants have begun to realise their potential as contributors to South Africa.

Dr Sibs Moodley-Moore
Human Resources Director
Allan Gray Limited

LEVEL 3 PROMOTING EXCELLENCE IN GRADUATE STUDIES THROUGH ACADEMIC FUNDING, BURSARIES AND AWARDS

Allan Gray supports the Graduate School of Business (GSB) at the University of Cape Town in two primary areas: sponsorship of the Chair of Strategy and funding bursaries for disadvantaged students to participate in the MBA programme.

The funds donated for these purposes are managed by Allan Gray on behalf of the University of Cape Town to achieve a satisfactory total rate of return over time, thereby ensuring that the above objectives can be met.

It is our hope that the recipients of our education funding strategy will be empowered to make a significant contribution to the future of Southern Africa and that our efforts will address in some small way the skills shortage faced by our country and, in particular, the asset management industry.

1999 MBA Business Bursaries *From left to right: Vikash Salig, Dr Sibs Moodley-Moore (Human Resources Director, Allan Gray Limited), Barbara Johnson and Praveen Bechoo*

1999 MBA Strategy Prize Winners *From left to right: Kyle Nel, Delia Reardon, Dr Sibs Moodley-Moore (Human Resources Director, Allan Gray Limited) and Mario Bonadei*

ALLAN GRAY PERFORMANCE

	Annualised performance in % per annum (except year to date) to 30 September 2000					Assets under management
	Year to date	1 yr	3 yrs	5 yrs	Since inception	R millions
SEGREGATED RETIREMENT FUNDS						
Global Balanced Mandate	12.2	32.3	25.1	21.3	24.0[1]	6 253.8
Mean of the Consulting Actuaries Survey*	4.4	25.4	11.7	14.4	18.8	-
Domestic Balanced Mandate	10.2	31.6	29.7	23.9	24.6[1]	2 164.6
Alexander Forbes SA Manager Watch* ***	2.2	23.9	12.0	14.6	18.9	-
Equity-only Mandate	7.6	32.5	23.4	21.1	19.4[2]	2 830.6
All Share Index	-1.3	23.7	7.9	10.7	13.1	-
Namibia Balanced Mandate	12.4	29.7	21.2	18.5	19.1[3]	641.1
Alexander Forbes Namibia Average Manager*	4.0	22.6	10.3	13.2	13.2	-
UNIT TRUSTS**						
Stable Fund	-	-	-	-	8.2[4]	17.0
Bank Call Deposits	-	-	-	-	2.6	-
Balanced Fund	11.4	34.7	-	-	34.7[5]	181.1
Average Prudential Fund	-0.2	20.1	-	-	20.1	-
Equity Fund	5.4	29.6	-	-	192.8[6]	423.2
All Share Index	-1.3	23.7	-	-	71.1	-

* The returns for Quarter 3, 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.
*** The returns prior to October 1998 are the returns of the Mean of the Consulting Actuaries Survey.

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 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 UNIT TRUST FUNDS

STABLE FUND
This fund provides investment management for 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.

BALANCED FUND
This fund provides investment management for retirement funds and individuals in a pooled vehicle on an identical basis 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.

EQUITY FUND
This fund provides an investment vehicle for 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 LIFE PORTFOLIOS
The minimum investment per Life Company client is R10 million.

STABLE PORTFOLIO
This portfolio provides investment management for retirement funds where the investor has a low tolerance for risk. The portfolio complies with the Prudential Investment Guidelines as laid down in the Pension Funds Act.

BALANCED PORTFOLIO
This portfolio provides investment management for retirement funds with an average risk tolerance. This pooled vehicle has a mandate identical to that of Allan Gray's fully discretionary segregated retirement fund clients. The portfolio complies with the Prudential Investment Guidelines as laid down in the Pension Funds Act.

ABSOLUTE PORTFOLIO
This portfolio provides investment management for retirement funds seeking superior absolute returns (in excess of inflation) over the long term with a higher than average short term risk tolerance. The portfolio complies with the Prudential Investment Guidelines as laid down in the Pension Funds Act.

MONEY MARKET PORTFOLIO
This portfolio provides investment management for retirement funds that require ultimate capital preservation and a high level of income.

BOND MARKET PORTFOLIO
This portfolio provides investment management for retirement funds that require specific exposure to the bond market.

LISTED PROPERTY PORTFOLIO
This portfolio provides investment management for retirement funds that require specific exposure to the listed property market.

EQUITY PORTFOLIO
This portfolio provides investment management for retirement funds that require specific exposure to the equity market. This pooled vehicle has a mandate identical to that of Allan Gray's fully discretionary equity-only segregated retirement fund clients.

ALLAN GRAY NAMIBIA

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.

Allan Gray
Headquarters

ALLAN GRAY
LONG TERM INVESTMENT MANAGEMENT

ALLAN GRAY LIMITED
Granger Bay Court, Beach Road
V & A Waterfront, Cape Town 8001
P.O. Box 51318, V & A Waterfront
Cape Town 8002
Tel 021 415 2300 Fax 021 415 2400
www.allangray.co.za

ALLAN GRAY UNIT TRUST
MANAGEMENT LIMITED
Customer Service Line
0860 000 654
Customer Service Facsimile
0860 000 655

0507|Citigate