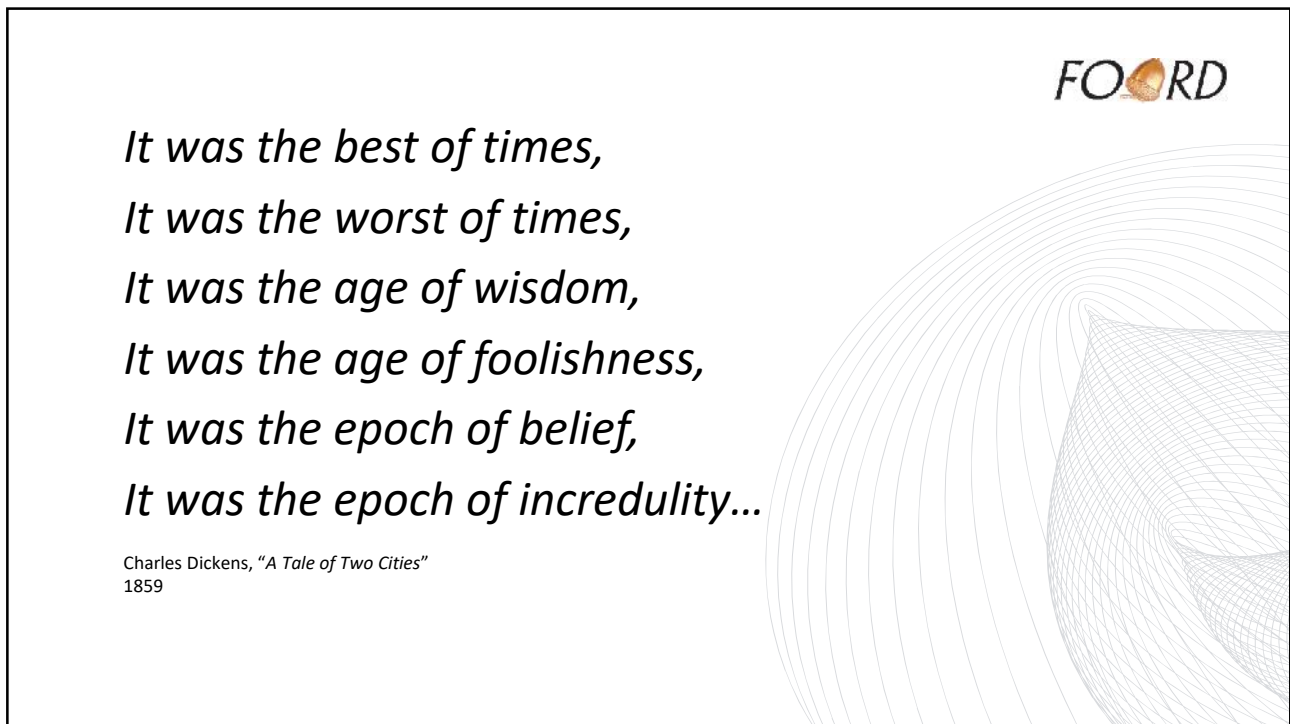


1



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FOORD

END OF A DECADE, BEGINNING OF ANOTHER

Think in years, comprehend in decades

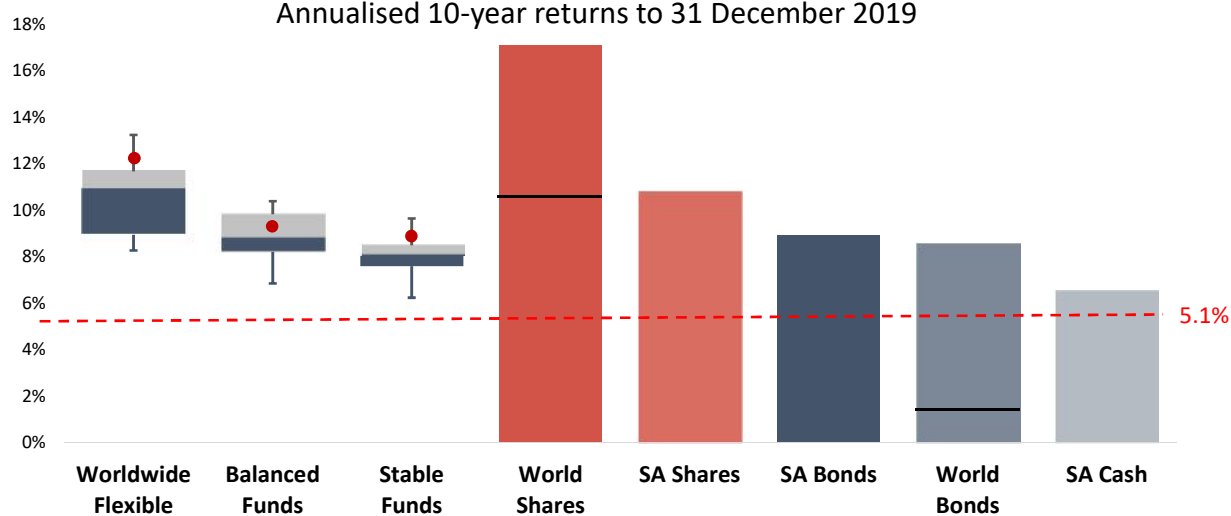
3

DECADE IN REVIEW

The system is working

FOORD

Annualised 10-year returns to 31 December 2019



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INVESTOR BEHAVIOUR



One year returns to 31 October 2019



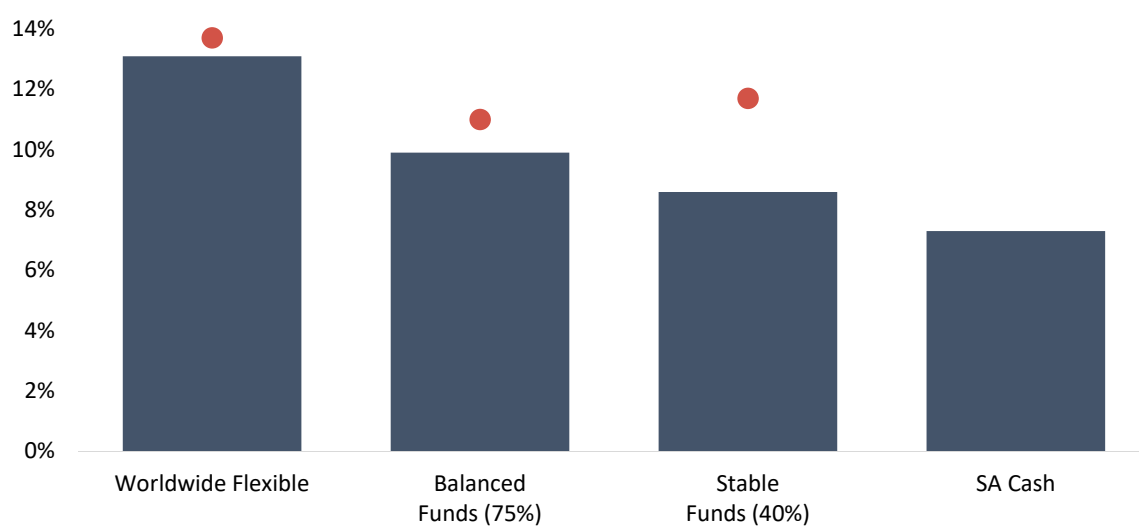
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THE SHORT TERM CHANGES QUICKLY



One year returns to 31 December 2019



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THE RALLY CONTINUES



Calendar year asset class returns (%)

	2017	2018	2019
SA shares	18.1	-7.7	10.5
- Resources	17.9	15.5	28.5
- Financials	20.6	-8.8	0.6
- Industrials	22.5	-17.5	8.9
SA bonds	10.2	7.7	10.3
SA listed property	17.2	-25.3	1.9
World equities (\$)	23.1	-8.2	28.4
World bonds (\$)	7.5	-0.8	5.9
Gold (\$)	12.7	-1.2	19.0
R/\$	11.1	-13.9	2.7

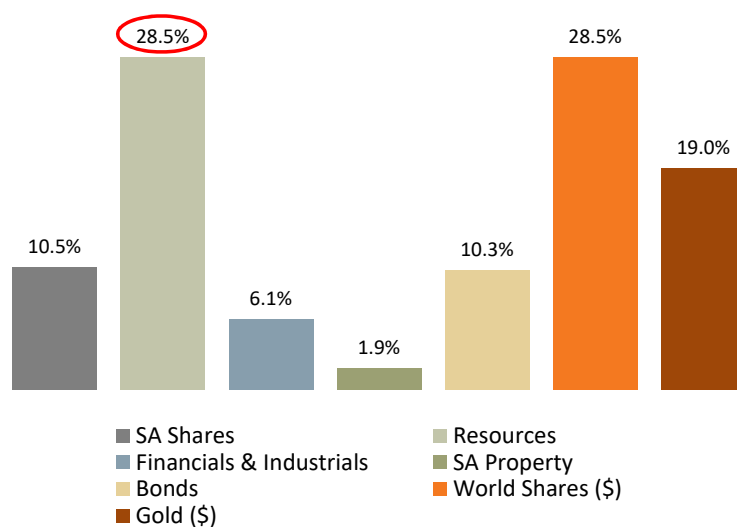
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2019 PERFORMANCE DRIVERS



Asset allocation was important

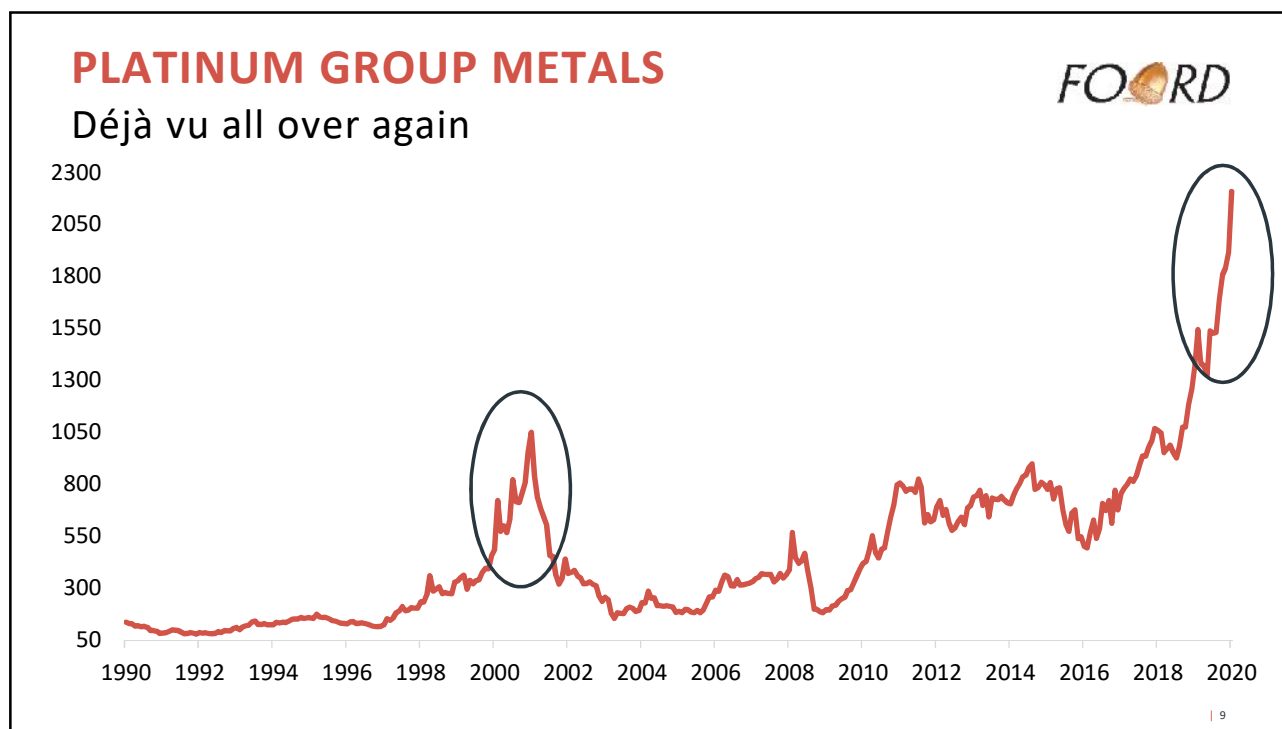


- Low SA equities ✓
- Low SA Inc. ✓
- Low SA property ✓
- High foreign (equities) ✓
- High SA bonds and cash ✓
- Physical gold ✓
- Low resources ✗

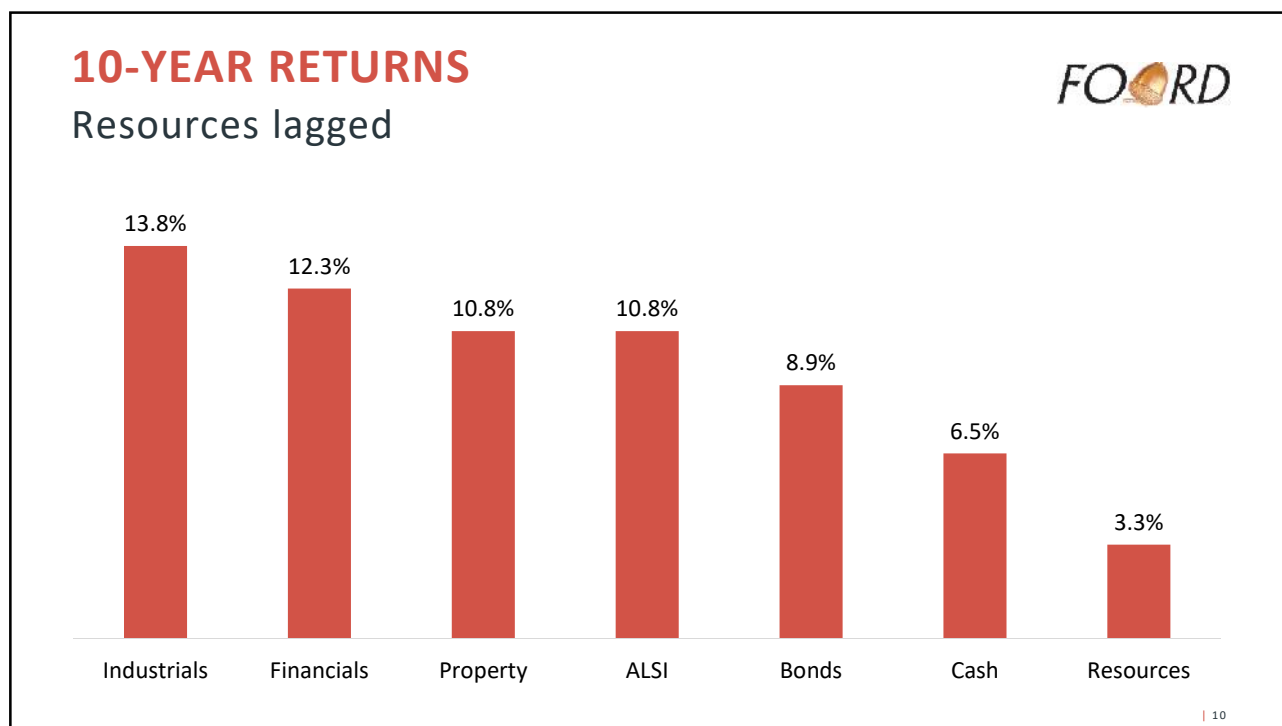
NOTE: Gross asset class returns for the period 1/1/2019 to 31/12/2019

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FOORD RETURNS



Good results, despite weak 2016-2018

To 31 December 2019	2019	Rank	3 years	Rank	10 years	Rank
Foord Flexible	13.7%	32/73	6.0%	33/63	13.2%	3/15
Foord Balanced	11.0%	55/190	4.5%	111/158	9.8%	13/47
Foord Conservative*	12.8%	5/90	7.0%	9/77	-	-
Nedgroup Stable	11.7%	6/148	7.1%	24/127	9.4%	2/47
Foord Equity	5.3%	109/157	-1.3%	123/131	9.9%	21/60

NOTES:

Class A returns. Morningstar ranks.

* Foord Conservative 5 year return 6.1% and rank 9/56

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INVESTING FOR THE LONG TERM

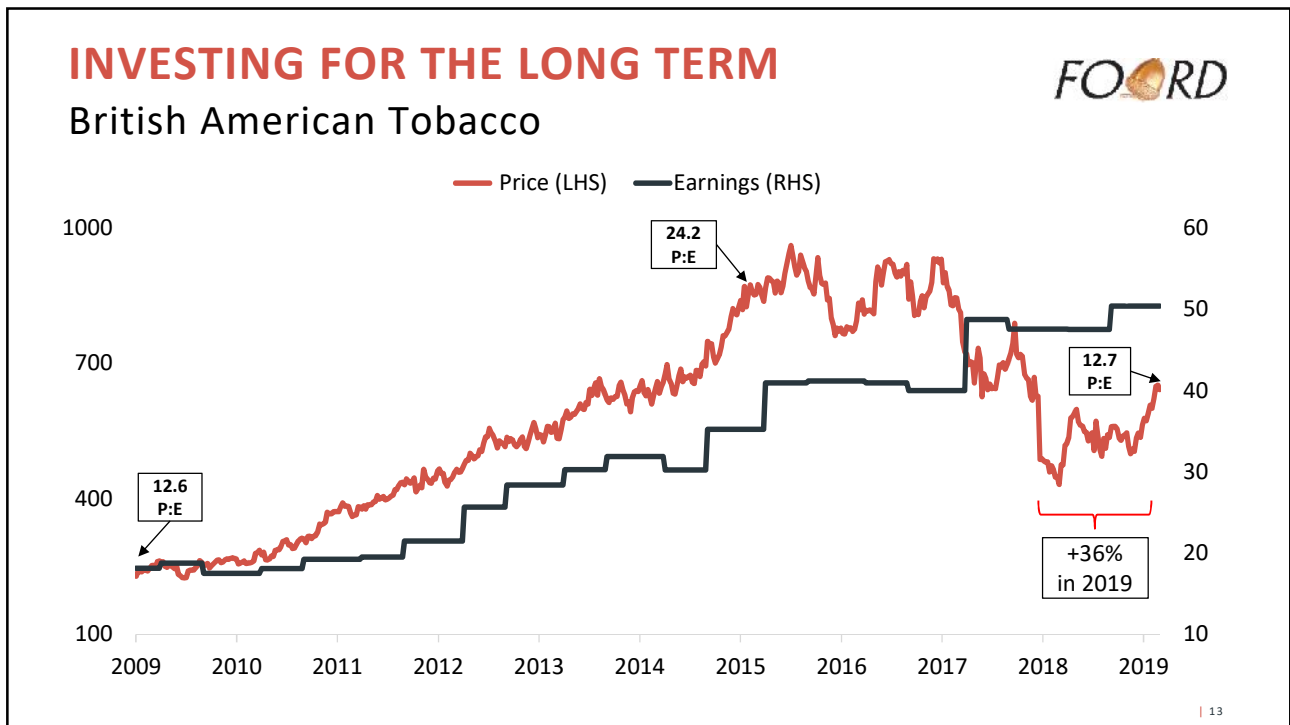


Remember the basics

- Own sustainable businesses
- Seek earnings predictability
- Strong cash flows
- Look through short term price volatility
- Quality of management is critical
- ESG has always been important
 - avoid governance risk
 - active engagement

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GOING BACKWARDS

Economy today vs 2010 (in US\$)

FOORD

	SA 2010	Latest
GDP (\$bn)	415	359
GDP/Capita (\$)	8,007	6,374
Government debt/GDP	35%	56%
Unemployment rate (%)	25%	29%
Global competitiveness ranking	54/139	61/137
Electricity produced (GWH)	259,648	253,315
Household debt to disposable income (%)	82%	72%

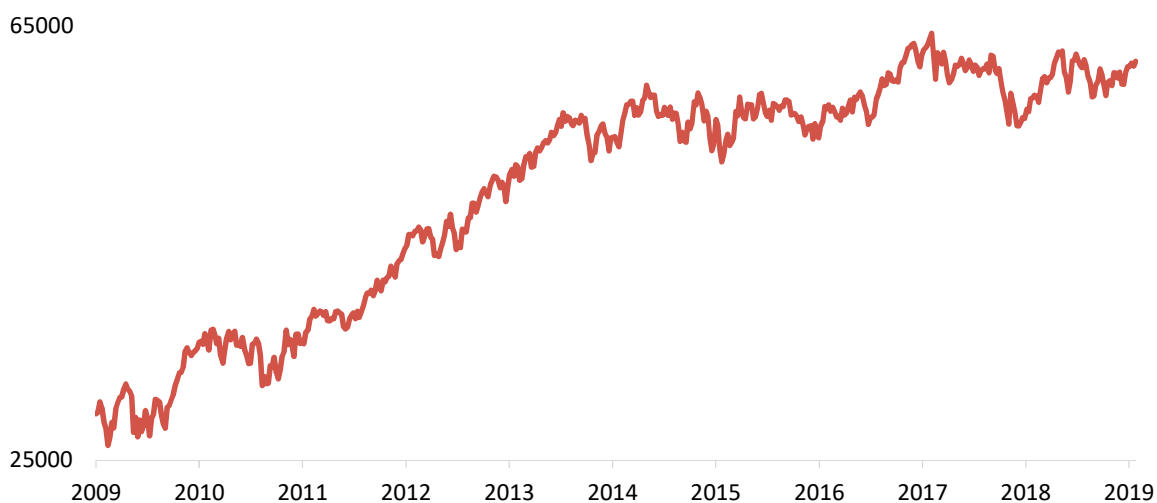
| 16

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FTSE/JSE ALL SHARE INDEX

7.5% p.a. seems acceptable

FOORD



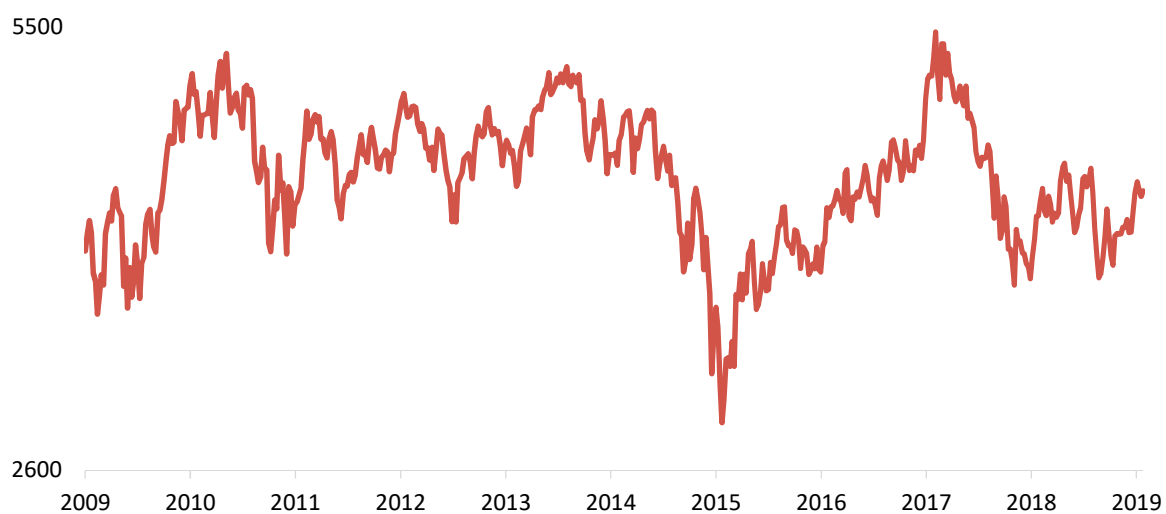
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FTSE/JSE ALL SHARE INDEX IN US\$

<1% p.a. in US\$

FOORD



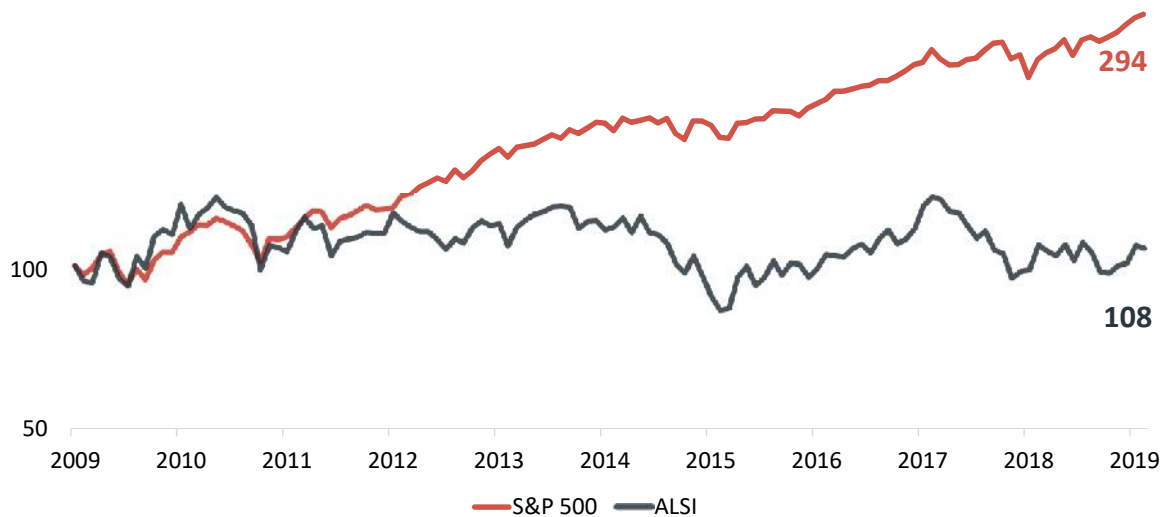
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FTSE/JSE ALL SHARE INDEX IN US\$

Severely lagged US bourses

FOORD



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IT'S ALL ABOUT EARNINGS

Difficult in a tough economy

FOORD

ALSI price and earnings (based to 100)



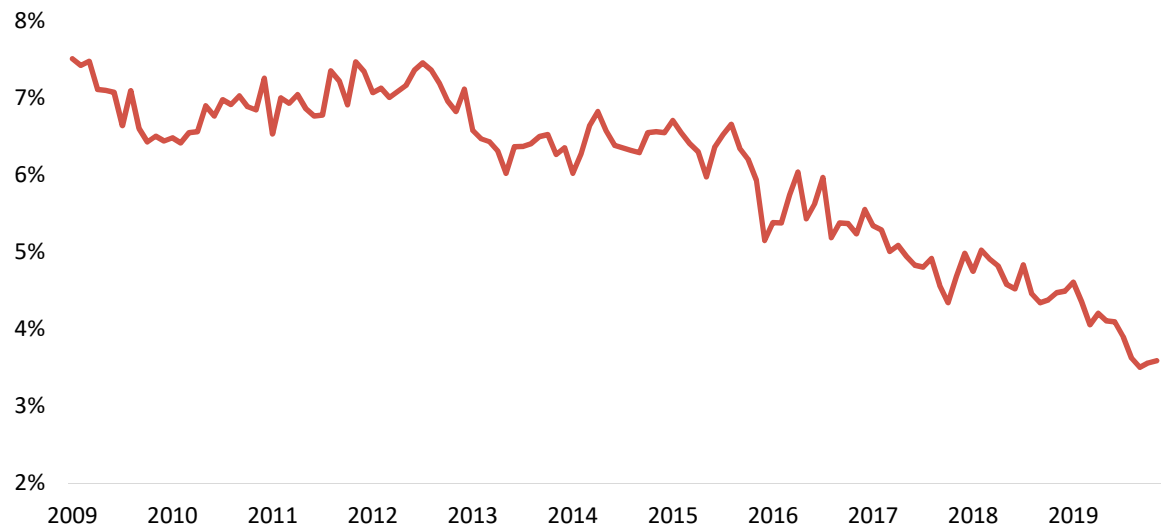
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EMERGING MARKET INDEX

FOORD

SA becoming less relevant



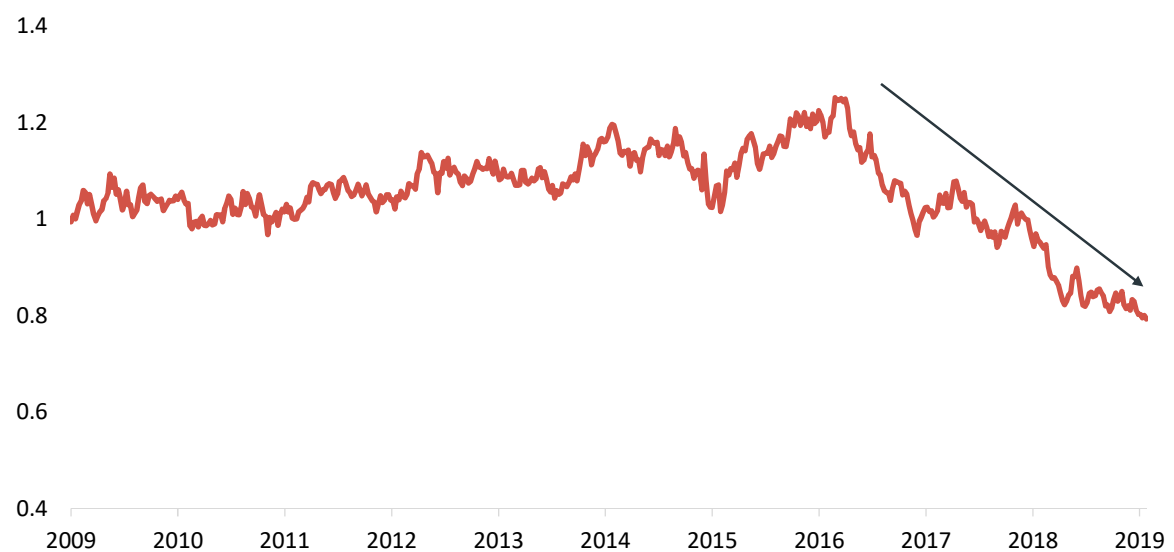
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SMALL CAP OPPORTUNITY

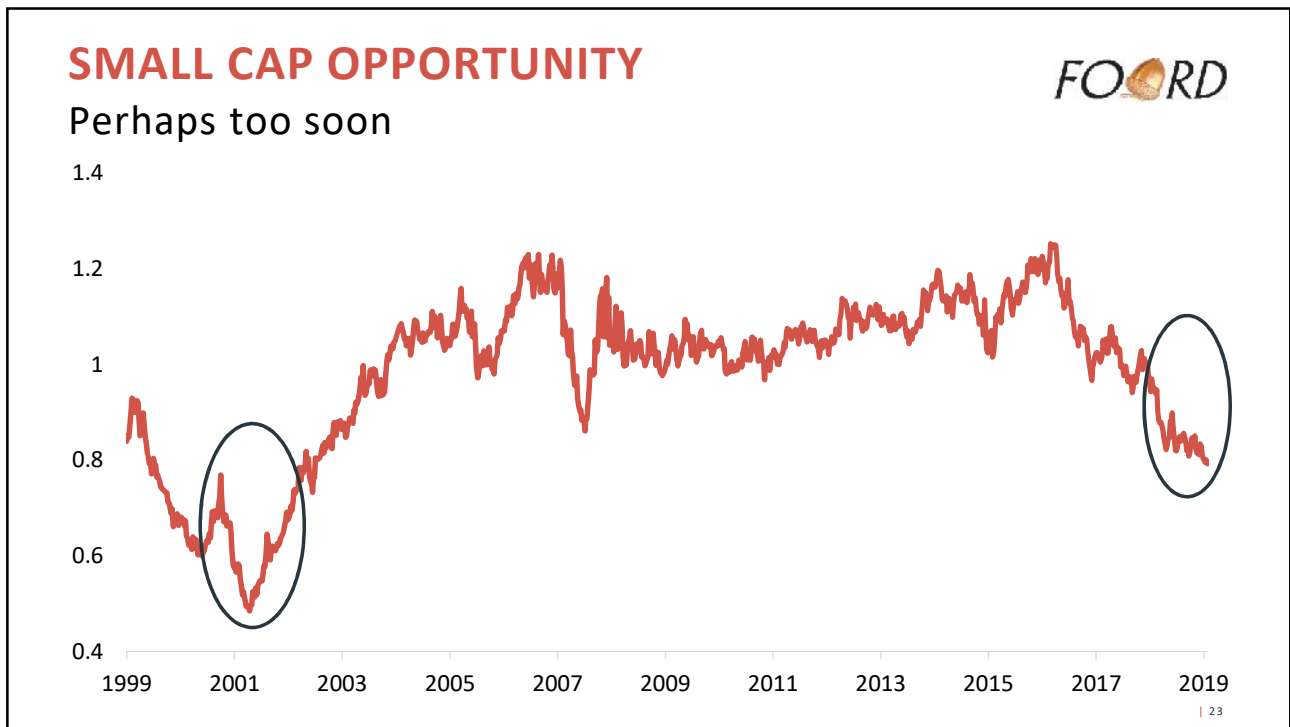
FOORD

Small caps vs ALSI



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FOORD

WHAT LIES AHEAD?

Take the opportunities and manage the risks

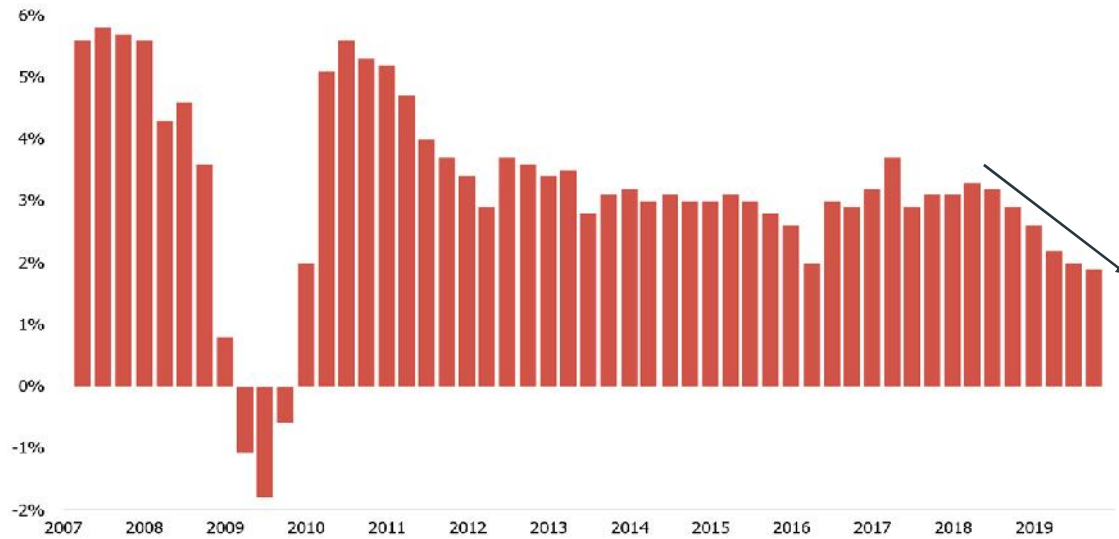
The slide features a dark background with a light, swirling, wireframe-like pattern. A dark rectangular box contains the text 'WHAT LIES AHEAD?' and 'Take the opportunities and manage the risks'. The FOORD logo is in the top right corner.

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GLOBAL GDP GROWTH

FOORD

Music is starting to fade



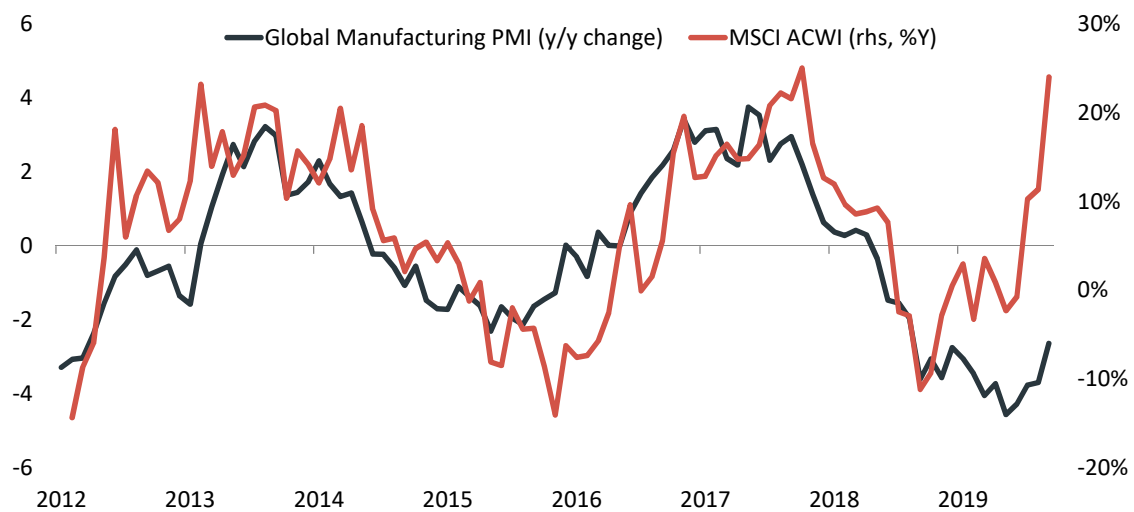
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EQUITY RALLY

FOORD

Not driven by fundamentals



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EQUITY RALLY

Its all about MICE

FOORD

Money for the market – QE in the US

Interest rates – return to cutting

Confidence – remains high

Earnings – stabilisation after staring down the abyss



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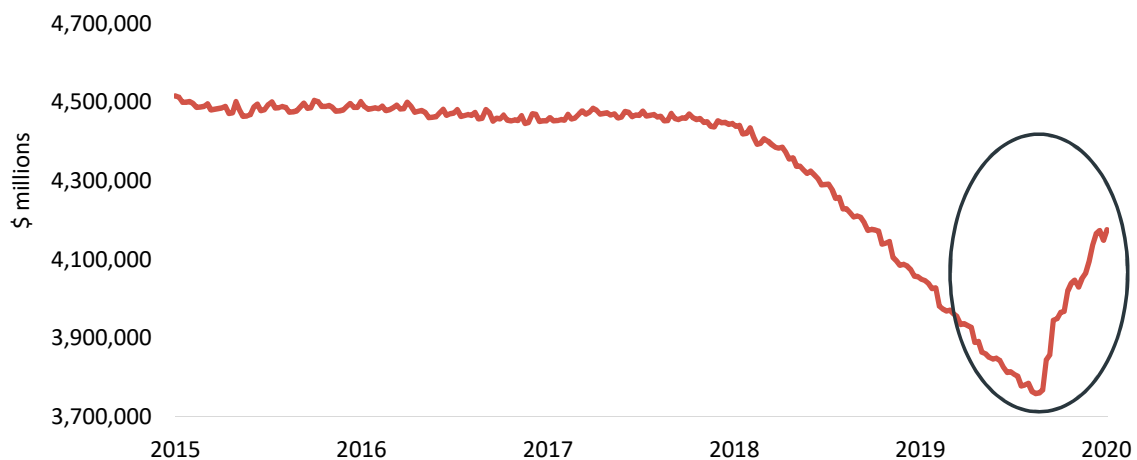
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LIQUIDITY INJECTION

Don't fight the Fed

FOORD

Fed Balance Sheet



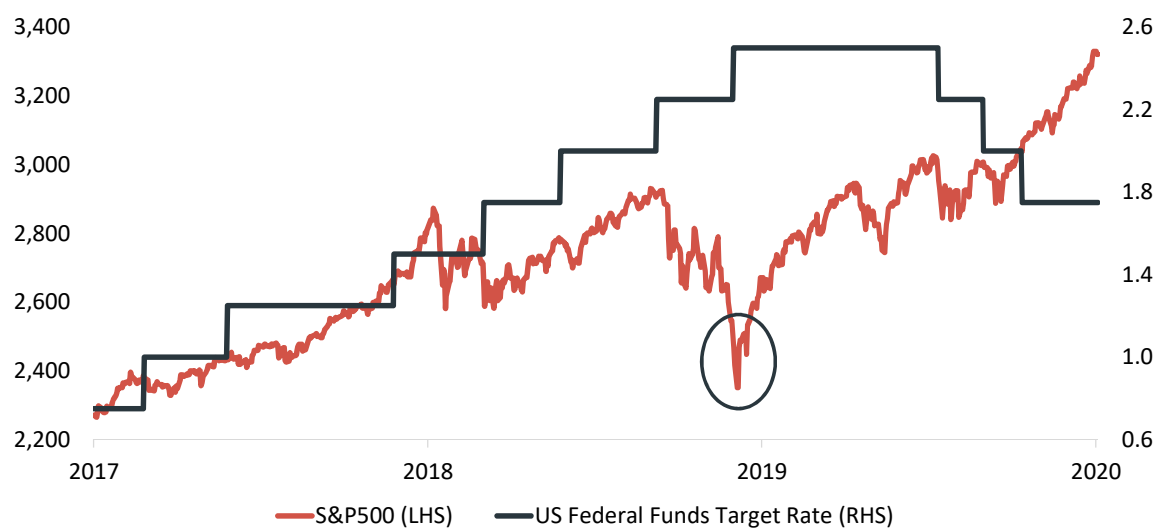
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LOOSE MONETARY POLICY

Supporting risk assets

FOORD



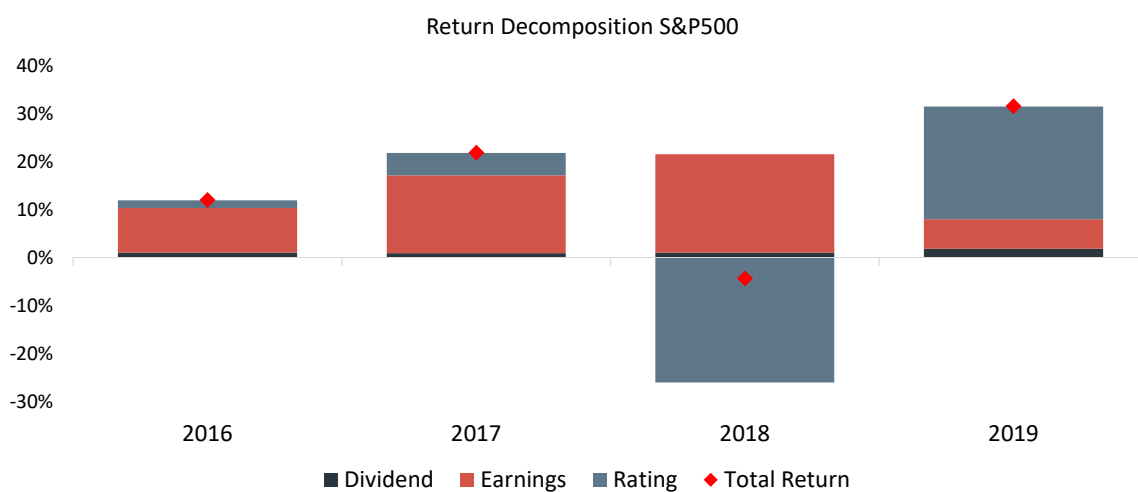
29

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S&P500 SURGES 31.5% IN 2019

Mostly P:E rerating, not earnings

FOORD



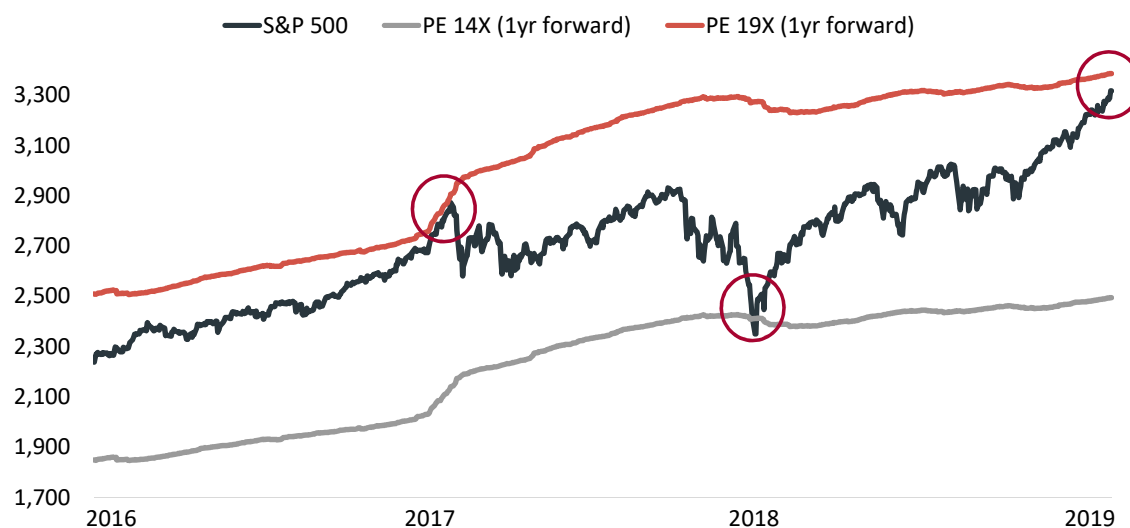
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S&P SURGES 31.5% IN 2019

FOORD

Valuation near top of the range



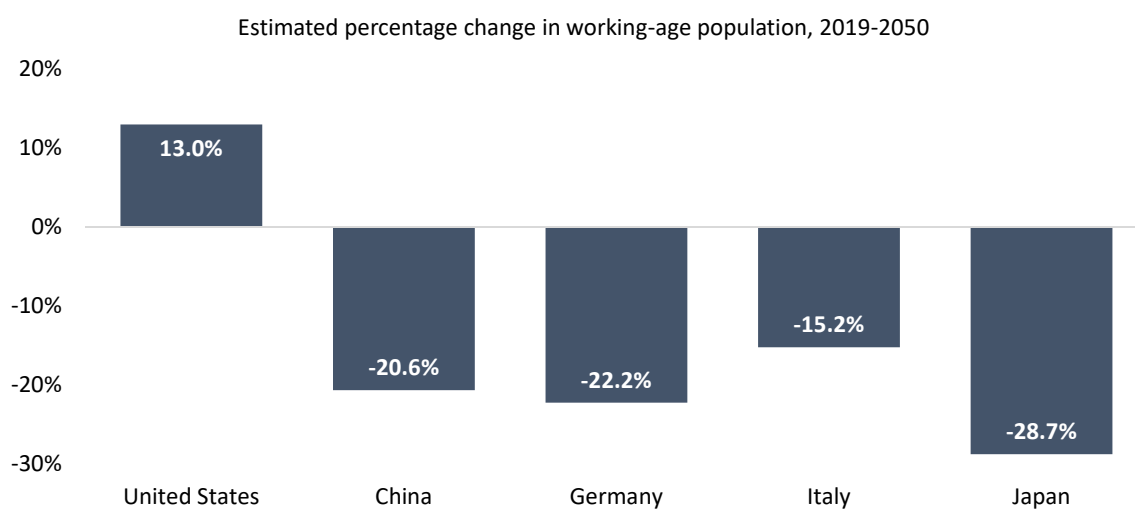
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RISK AND OPPORTUNITY

FOORD

US structural tailwinds



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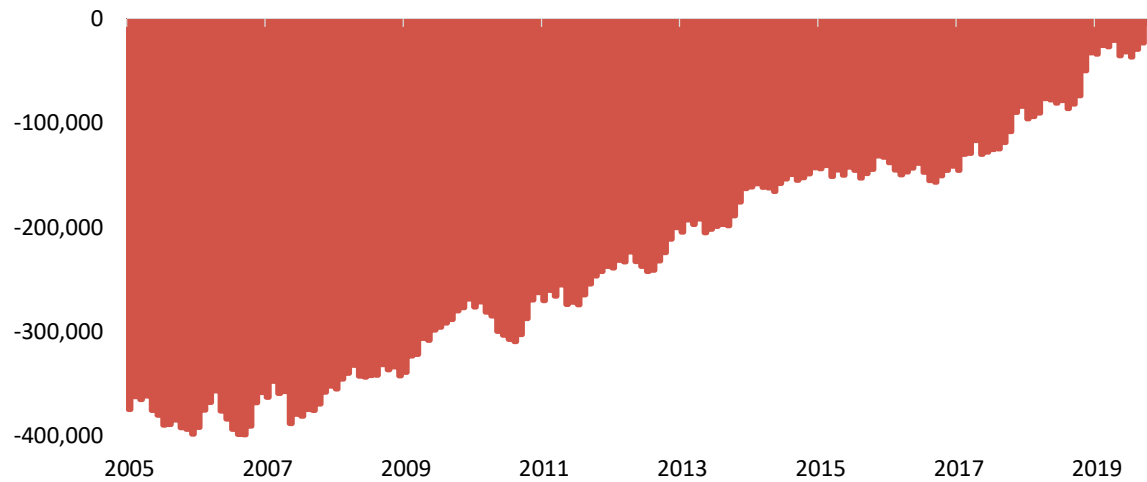
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RISK AND OPPORTUNITY



The politics of oil

US crude net imports (thousands of bbl/month) (3 MMA)



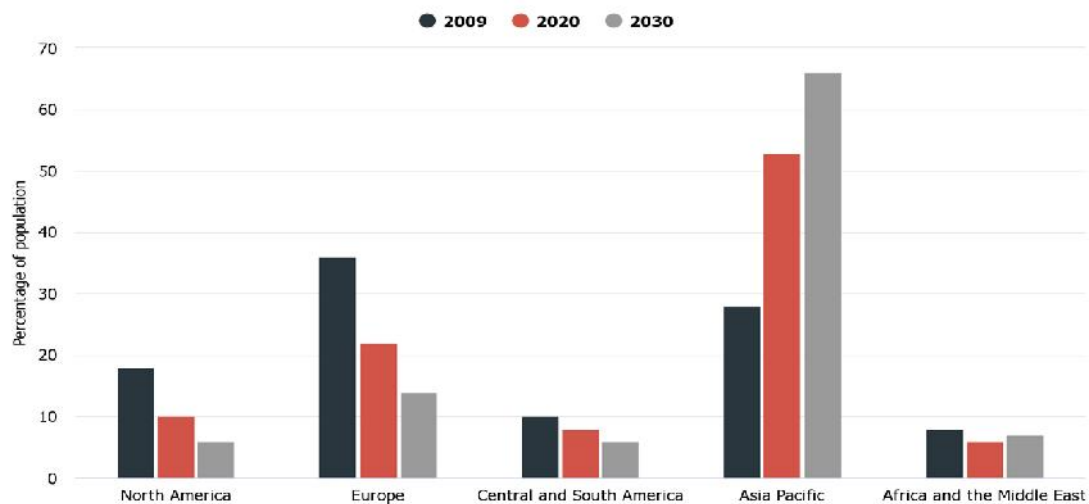
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RISK AND OPPORTUNITY



Rising Asian middle class



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RISK AND OPPORTUNITY

FOORD

Don't fight the currents

2020 vs 2010	SA	CHINA	USA
GDP (\$bn)			
GDP/Capita (\$)			
Government debt/GDP			
Unemployment rate (%)			
Global competitiveness ranking			
Electricity produced (GWH)			
Household debt to disposable income (%)			

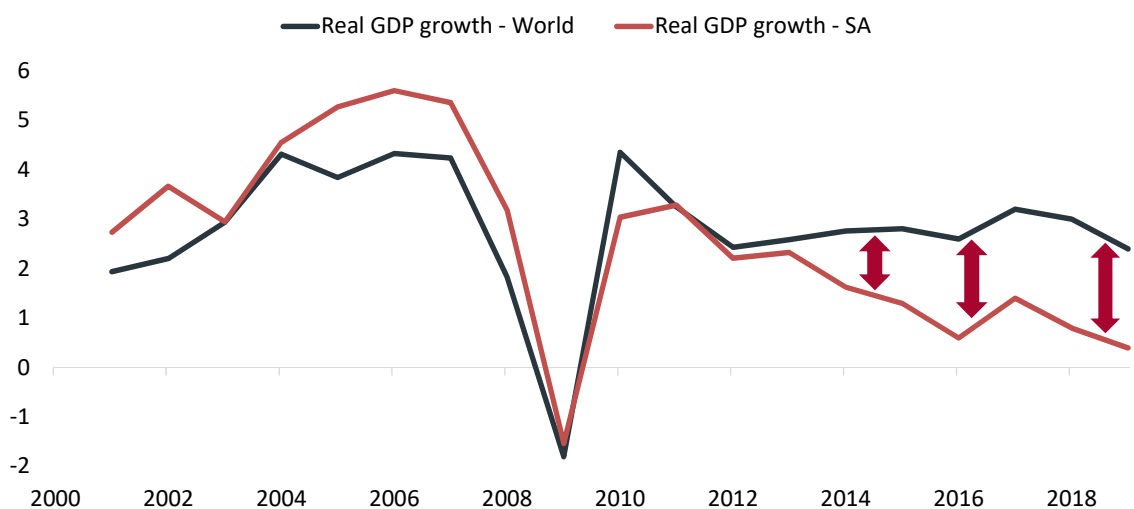
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SA ECONOMY HAS LAGGED

FOORD

Putting SA Inc. under pressure



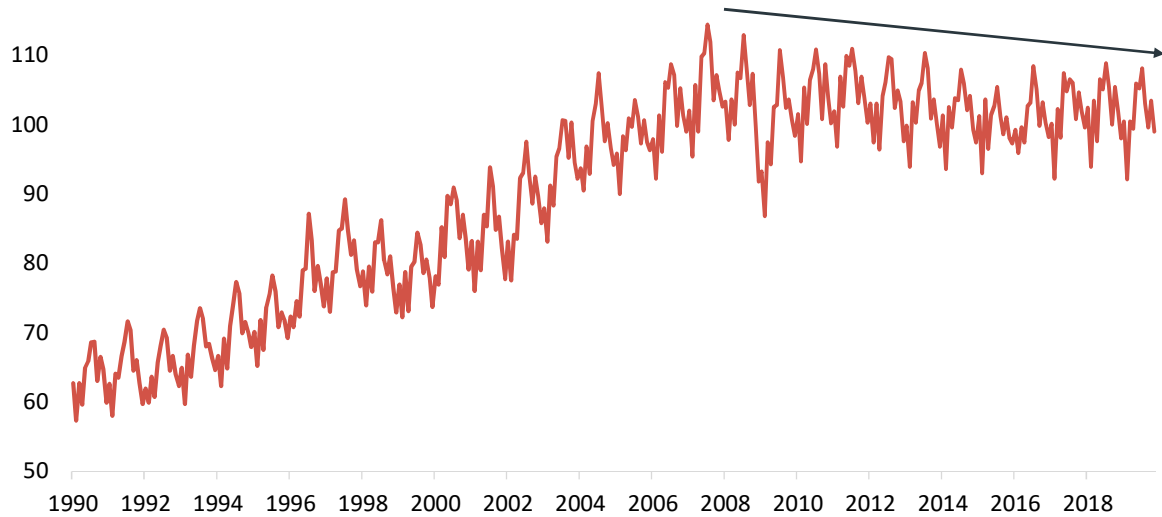
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SA ECONOMIC PROSPECTS

Stagnant electricity production

FOORD



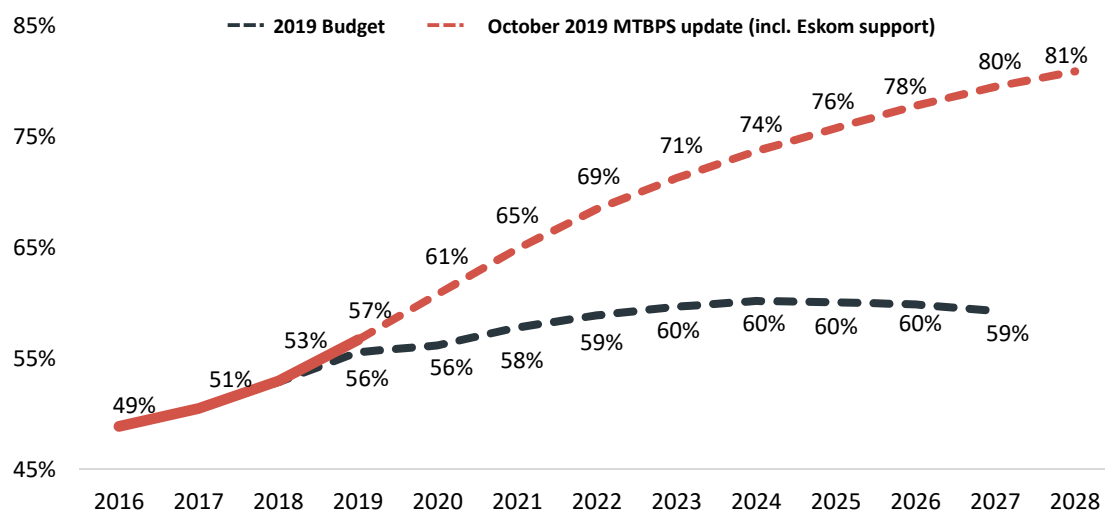
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BELEAGUERED SA ECONOMY

Debt / GDP at a major crossroads

FOORD



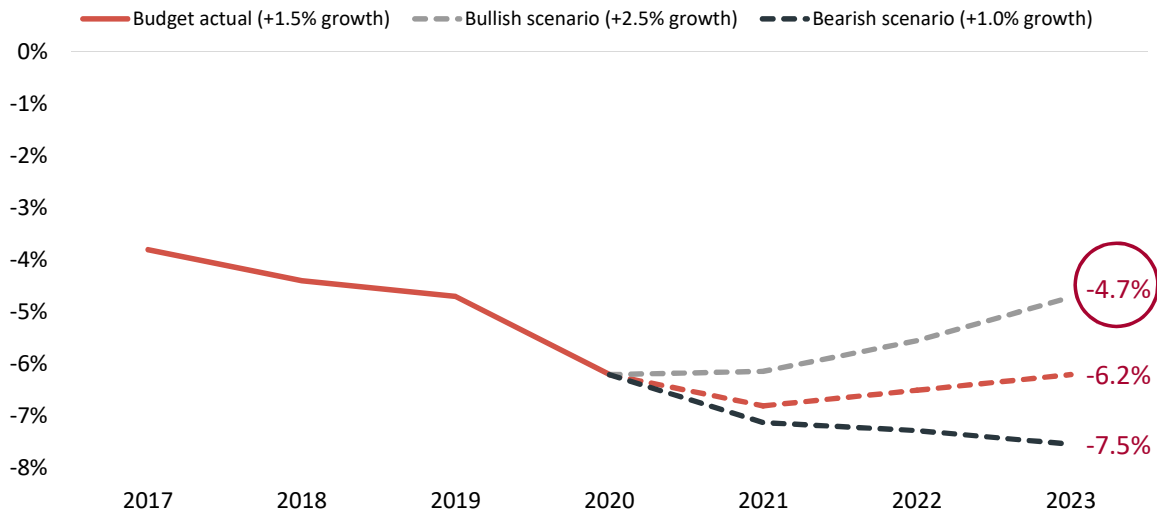
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BUDGET DEFICIT SCENARIOS

FOORD

Best case is still bad



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FOORD

“For a nation to try to tax itself into prosperity is like a man standing in a bucket trying to lift himself up by the handle.”

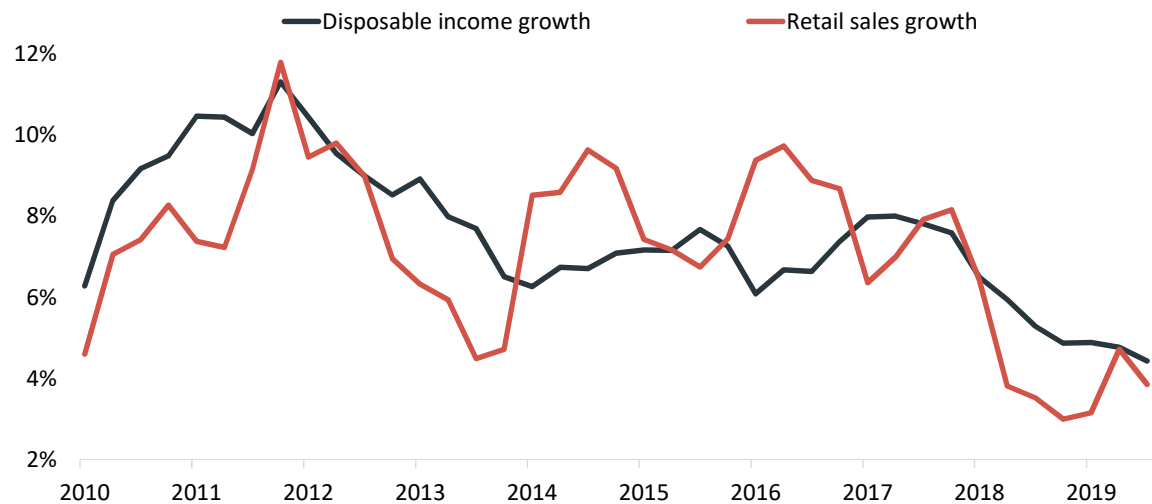
Winston Churchill

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SA CONSUMER IS STRAINED

No bounce coming

FOORD



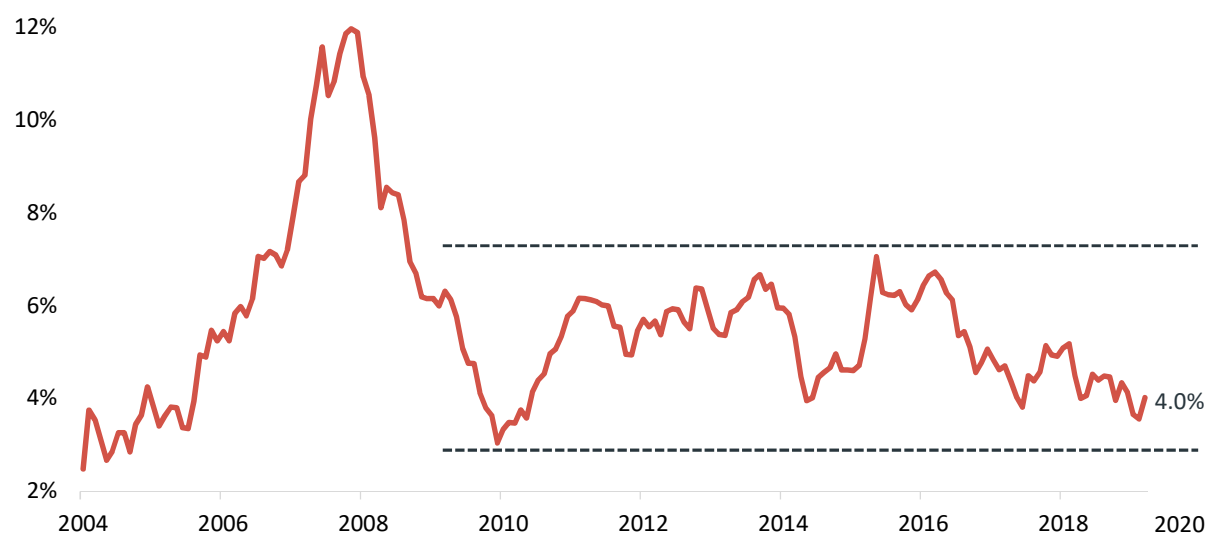
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BENIGN SA INFLATION

With high interest rates

FOORD



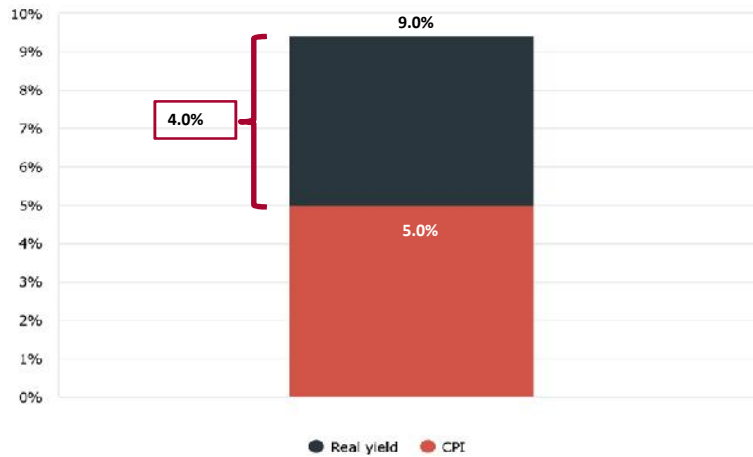
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HIGH REAL YIELDS

R186 government bond

FOORD



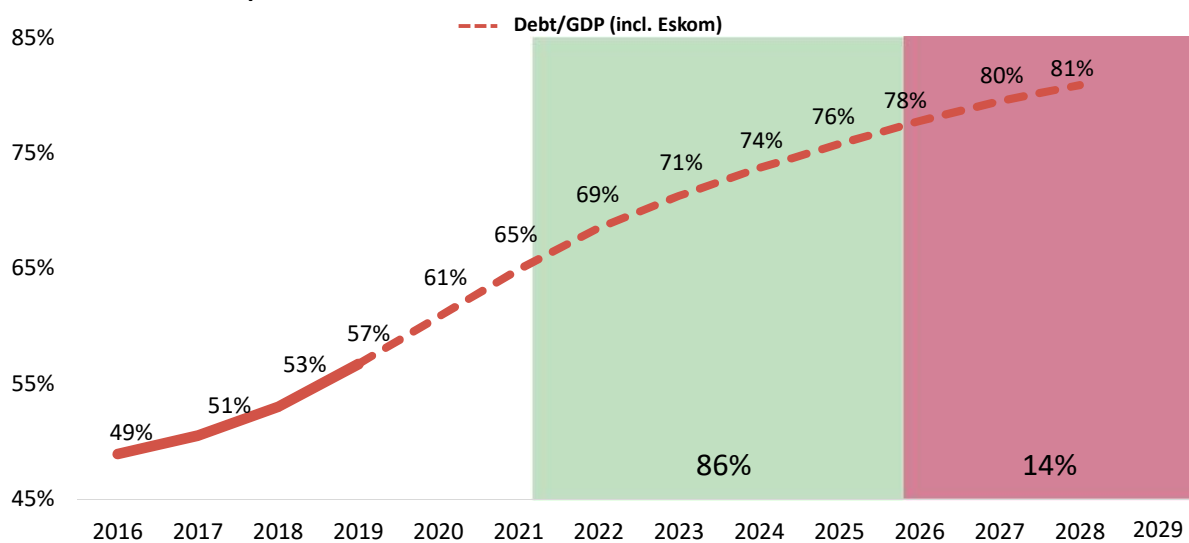
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BOND INVESTMENTS

The sweet spot

FOORD



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FOUR SCENARIOS

Shifting probabilities

FOORD

	SHORT TERM	LONG TERM
SA reform and reset	↓	↓
More of the same in SA	↔	↔
Failed state in SA	↔	↑
Global recession	↓	↑

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NICHE OPPORTUNITIES

Will grind it out

FOORD



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ECONOMIC DRIVERS

31 December 2019 (%)



	FOORD FLEXIBLE	FOORD BALANCED	FOORD CONSERVATIVE	NEDGROUP STABLE	FOORD INTERNATIONAL
Bonds and cash	25	27	34	50	18
SA Inc. growth assets	7	15	14	6	-
Global growth assets	64	53	45	39	76
Gold	4	5	7	5	6
TOTAL	100	100	100	100	100
Equity and property	71	68	59	45	76

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SOURCES

This document contains past performance information.

Performance is calculated on a NAV to NAV basis, fund returns are presented net of fees and other fund level expenses for the most expensive retail class. Income is reinvested on the ex-dividend date. Individual investor performance may differ as a result of the actual investment date, the date of reinvestment of income and withholding taxes. Periods greater than one year are annualised to show the average twelve month return. Actual annual figures are available on request.

External sources used:

- Factset/IRESS MD SA
- Bloomberg, Morgan Stanley Research
- Census Bureau International Database
- Foord Forecasts
- Fund returns: Performances calculated by Foord
- Images: Google/Newshub/Nigeriasoccernet

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