FOREWORD

ISSUE 4

4TH QUARTER 2007

CHRIS GREYLING
CHAIRMAN: FOORD UNIT TRUSTS

In the past year, we achieved an important milestone – our two flagship portfolios reached the five year landmark.

THE MARKET REWARDS LONG-TERM THINKING

Writing to you during the annual festive holidays I can only hope that all our investors are enjoying a relaxing and well-earned break after an eventful 2007. Let me also add my best wishes to all for a successful and prosperous 2008.

In the past year, we achieved an important milestone - our two flagship portfolios reached the five-year landmark, moving them into the long-term league tables for the first time. Earlier in the year, Foord Unit Trusts was recognised as the leading smaller group over three years at the annual Morningstar unit trust performance awards for the period to the end of 2006.

But the markets in 2007 were significantly more volatile than they had been in previous years. Sell offs in March, August and November/December offset otherwise steady growth in the local equity market. Global repricing of risk following the subprime crisis abroad, and the fear of higher inflation and higher interest rates locally, caused market jitters that have not yet subsided.

Many of you will recall that I have on numerous occasions written about volatility and our belief that prices fluctuate more widely than values. This issue of Foreword returns to this pervasive theme. In his article titled *Turbulence in 2007*, Brian Davey looks back on the year that was. Much as we would like to define time periods in months and years, Brian notes that 2007 was just one twelve month period within the lifespan of an investment portfolio. In *Defining Risk*, Paul Cluer reminds us to consider risk within the framework of long-term investing and to focus on the loss of real capital, not the volatility of investment returns.

Finally, I would like to thank everyone who completed the online survey mailed to investors during October. It proved to be a worthwhile exercise and we'll take all comments and results into consideration in striving for continuous improvement in service and communication levels.

Chris Greyling | Chairman: Foord Unit Trusts

IN THIS ISSUE

TURBULENCE IN 2007

BRIAN DAVEY
DIRECTOR & PORTFOLIO MANAGER

Allocations to economic sectors, as well as selection of individual shares, made all the difference this year.

2007 was an exciting year for participants in the South African and global investment markets. Those well-known emotions - greed, fear, confusion, panic, despair, complacency and euphoria – all came to the fore at different times during the year. Brian Davey puts the year that was into perspective.

Having been in a strong upswing phase since early May 2003, the local equity market climbed a rewarding 19% in 2007. At its December close, the All Share Index (ALSI) was nearly four times higher than its low during May 2003. However, a fuller (and sobering) picture becomes evident if one examines the performance of the underlying sector indices.

The resource company index, heavily dominated by Anglo American, BHP Billiton, Sasol and the big platinum shares, rose 26%; share prices of industrial companies rose 16%, while the index for financial companies was flat for the year. There was large disparity in individual share price moves among blue-chip shares, as the following sample illustrates: BHP Billiton +61%, Sasol +31%, Imperial -36%, Bidvest -10%, RMB Holdings -11%.

Volatility was pervasive this year. The JSE experienced several sharp down and up moves, including a 13% fall in July /August on the back of the sub-prime banking crisis in the USA. The prime overdraft rate moved from 12.5% to 14.5%. The inflation rate climbed inexorably. Zuma was a contender, then a no-hoper, then an unstoppable winner, and then served with a criminal summons. The rand was slightly stronger against the US dollar (fluctuated between 6.50 and 7.50 during the year) but weaker against the euro. The copper price moved within a 58% low/high range during the year, yet only climbed 7% for the year as a whole. Oil jumped 61%, while platinum climbed 34%.

Against this backdrop, allocations to economic sectors, as well as selection of individual shares, made all the difference this year. But, given the fluctuations in prices, it proved a tough year for equity funds to beat the index (remember that nearly 50% of the ALSI comprises volatile resource shares). And few funds did. But 2007 was just one twelve month period within the lifespan of your investment portfolio. Looking ahead, we see 2008 as a year to be cautious and to review your asset allocation. The overriding themes of diversification and risk management continue to be important.

Be aware that the last several years' good growth on the JSE (and good performance by the rand) may have created an imbalance between your South African domestic investments and your rand-hedge/international investments.

What can we expect from 2008? It should be at least as exciting as 2007.

PAUL CLUER
MD: FOORD UNIT TRUSTS

Consider the risk of loss of your investment over time frames of three to five years.

DEFINING RISK

After an extended equity bull market, South African investors and their advisors have become, somewhat justifiably, obsessed with the perceived risk of any particular investment portfolio. Paul Cluer discusses the meaning and implications of risk from a Foord perspective.

Basic financial theory will tell you that investment risk is a measure of the variability of a fund's returns over time. The two elements to this traditional view on risk are the magnitude of the fluctuations in value and the length of time over which they are measured. An investment whose value is quite volatile (increases and decreases regularly), will be perceived to be more risky over the short-term and less risky over the long-term.

Accordingly, when assessing the risk in a portfolio of securities, most investors or advisers will look to financial measures designed to capture these factors (such as standard deviations). But in our view, this traditional understanding of risk is backward looking and also short-term focused. Both the magnitude and compounded effect of month-on-month variations becomes less important over longer time periods. But regardless of how long you invest, if you lose money, you lose money.

The reality is that investors are ultimately concerned about two things (one a subset of the other): losing money and not earning a sufficient return on their investment to meet future obligations. It makes far better sense, therefore, to define risk as the risk of loss of real capital (capital as adjusted for inflation).

And this is how Foord has always defined risk. We added the concept of time as well, by not measuring this risk over time frames of less than twelve months (but typically over longer periods of three to five years). This is premised on the view that by its very nature, investing is a long-term activity.

Therefore, when assessing the risk of a particular investment, consider the risk of loss of your investment in real terms over time frames of three to five years. Under the traditional paradigm, equity portfolios are typically considered to be very risky.

But what would your risk assessment be if I told you that not once in the last eighteen years of managing equities did Foord lose money in real terms over any five year period? Weigh this against the returns actually achieved and the answer must be a resounding "low."

It's important to remember that one of the biggest risks to achieving long-term wealth creation through investing is being overly conservative by focusing too much on the short-term risk of loss.

ANALYSE THIS

CAROLYN LEVIN
EQUITY ANALYST

Our analysts are industry specialists, they understand the dynamics of the sectors they cover.

The role of the equity analyst at Foord is key to our success. Choosing the correct companies in which to invest on behalf of our clients is a job we take very seriously. So seriously, in fact, that we employ a handful of professionals to assist our portfolio managers to do just that. Carolyn Levin takes a closer look at the role of the equity analyst.

Analysing companies in which to invest our clients' money forms the basis of the equity investment process. That's why Foord employs industry specialists who have an in-depth understanding of the sectors that make up the share market - from mining to construction, retail to healthcare.

Because our analysts are industry specialists, they understand the dynamics of the sectors they cover. Their primary role is to research the companies listed in the various sectors of the JSE and to build financial models to forecast earnings. This involves regularly meeting with top executives of these companies to understand their business model, future strategy and financial results.

The role of the analyst at Foord is in essence no different from what analysts contribute at other investment management firms. What sets Foord apart, however, is our focus on the long-term. We prepare models that forecast company earnings up to five years out (but at least three years with conviction).

The analysts are also involved in placing a valuation on these companies and assisting portfolio managers in selecting quality shares at undervalued prices. Naturally, all companies recommended for purchase or sale by the analysts are then subjected to rigorous review by the entire Foord investment team. The final decision to buy, sell or hold, however, still rests with our experienced portfolio managers.

DOORS ARE OPEN AT NEW FOORD TREE HOUSE

With our renovations in Pinelands now pretty much complete, it's once again safe to visit our offices. And we're pleased with the fresh look and feel. And although it's a new look home for Foord, the people and our investment thinking still remain the same. We invite you to experience the offices and our hospitality for yourselves. Come for a great cup of coffee and sneak preview.

Foord Balanced Fund

The foundation for long-term growth

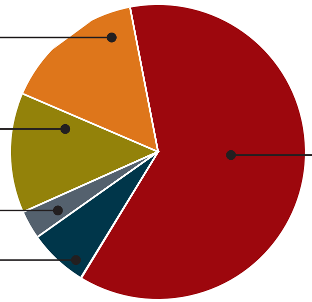
31 December 2007

About the fund

The fund's investment objective is the steady growth of income and capital, as well as the preservation of real capital (being capital adjusted for the effects of inflation). It aims to exceed the average rate of return achieved in the Domestic Asset Allocation - Prudential Medium Equity unit trust sector.

The Foord Balanced Fund is ideally suited to being a substantial component of any retirement savings portfolio. Given the fund's risk return profile, it is a more appropriate investment vehicle for investors whose risk tolerance is below that of a pure equity fund investor.

Asset Allocation



Investment Returns

	Last 6 Months	Last 12 Months	Last 3 Years	Last 5 Years	Since Inception
Foord*	-0.2%	10.6%	28.1%	24.1%	24.0%
Benchmark	2.4%	12.5%	22.9%	22.0%	20.6%

Periods greater than 1 year are annualised. *Net of fees and expenses.

Benchmark:

The market value weighted average total return of the Domestic Asset Allocation Prudential Medium Equity unit trust sector, excluding Foord Balanced Fund (from 1 January 2008: Prudential Variable Equity unit trust sector).

Top 5 Equity Investments

Investments	**% of Fund**
BHP Billiton	5.0
Sasol	3.5
Remgro	3.4
Anglo American	3.2
RMB Holdings	3.0

Fund Details

Minimum Lump Sum:	R20 000
Minimum Monthly:	R1 000
Size:	R1.76 billion

Foord Equity Fund

Nurturing superior returns

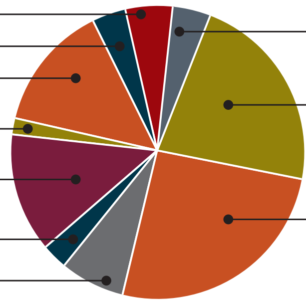
31 December 2007

About the fund

The fund's investment objective is to earn a higher total rate of return than that of the South African equity market, as represented by the return of the FTSE/JSE All Share Index including income, without assuming greater risk.

The Foord Equity Fund is ideally suited to investors who require maximum long-term capital growth and who are able to withstand investment volatility in the short to medium-term.

Sector Allocation



Investment Returns

	Last 6 Months	Last 12 Months	Last 3 Years	Last 5 Years	Since Inception
Foord*	-1.5%	12.8%	32.5%	29.6%	29.3%
Benchmark	3.5%	19.2%	35.3%	29.3%	26.5%

Periods greater than 1 year are annualised. *Net of fees and expenses.

Benchmark:

Total return of the FTSE/JSE All Share Index

Top 5 Equity Investments

Investments	**% of Fund**
BHP Billiton	7.6
Sasol	5.3
RMB Holdings	4.9
Anglo American	4.8
Remgro	4.6

Fund Details

Minimum Lump Sum:	R20 000
Minimum Monthly:	R1 000
Size:	R599.6 million

Foord International Feeder Fund

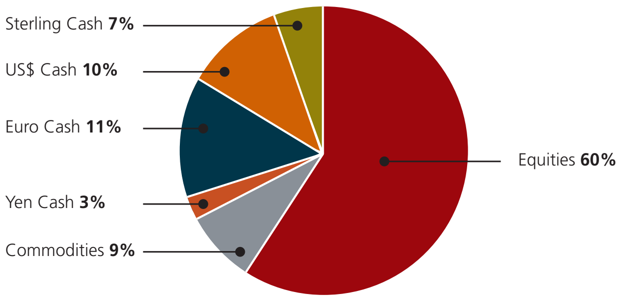
Risk management through global diversification

31 December 2007

About the fund

The fund's objective is to provide investors with exposure to a portfolio of international equity and fixed interest securities, constructed with the purpose of maximising return with minimum risk. The manager's specific aim is to produce an annualised return over time in excess of 10% in US Dollars, thereby expecting to outperform world equity indices. The fund provides South African investors with an opportunity to diversify their portfolios offshore and to hedge against rand depreciation.

Asset Allocation



Investment Returns

	Last 6 Months	Last 12 Months	Since Inception
Foord*	2.7%	8.2%	17.0%
Benchmark	-4.0%	4.6%	17.4%
USD/ZAR	-3.2%	-2.3%	10.7%

Periods greater than 1 year are annualised. *Net of fees and expenses.

Benchmark:

The ZAR equivalent of the MSCI World Equities Index.

Top 5 Equity Investments

(27% of Equities):
Tesco
United Technologies
Canon
BHP Billiton
Nestle

Fund Details

Minimum Lump Sum:	R50 000
Minimum Monthly:	R1 000
Size:	R136.4 million

ISSUE 4 FOREWORD 4TH QUARTER 2007

BALANCED FUND CHANGES SECTORS

MONEEN D'HOTMAN DE VILLIERS
GROUP LEGAL & COMPLIANCE OFFICER

Following changes to the Association of Collective Investments' fund classification rules, from 1 January 2008 the Foord Balanced Fund was relocated to the Domestic Asset Allocation Prudential Variable Equity unit trust category. Moneen d'Hotman de Villiers explains.

The Variable Equity category is a new category and is appropriate for balanced funds managed to comply with the regulatory limits set for retirement funds in South Africa. Accordingly, the new sector permits equity exposure in balanced funds of up to 75%.

The new sector permits equity exposure in balanced funds of up to 75%.

Funds that remain in the old Medium Equity sector must from 1 January 2008 have equity exposure of between 40% and 60% at all times. Funds that have relocated include Allan Gray Balanced, Coronation Balanced Plus, Prudential Balanced, RMB Balanced and Stanlib Stability. We expect that most of the major funds will relocate.

The implication of the change is that the Foord Balanced Fund's benchmark now changes to that of the market value weighted average return of the Domestic Asset Allocation Prudential Variable Equity unit trust sector, excluding Foord Balanced Fund. The determination of the performance fee in the fund will from 1 January 2008 be against the new benchmark.

Your fund manager believes that the objectives set for the Foord Balanced Fund can be better achieved with the more flexible asset allocation policies permitted within the new sector. It is worthwhile noting that the fund's mandate has always allowed equity exposure to vary up to 75% and accordingly there will be no change in the fund's management style.