

Dresdner RCM Global Investors

Quarterly Investment Strategy Sheet

Fourth Quarter 1999

GrassrootsSM Research^{*}

► Digital Security

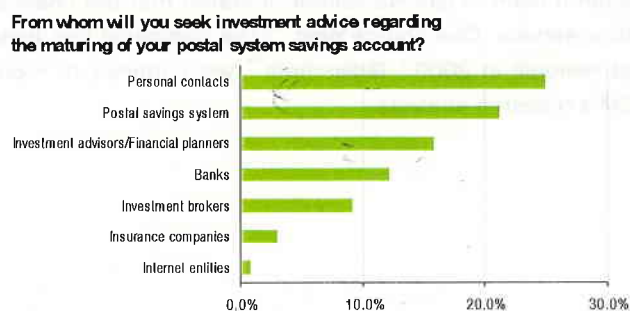
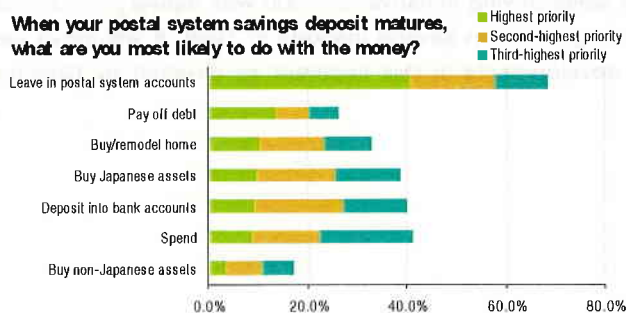
Dresdner RCM analysts, with the aid of GrassrootsSM Research, have identified Public Key Infrastructure (PKI) as a significant technology segment worthy of investors' attentions. PKI enables users of a public network such as the Internet to securely transmit data and exchange money. This is accomplished through the use of a public and a private key pair that is obtained and shared through a trusted authority. Many vendors have emerged with a variety of solutions that target different customers, even as an Internet standard for PKI is evolving.

In October, GrassrootsSM commissioned interviews with 34 MIS managers and PKI industry experts. Sources revealed that the PKI market is poised to take off in the next two years, as long as key features such as interoperability are in place. Sources reported that adoption of PKI to that point had been slow, largely due to consumer concerns about electronic security and issues of cross-border trade legislation. PKI technology is more widely used in continental Europe than in the United States or the United Kingdom, sources reported. Entrust, VeriSign, and Baltimore Technologies were identified as market leaders in the area, each having taken tacitly different approaches to offering a total solution.

To evaluate these differences and determine which of these companies has an advantage, GrassrootsSM revisited the issue in early December by commissioning interviews with VeriSign and Entrust users. Sources distinguished VeriSign as an outsourcing provider with special strength in Web site security development. As e-commerce becomes an increasingly viable and necessary business channel, sources explained, the need to verify the identities of companies or individuals making electronic transactions is imperative. Different customers require different solutions, but aside from vendor flexibility, the most important factor in their minds is ensured security. "We have 8.5 million members, and we need secure access for all of them," stated one PKI manager in California. "I don't want to manage 8.5 million certificates, so that would be a good job for VeriSign."

► Japanese Postal Savings System

Over the next two years, roughly \$1 trillion will mature in the Japanese Postal Savings System. In November, GrassrootsSM commissioned field force members in Japan to interview 554 Japanese citizens in an attempt to evaluate the impact of this maturation on the Japanese economy and world financial markets. Sources were asked two questions—the responses to which are presented in the graphs below.



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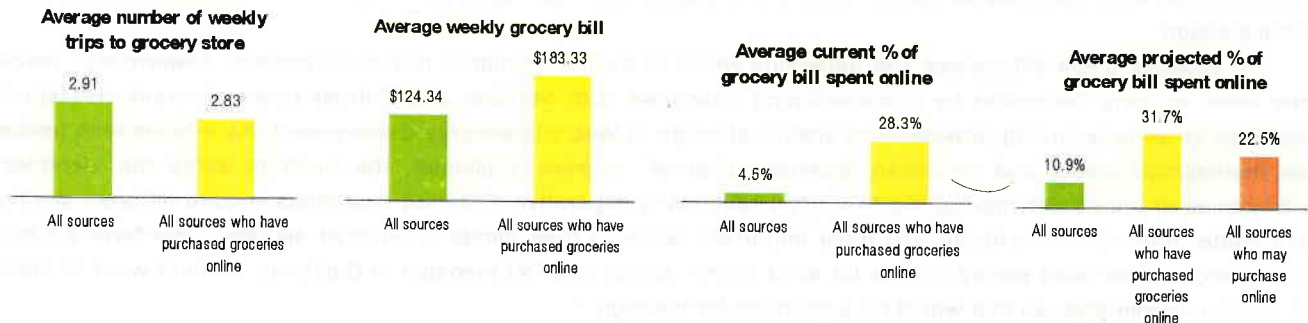
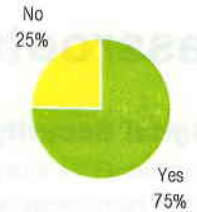
► **Buying Groceries Online**

Nowhere is the battle between brick-and-mortar and Web-based retailers more heated than in the grocery store segment. Online grocers are literally staking their fortunes on the hope that consumers are tired of battling long lines, but national grocery chains have no plans to concede their customers.

In November, GrassrootsSM sent field force members to San Francisco Bay Area grocery stores in upscale neighborhoods to evaluate the potential for online grocers' success. One hundred shoppers were surveyed as they exited these stores, targeted for the demographic segment that best reflects the intended audience of Webvan, a leading online grocer and November IPO.

Although less than 10% of these sources had ever actually purchased groceries online, 75% said they would consider doing so in the future. Of those who did not rule out the possibility of buying groceries online, nearly 60% said they would choose to buy from Webvan. Those who said they would never shop online cited "concerns about freshness" as their primary reason—but those who had purchased from Webvan rated the "freshness" of their deliveries very highly, nearly as highly as the convenience of the experience. Two-thirds of all sources knew something about Webvan, most having seen one of the company's delivery trucks.

Would you ever consider buying groceries online?



Webvan's performance was rated very highly by those who had used it, but Dresdner RCM's technology and retail analysts still had concerns about the company management's ability to execute. GrassrootsSM commissioned a researcher to track the company's van delivery system, monitoring the average number of deliveries made per route, the number of totes delivered to each customer, and the time elapsed in an average delivery circuit. An additional researcher was commissioned to track Webvan's online pricing versus that of a major chain grocer.

A separate report on this major chain was being conducted at the same time. Submitted to the Dresdner RCM research team in late November, it stated that the chain's key sales-driving initiative for 2000 was delivery of national, online service. One source said, "[The company] has been testing online in several markets in 1999. It will move east and national in 2000." GrassrootsSM will continue to monitor developments in this segment as directed by Dresdner RCM's research analysts.