Dresdner RCM Global Investors

Quarterly Investment Strategy Sheet

Fourth Quarter 1999

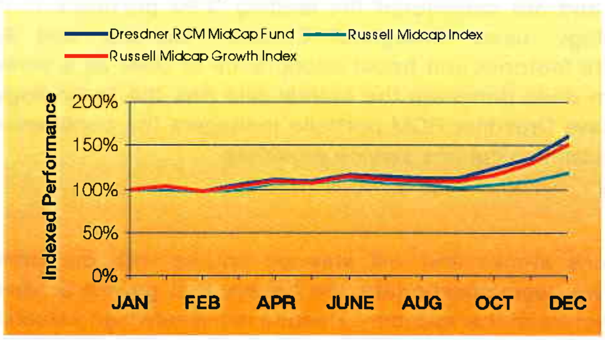
U.S. MidCap Equity

Market Environment

Despite the Fed raising rates three times in 1999, the economy's growth rate did not slow down—it simply kept surging forward with few events having much negative impact. This experience supports Federal Reserve Chairman Alan Greenspan's proposition set forth in his October speech that we are in the miracle of the 'new era.' There is "a virtuous cycle at play" and "such circumstances lead to a very favorable period of strong growth of real output and low inflation." Consumer spending and gross domestic product (GDP) remained strong and corporate profitability improved as well. Through much of 1999, stocks remained caught in a tug-of-war between higher interest rates and stronger earnings. In late October, U.S. economic reports suggesting better-than-expected growth coupled with lower-than-expected inflation sent stock prices skyrocketing. By the fourth quarter, investors poured money predominantly into two sectors—technology and telecommunications—as Y2K-related fears gave way to enthusiasm for the Internet. Investors sought companies with exciting growth stories, apparently undeterred by rising rates and high valuations. Explosive gains characterized the IPO market, with dot-com companies routinely surpassing even the most optimistic expectations of price performance. Producer durables and energy sectors were also strong contributors for the year.

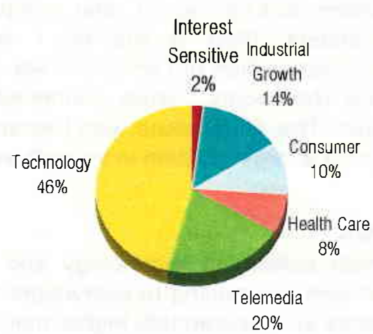
Style was a critical component of performance in 1999 as growth-style investing once again pummeled value-style investing across all capitalization ranges. For the second year in a row, the Russell Midcap Growth Index outperformed its value component as it gained 51.29% versus –0.12%. The outstanding results achieved by the growth index ranked as the best since the inception of the style indices back in 1986. Not only was the absolute performance the highest ever, its relative performance versus value was also the widest since inception: 51.41.

Dresdner RCM MidCap Fund Relative to Benchmark—1999



Source: Dresdner RCM Global Investors

A Breakdown of the Sector Allocations



Source: Dresdner RCM Global Investors

Portfolio Review

Dresdner RCM's portfolios substantially outperformed the Russell Midcap Index for the fourth quarter and the year (17.23% and 18.23% respectively) and the Midcap Growth Index for the quarter and year as well (39.47% and 51.29%). Our excellent performance was due to both industry strategy and stock selection.

It was a truly extraordinary year for technology—as a result, Dresdner RCM pursued several related investment themes. First, we had a strong semiconductor cycle driven by the accelerating demand in telecommunications and networking end-markets. Second, there was a strong demand for bandwidth and capacity in the telecommunications infrastructure driven by the increased penetration and usage of the Internet. Finally, the Internet itself grew exponentially, particularly the market in the emerging business-to-business e-commerce field.

The wireless and telecommunications service industries fueled the technology rally as well with the exceptional demand for bandwidth and the underlying data networks that carry Internet traffic. Furthermore, demand for wireless units is heavy as wireless phones become a mass-market phenomenon. Consolidation activity continues to strengthen the sector as well as weaker players disappear.

The energy sector added to performance in 1999. We are attracted to the energy services stocks, especially those with a value-added proposition, as a tight energy market should drive demand for services. Two stocks in particular, BJ

Services company and Weatherford International, performed well. A plausible energy sector scenario for 2000 is that the continued worldwide economic recovery will drive demand while OPEC rationality and inventory levels limit supply.

We continue to add value to our portfolios through our extensive research-driven stock selection process. Several of the stocks in the electronics sector (telecommunication equipment and semiconductors) that added to performance included JDS Uniphase, Network Applicance, Qualcomm, EPCOS, and ASM Lithography Holdings. Stocks that performed well in communications services were VoiceStream, Nextel, McLeodUSA, and Western Wireless Corp., and in the technology sector were Veritas Software, i2Technologies, Exodus Communications, BEA Systems, and Check Point.

Though portfolios outperformed benchmarks, our exposure to Martin Marietta Materials, Office Depot, and Abercrombie and Fitch negatively impacted portfolios and failed to meet expectations.

Stock Highlight: VoiceStream Wireless exemplifies an active investment theme in Dresdner RCM's portfolios—the heavy demand for wireless phones and the increasing penetration in the United States. The company provides personal communications services (PCS) in 11 urban markets (2 more in the near future) and holds 107 broadband PCS licenses covering approximately 62.6 million persons. The company had 675,700 PCS subscribers as of 09/30/99. It also has been consolidating regional licenses in the GSM band and transforming from a super regional to a national player. Our global view of wireless telecommunications and the substantial penetration rates for wireless phones in Europe led to our bullish stance on wireless—VoiceStream, in particular, as a new entrant PCS provider rolling up the GSM alliance which is becoming a global standard. Moreover, VoiceStream operates on the philosophy of providing customers more airtime, more features, and more service than any other wireless provider. Our analysts support the view of the likelihood of the U.S. following the same adoption curve as Europe, which may lead this company to stellar growth. This security has been a top holding for 1999, up 594%.

Grassroots℠ Research*: Grassroots℠ commissioned interviews with 20 store managers at wireless phone stores to determine the advantages and disadvantages of GSM technology and focusing on only two providers, VoiceStream and Omnipoint. The study concluded that GSM technology is the premier technology for wireless data and provides excellent voice quality in a service that can be used worldwide. Sources reported that customers recognize that the company offers a good value, often a lot more minutes than other carriers. In response to coverage and roaming limitations, VoiceStream is introducing a tri-mode phone, called the WorldPhone. Customers will be able to use this phone virtually anywhere, since it includes both U.S. and European GSM frequencies, as well as an analog mode.

VoiceStream and Omnipoint offer competitive packages and are considered the leading GSM providers in their respective regions. GSM is the No. 1 worldwide technology, used throughout Europe, Australia, and Asia. VoiceStream's acquisition of Omnipoint will create a nationwide footprint and boost acceptance of GSM as a wireless standard. This Grassroots℠ study confirmed that VoiceStream does dominate the market and has the technology to uphold its lead. This study along with fundamental research gave Dresdner RCM portfolio managers the confidence to continue to hold a large position in VoiceStream and other telecommunications service providers.

► Outlook

We remain bullish on technology and telecommunications stocks and will stay on course with our primary investment theme, continuing to overweight those sectors as we deem appropriate. We believe that growth prospects for these stocks are substantially higher than those for other sectors of the economy, despite extremely high valuations. With our commitment to investment in the core growth sectors, we should continue having large overweight positions in the technology, telecommunications, and consumer discretionary sectors.

Our valuation disciplines have resulted in reduction in the destination site and Internet portal companies. The Internet, however, continues to be an investment theme with derivative plays in telecommunications equipment and services. Within telecommunications, we continue to focus on the industry's new entrants with exposure to the Competitive Local Exchange Carriers as well as the accelerating fundamental of the wireless phone industry.

Our portfolio managers believe the current environment for health care investing, which we largely underweighted in 1999, is looking incrementally more positive. Therefore, we will likely be increasing our positions in this sector during the first half of 2000. Additionally, we should continue to maintain a large weighting in the energy services sector because we believe the favorable supply demand characteristics in the oil and natural gas markets will drive demand for services.

---

* Grassroots℠ Research is a division of Dresdner RCM Global Investors LLC ("Dresdner RCM"). The information and opinions in this report represent the judgement of Dresdner RCM. Dresdner RCM and its affiliates, officers, employees, clients or researchers may effect or have effected transactions for their own account(s) in the securities mentioned in this report or any related investments. Accordingly, information may be available to Dresdner RCM that is not reflected in this report. The information and opinions contained in this report have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Dresdner RCM accepts no liability whatsoever for any direct or consequential loss or damage arising from your use of this report or its contents. Research data used by Grassroots℠ Research to generate a Grassroots℠ Research recommendation are received from reporters and field force who work as independent contractors for broker-dealers who supply research to Dresdner RCM in connection with broker services.