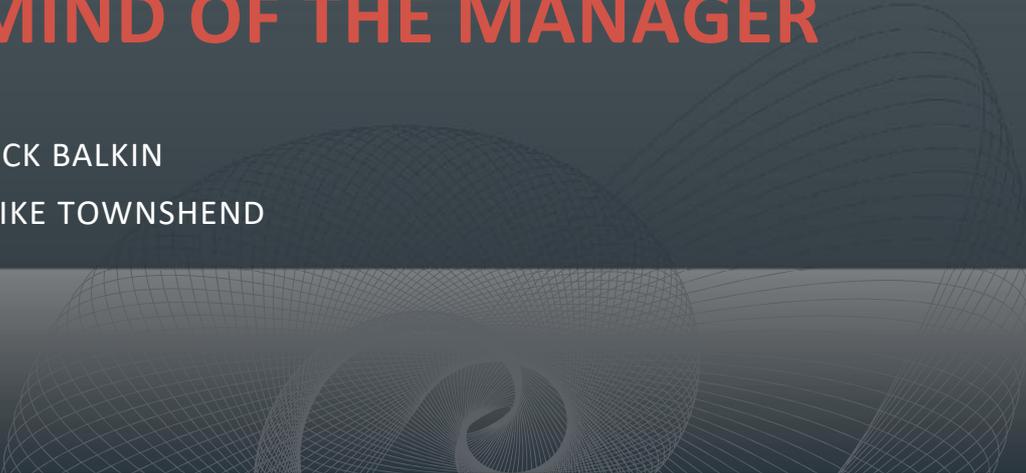




MIND OF THE MANAGER

NICK BALKIN
MIKE TOWNSHEND



1



*It was the best of times,
It was the worst of times,
It was the age of wisdom,
It was the age of foolishness,
It was the epoch of belief,
It was the epoch of incredulity...*

Charles Dickens, "A Tale of Two Cities"
1859

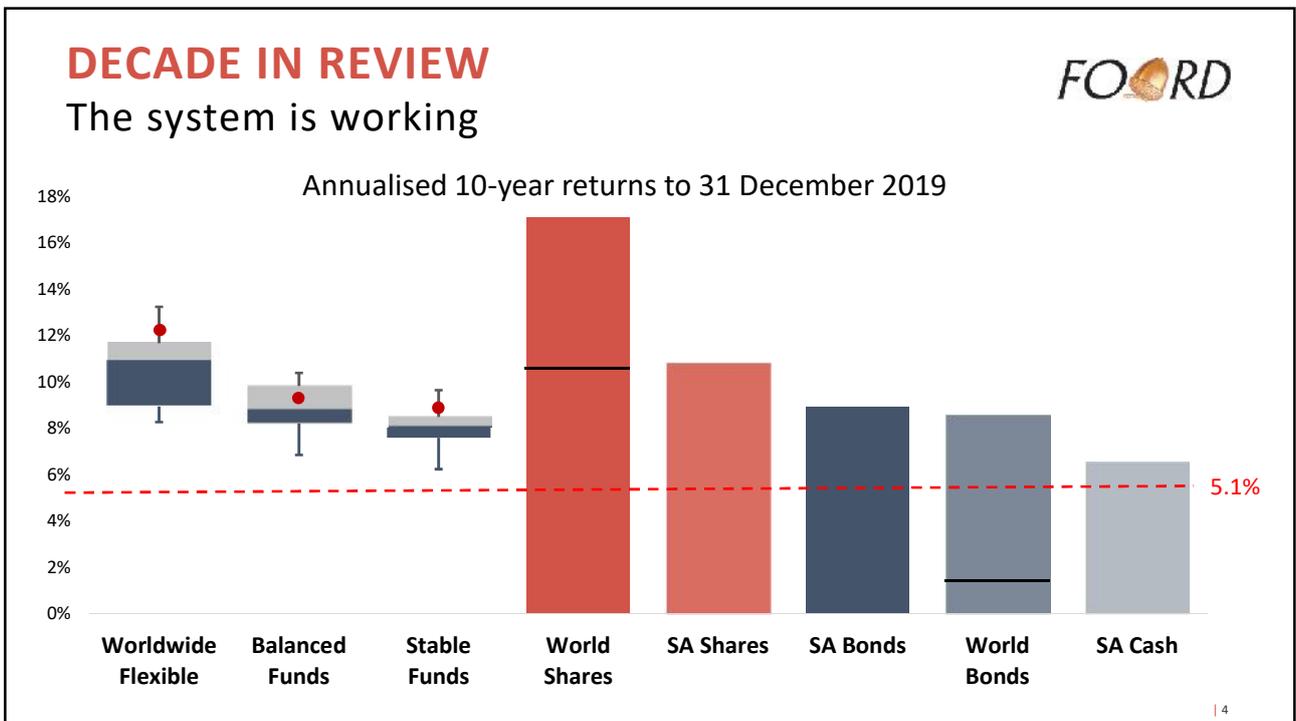


2

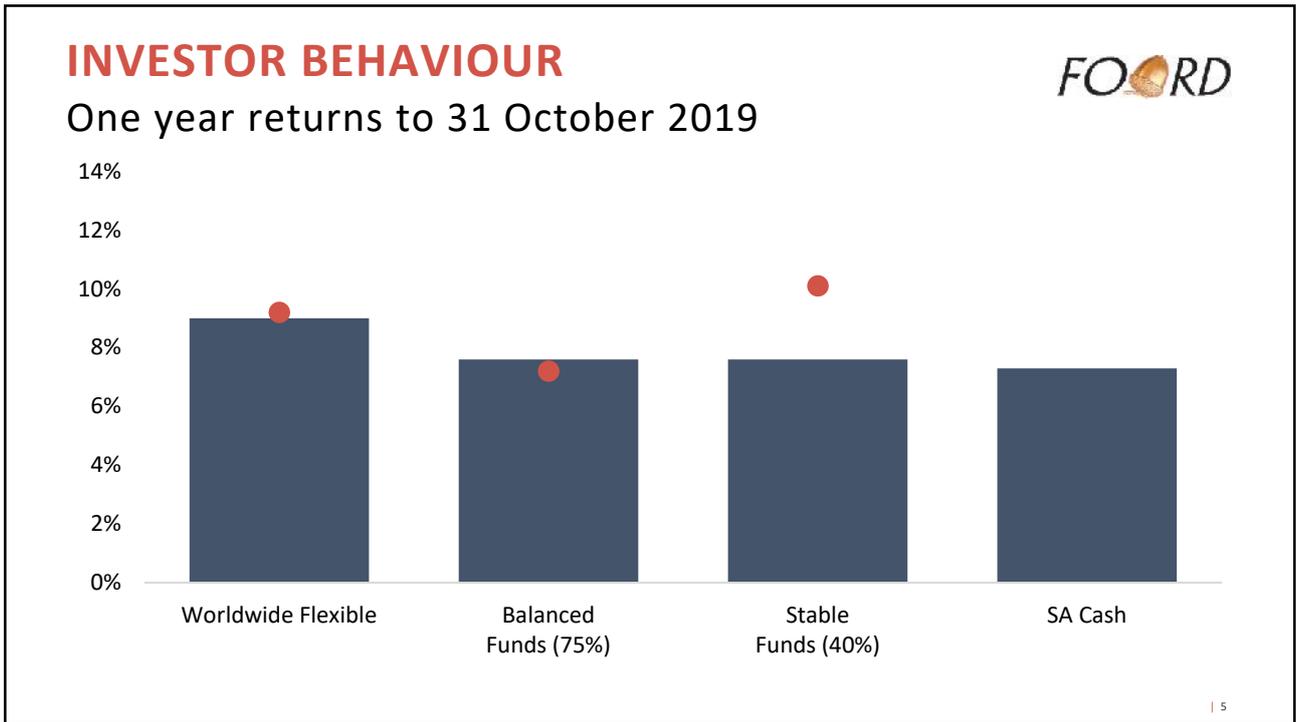


END OF A DECADE, BEGINNING OF ANOTHER
Think in years, comprehend in decades

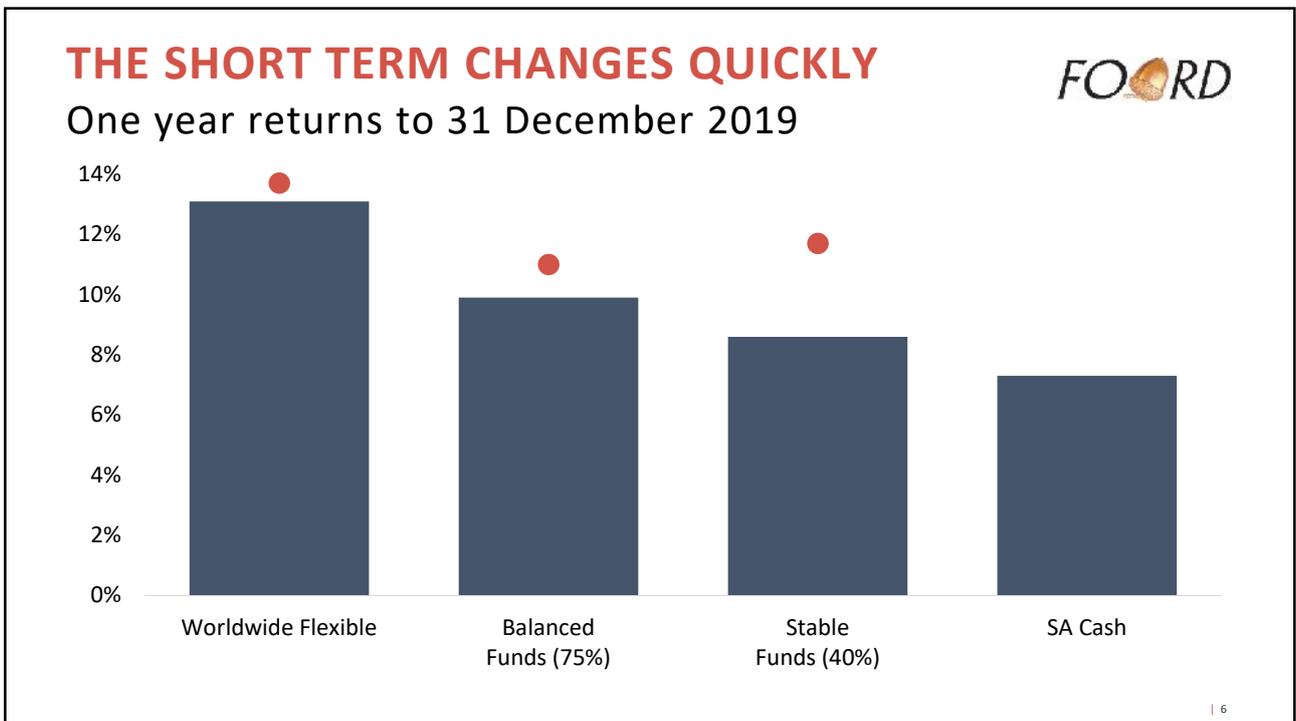
3



4



5



6

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

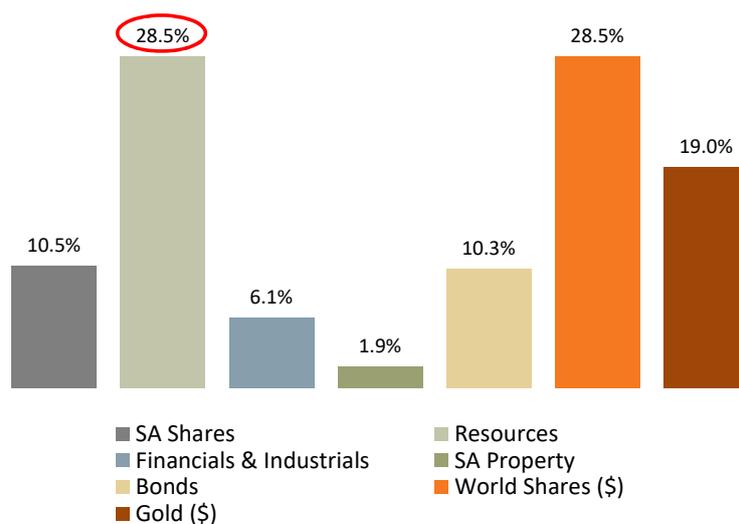
17

7

2019 PERFORMANCE DRIVERS



Asset allocation was important

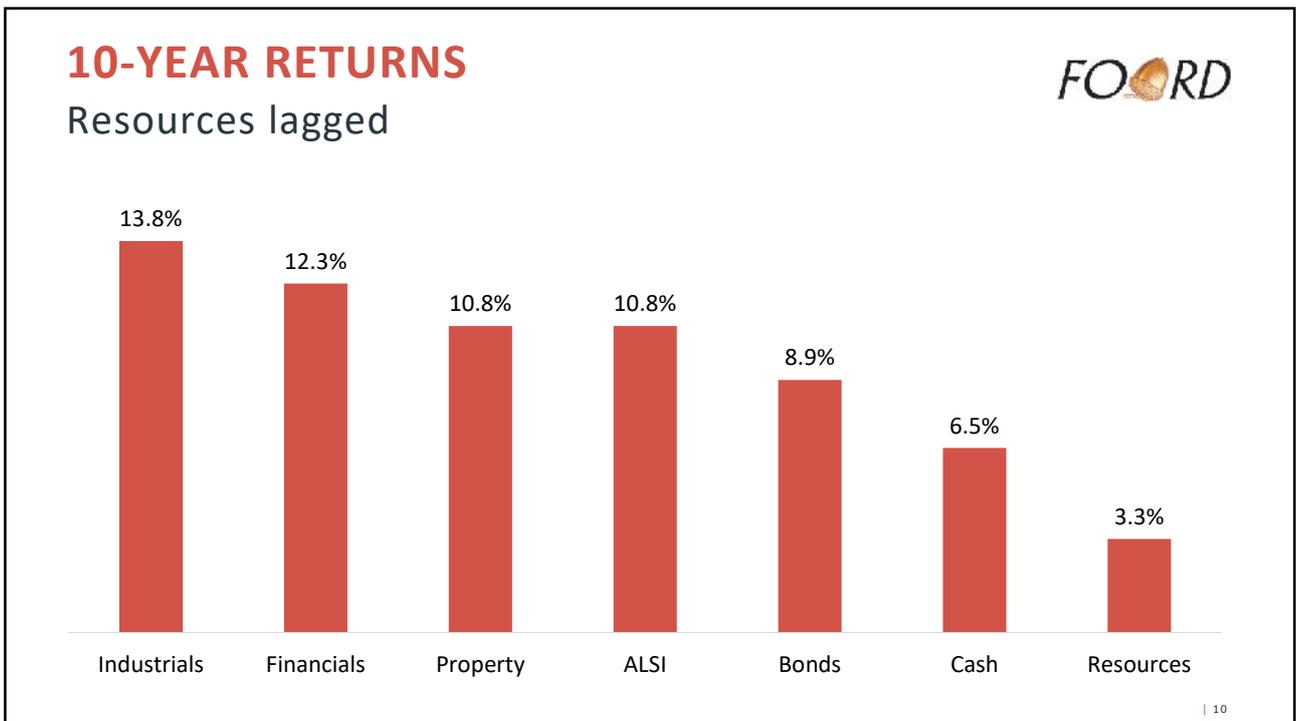
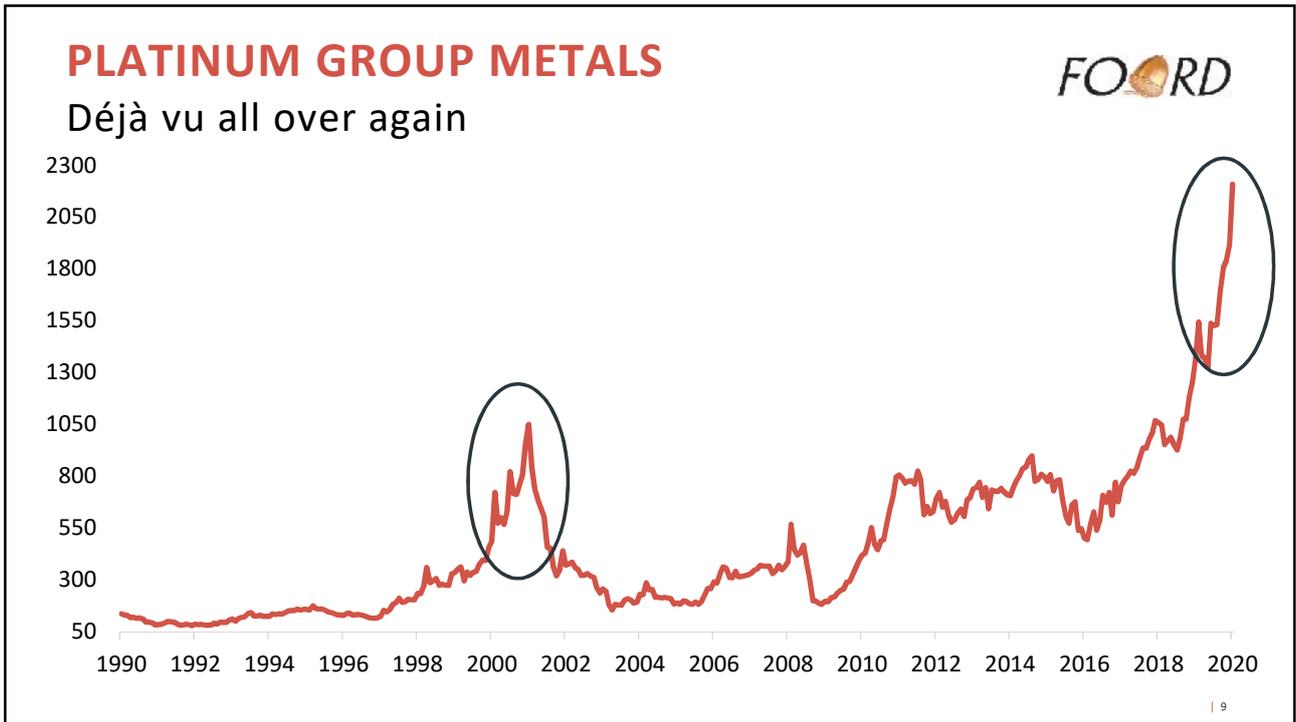


- Low SA equities ✓
- Low SA Inc. ✓
- Low SA property ✓
- High foreign (equities) ✓
- High SA bonds and cash ✓
- Physical gold ✓
- Low resources ✗

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

18

8



FOORD RETURNS



Good results, despite weak 2016-2018

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

NOTES:

Class A returns. Morningstar ranks.

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

| 11

11

INVESTING FOR THE LONG TERM

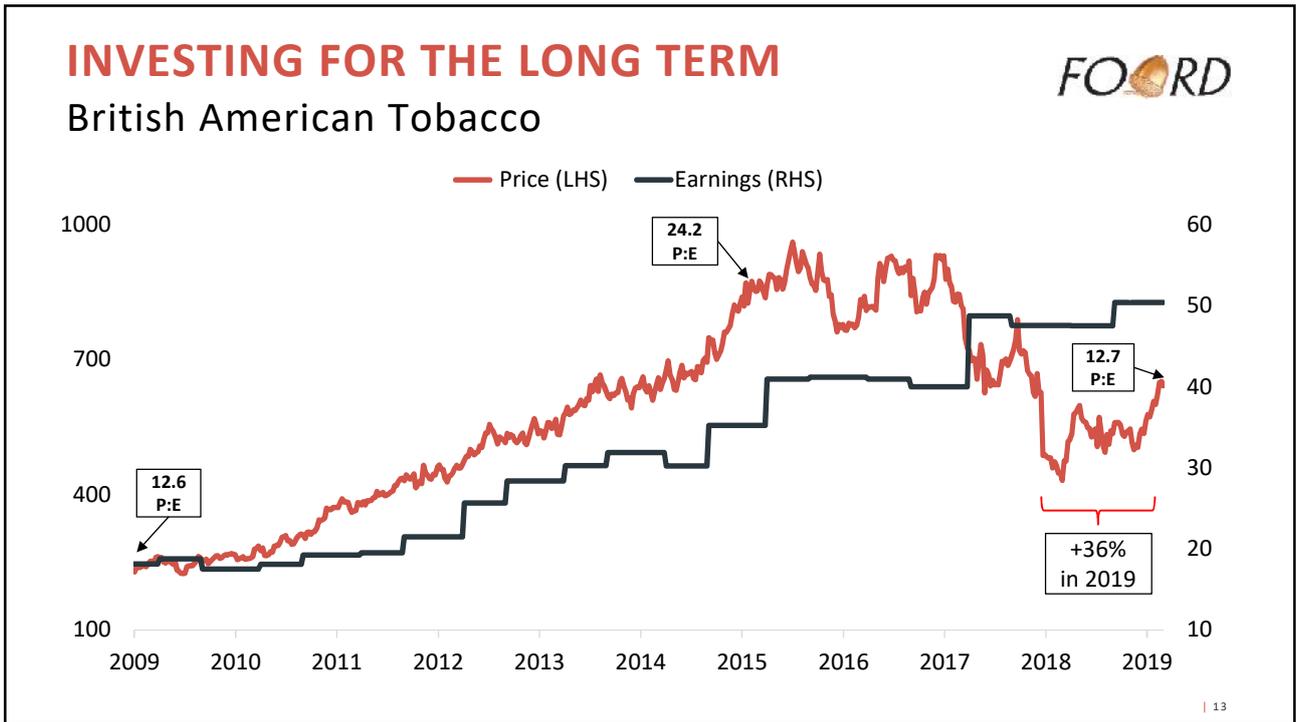


Remember the basics

- 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

| 12

12



13



14



15

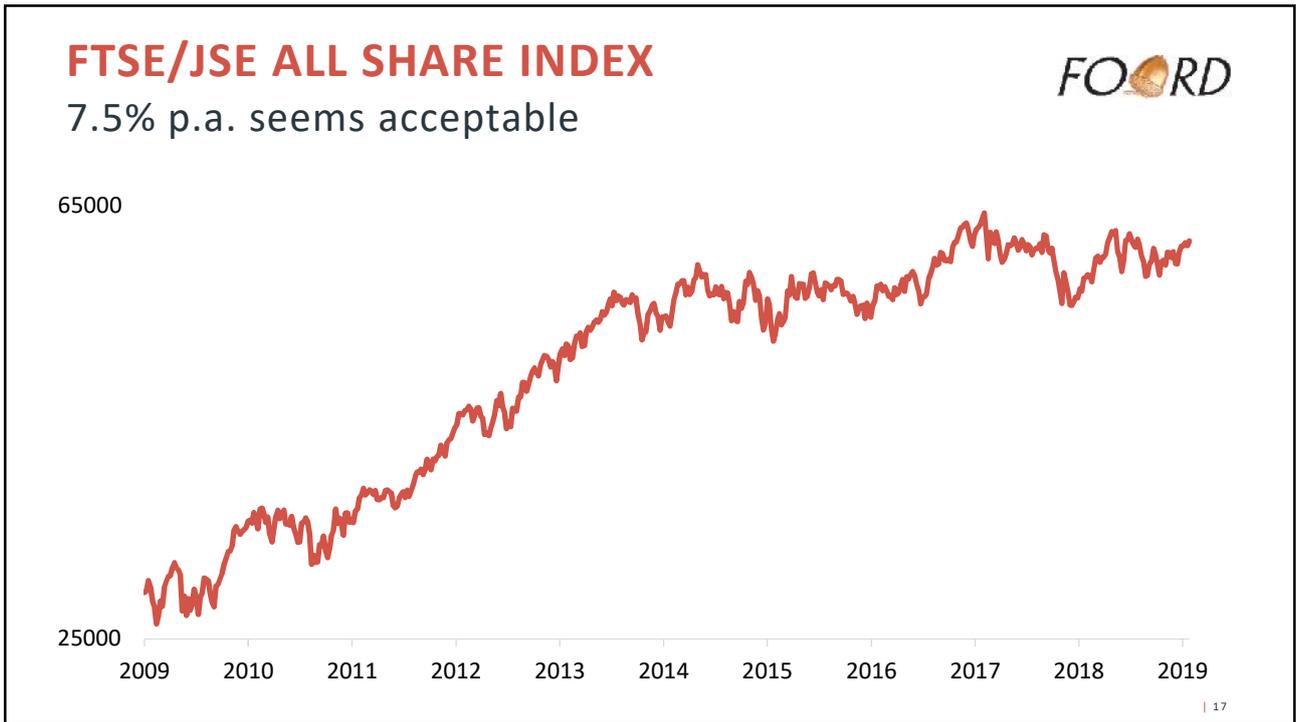
GOING BACKWARDS

Economy today vs 2010 (in US\$)

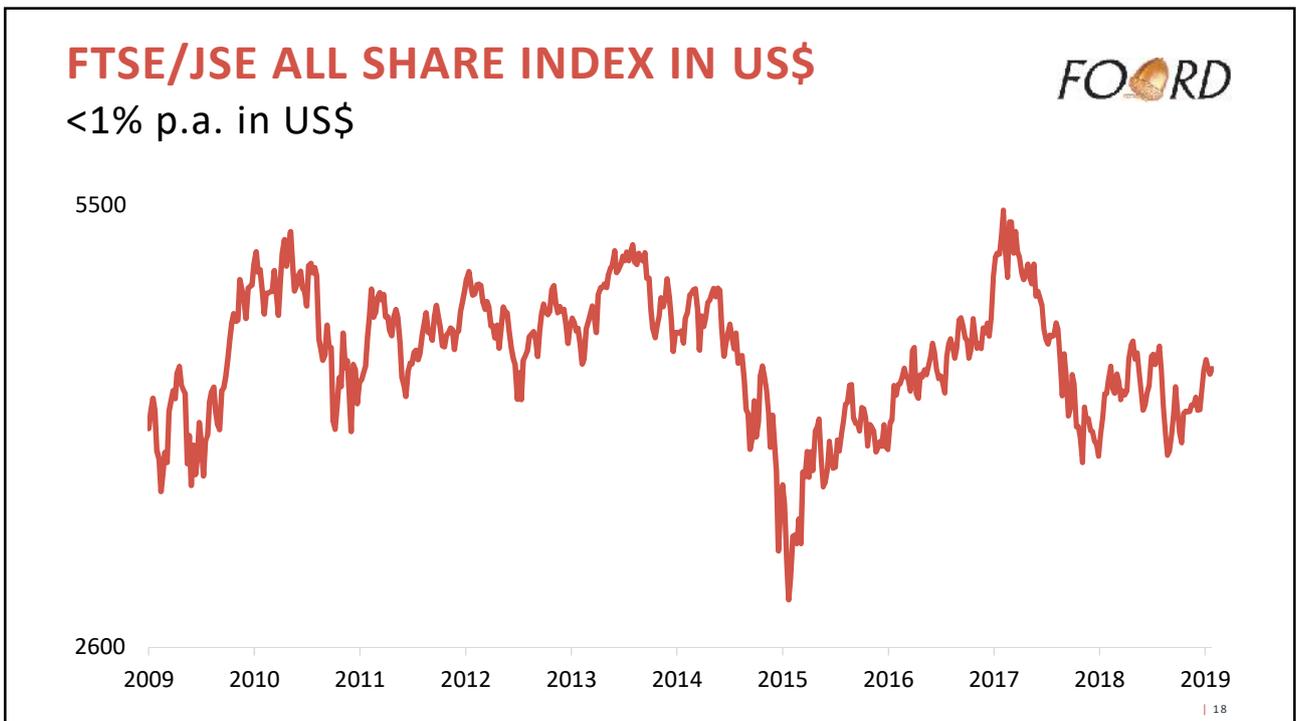
	SA 2010	Latest
GDP (\$bn)	415	359
GDP/Capita (\$)	8,007	6,374
Government debt/GDP	35%	56%
Unemployment rate (%)	25%	29%
Global competitiveness ranking	54/139	61/137
Electricity produced (GWH)	259,648	253,315
Household debt to disposable income (%)	82%	72%

| 16

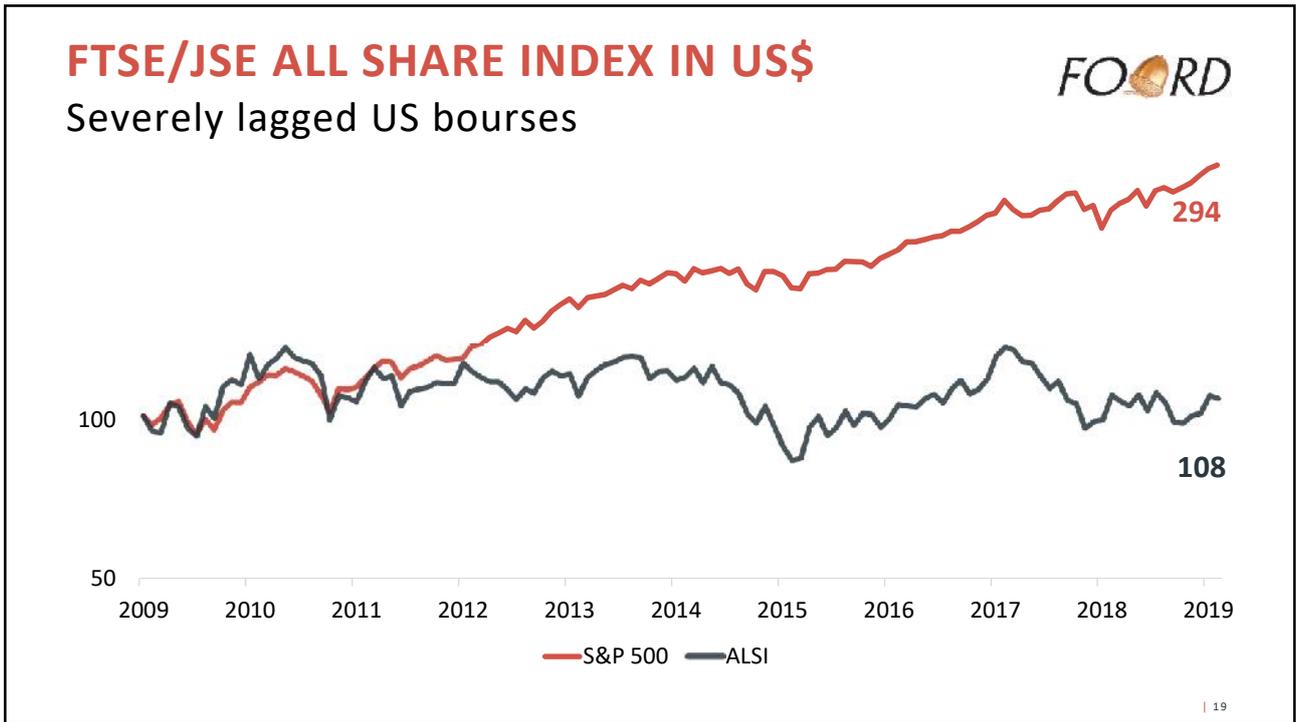
16



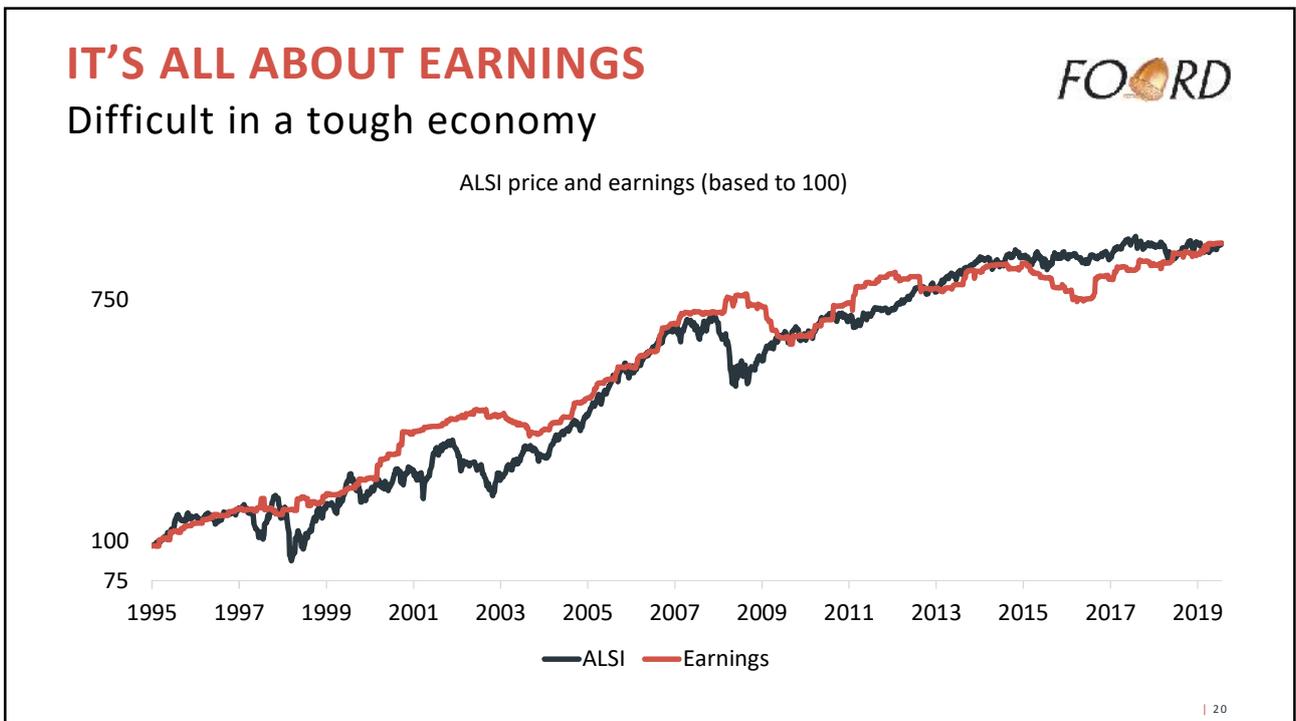
17



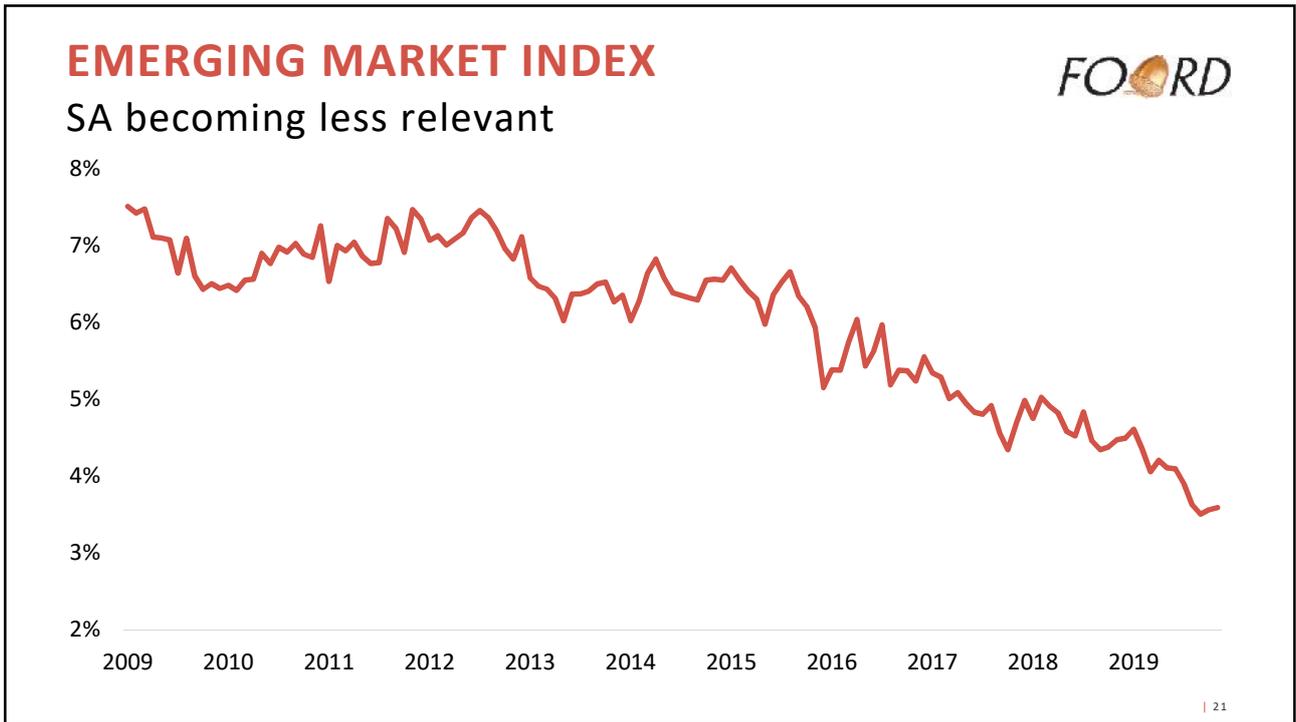
18



19



20



21



22



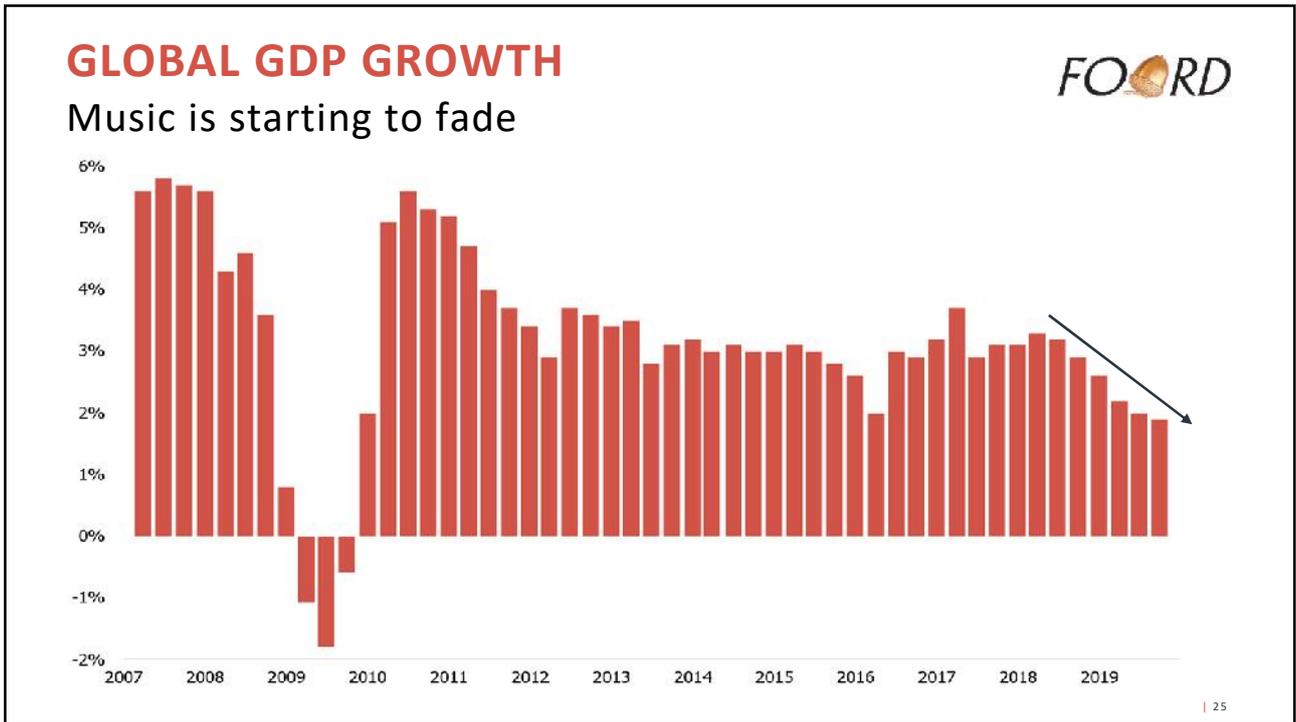
23

The slide features a dark background with a complex, white, wireframe-like graphic of a sphere or a similar geometric shape. In the top right corner, the FOORD logo is displayed. A dark rectangular box in the center contains the text "WHAT LIES AHEAD?" in red, followed by "Take the opportunities and manage the risks" in white.

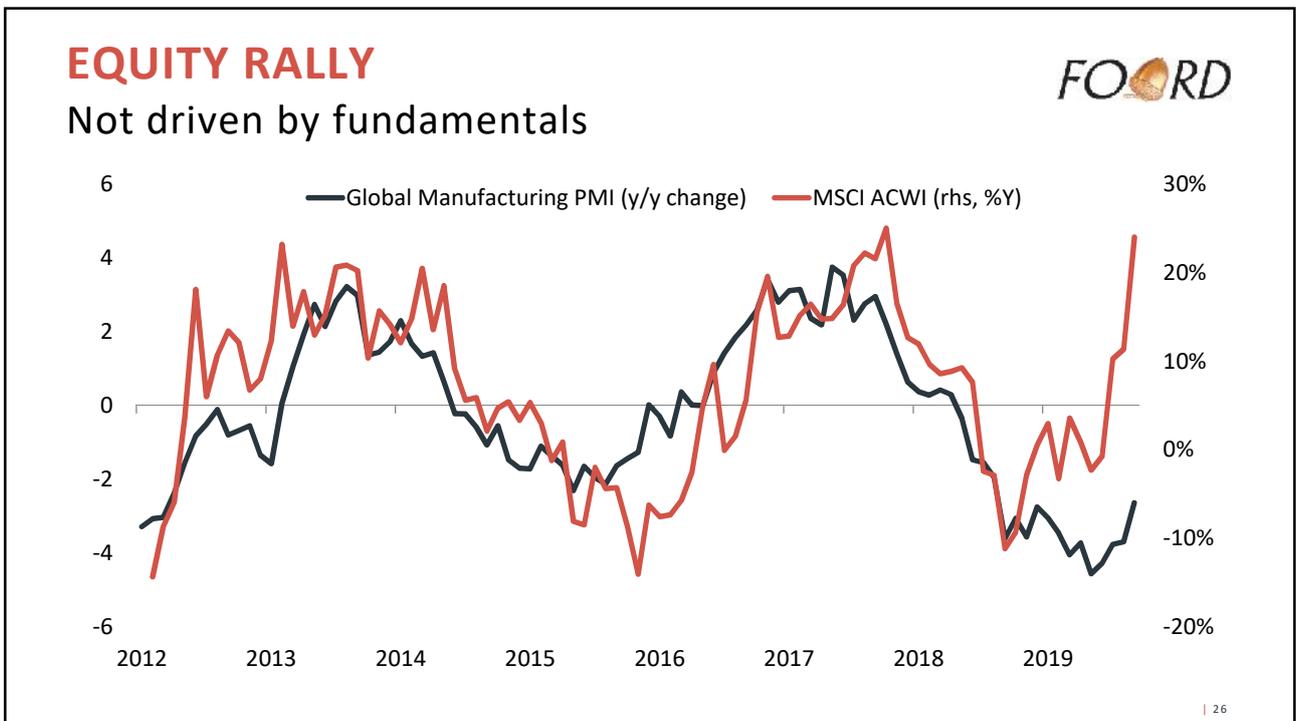
WHAT LIES AHEAD?
Take the opportunities and manage the risks

FOORD

24



25



26

EQUITY RALLY

Its all about MICE



Money for the market – QE in the US

Interest rates – return to cutting

Confidence – remains high

Earnings – stabilisation after staring down the abyss



| 27

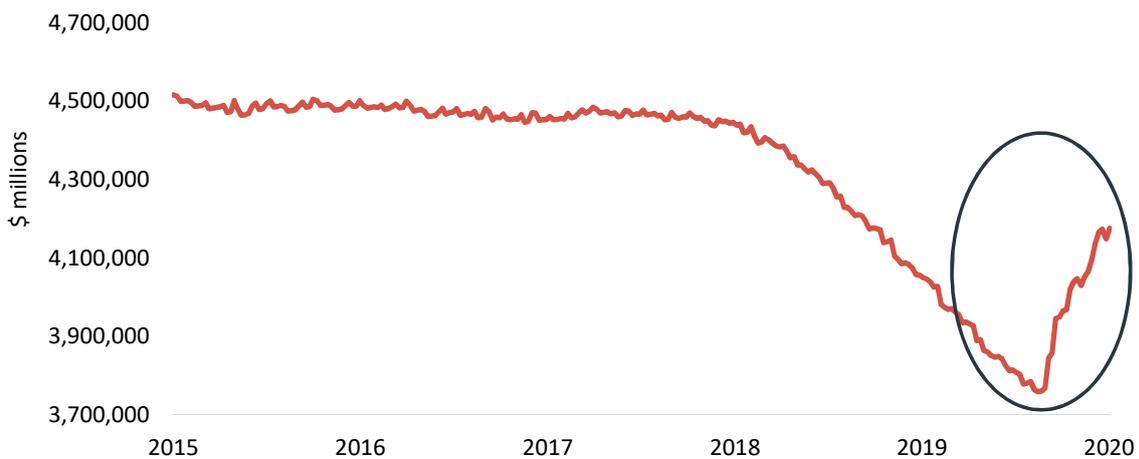
27

LIQUIDITY INJECTION

Don't fight the Fed

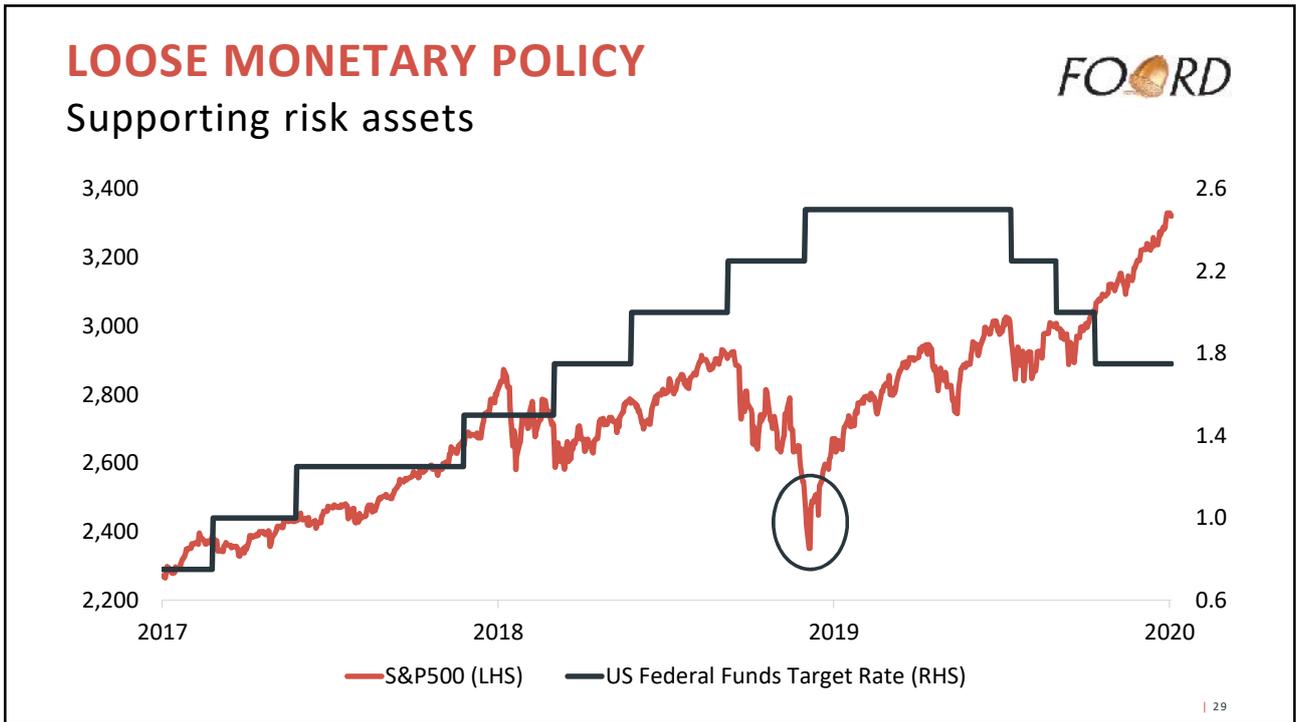


Fed Balance Sheet

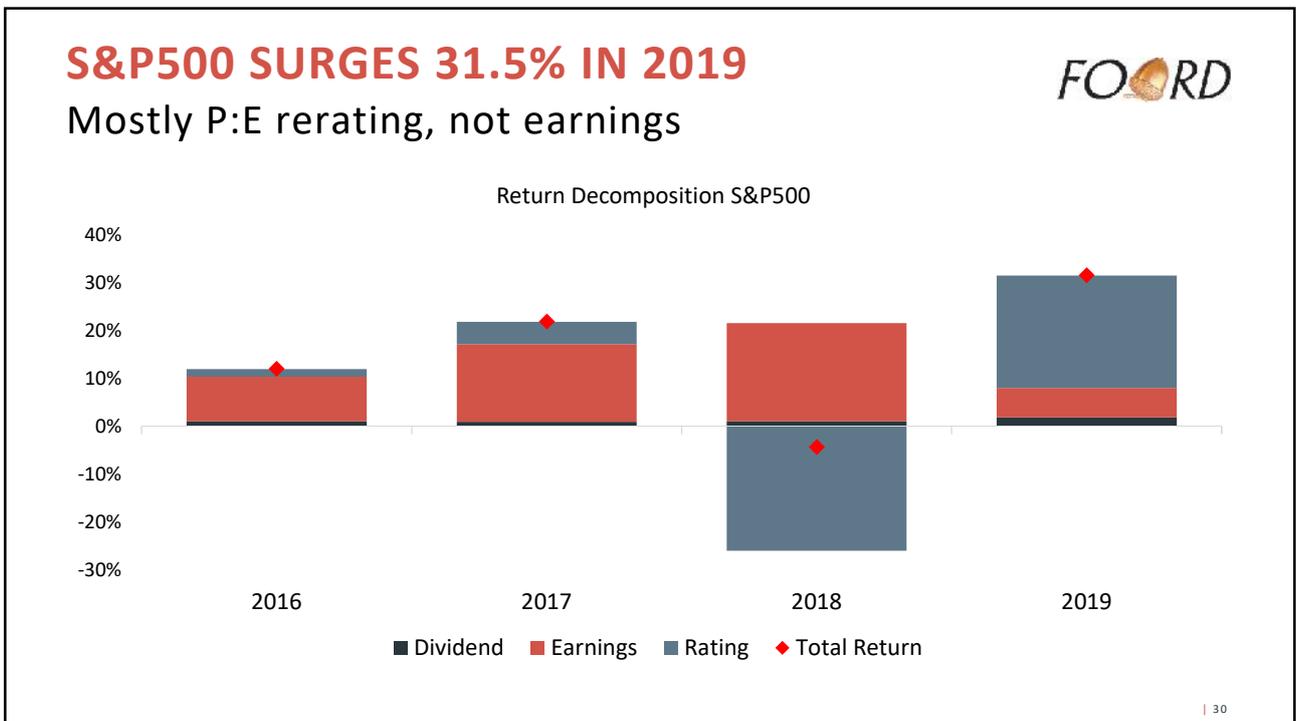


| 28

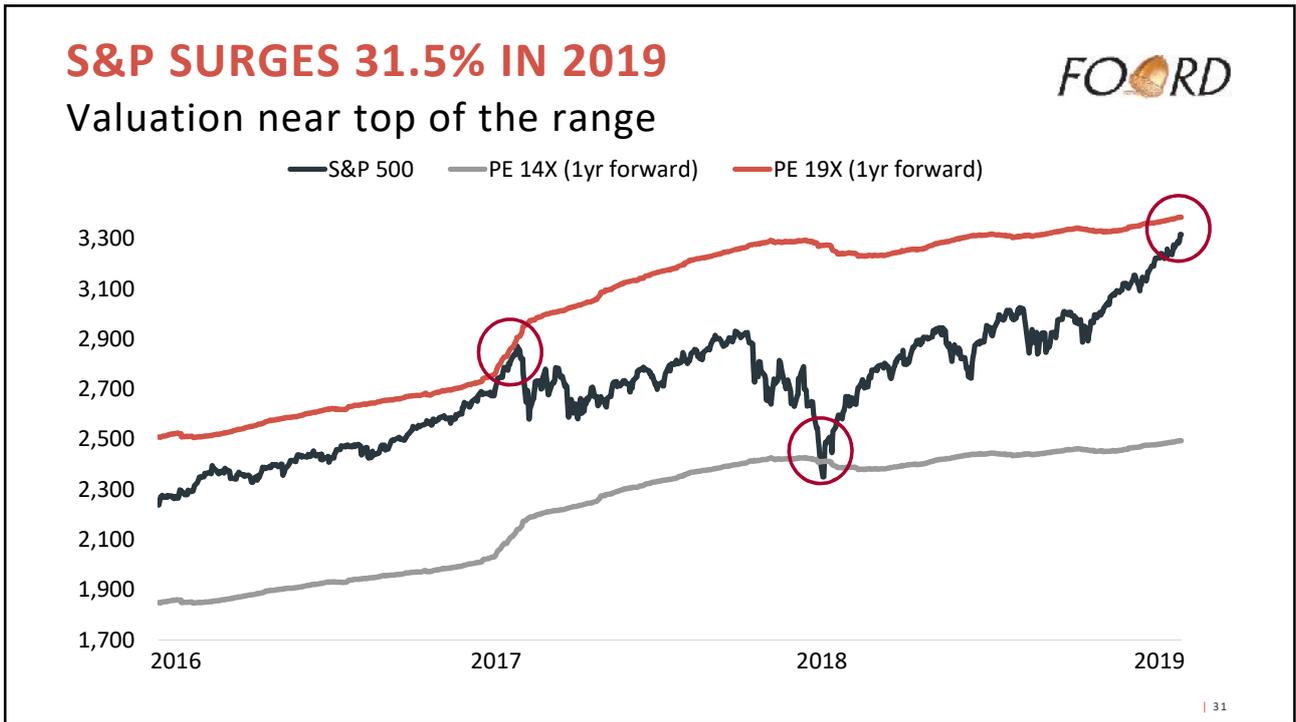
28



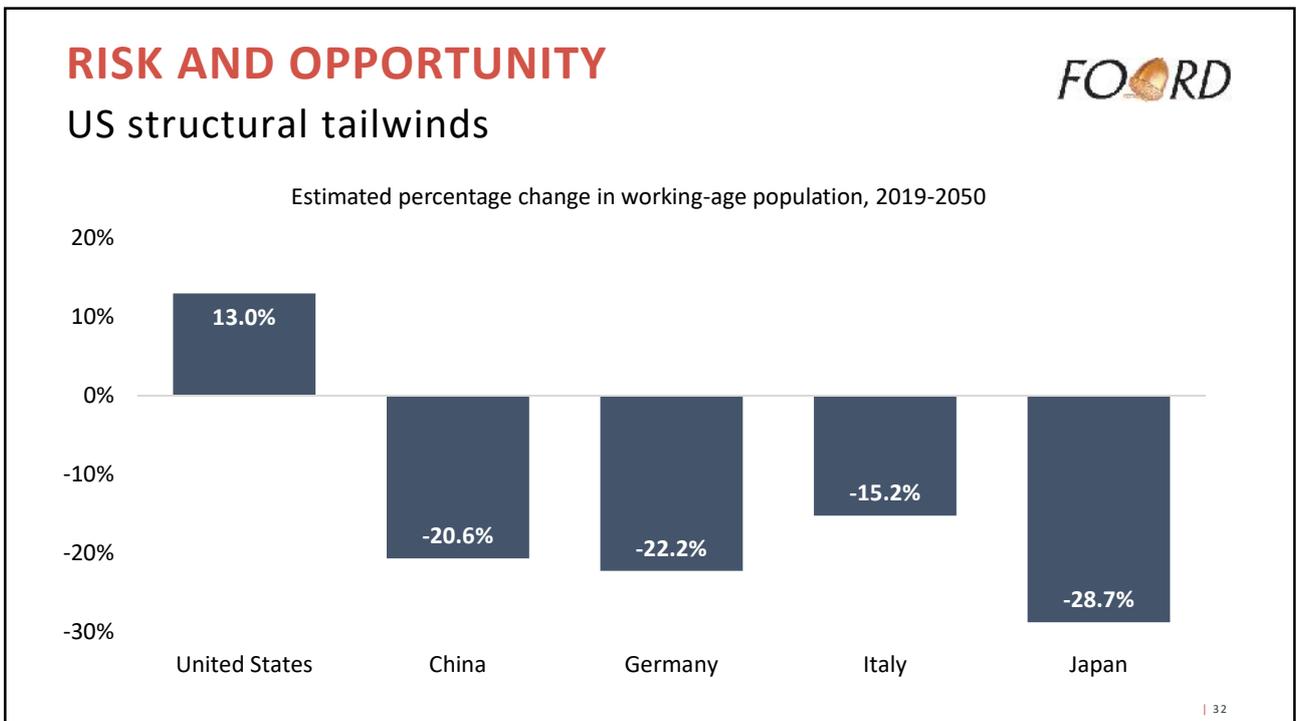
29



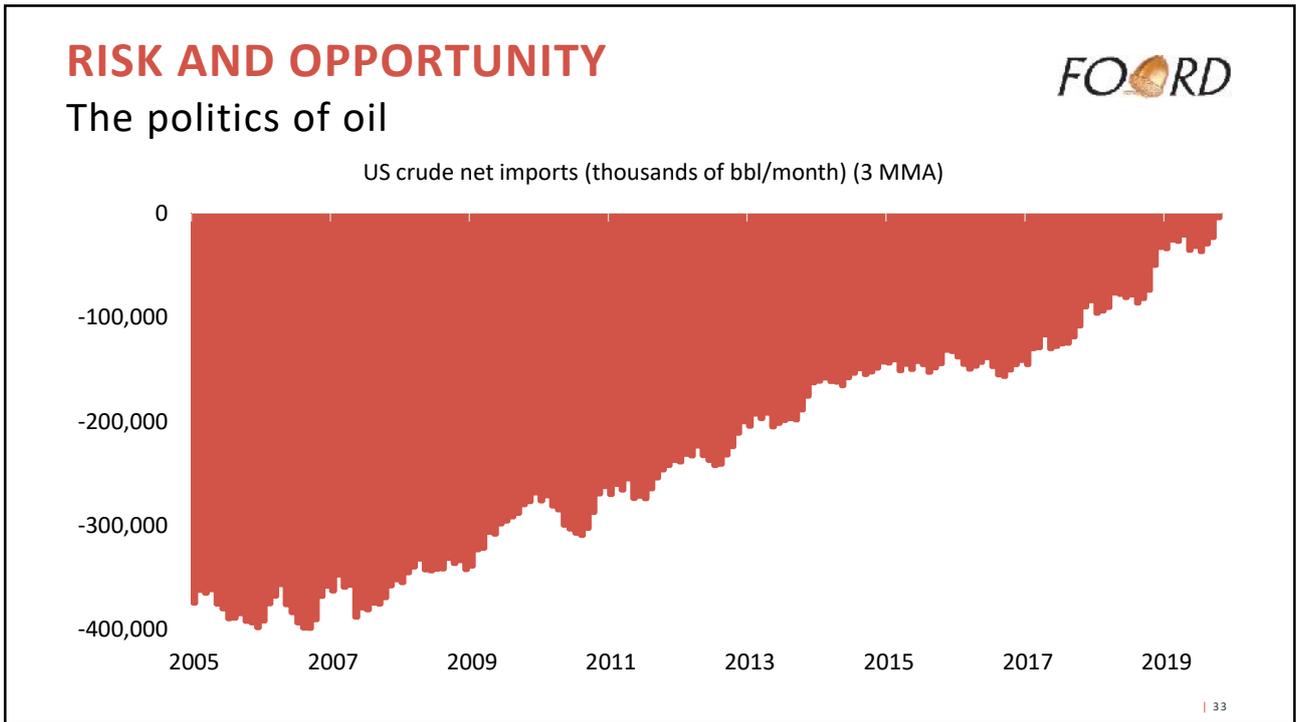
30



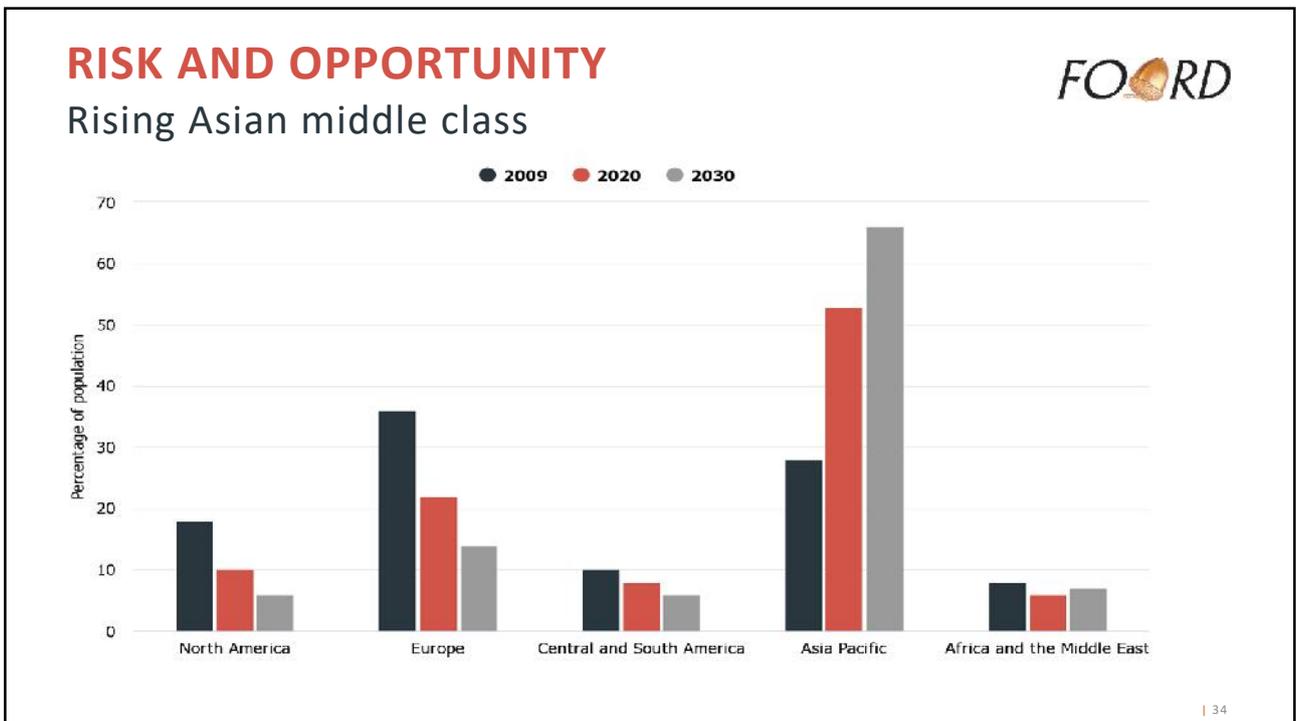
31



32



33



34

RISK AND OPPORTUNITY



Don't fight the currents

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

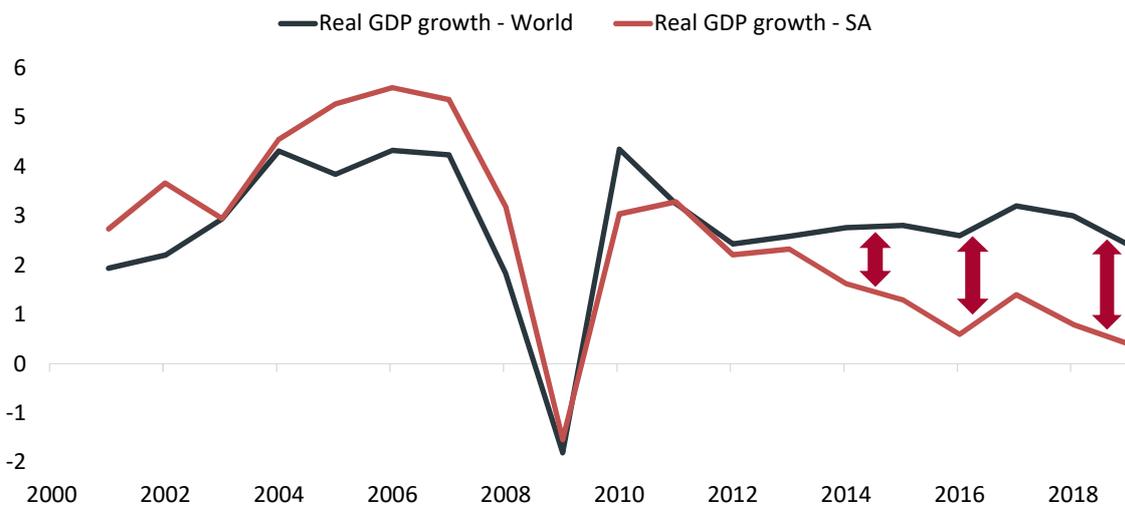
| 35

35

SA ECONOMY HAS LAGGED

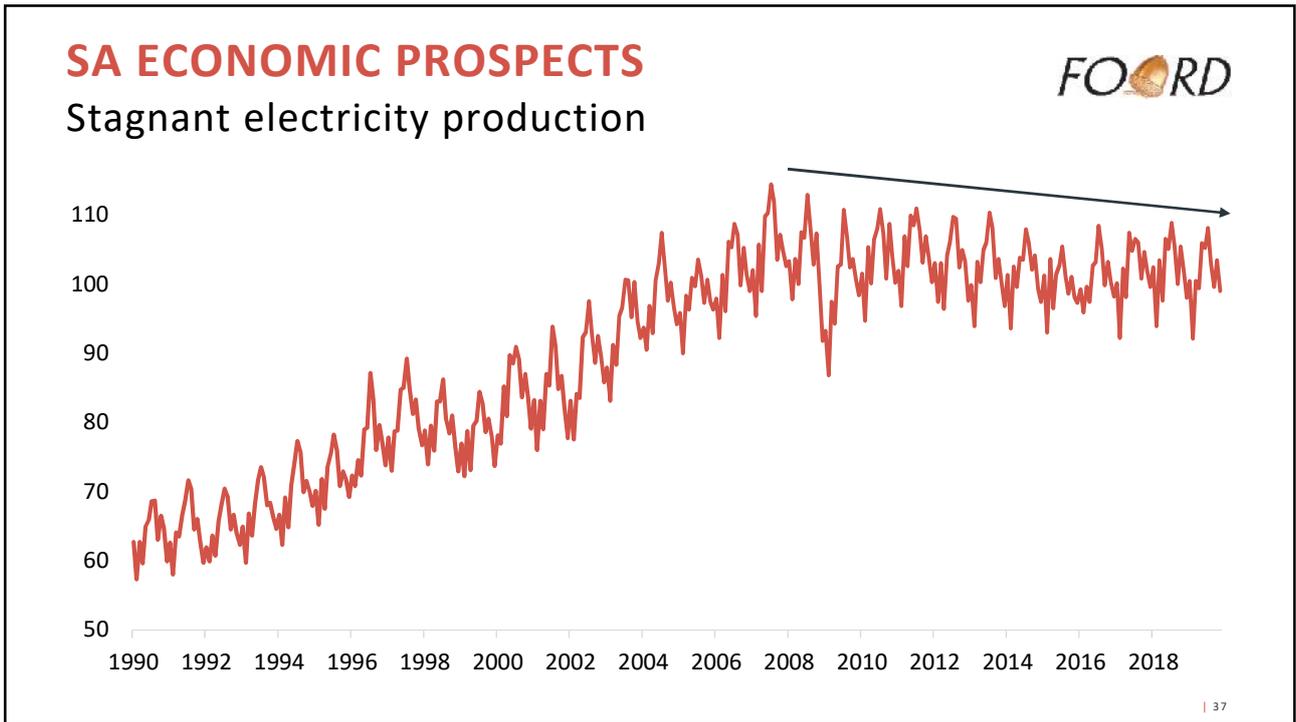


Putting SA Inc. under pressure

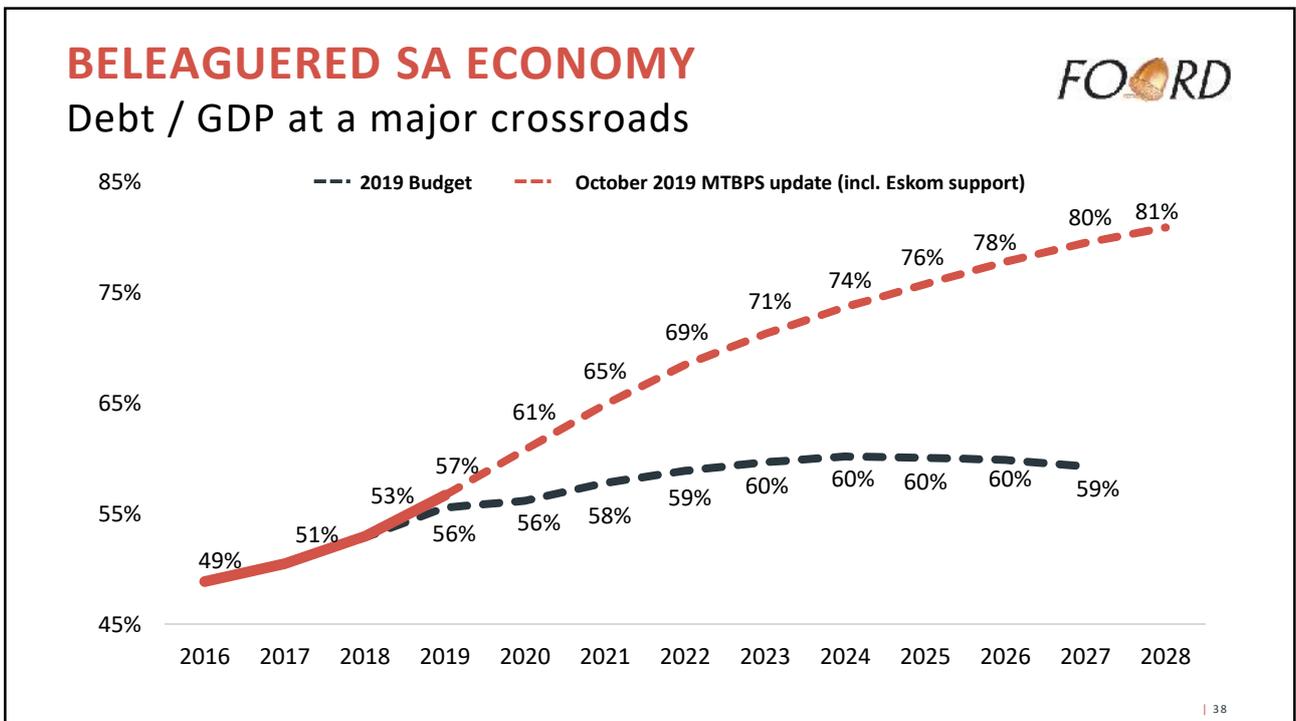


| 36

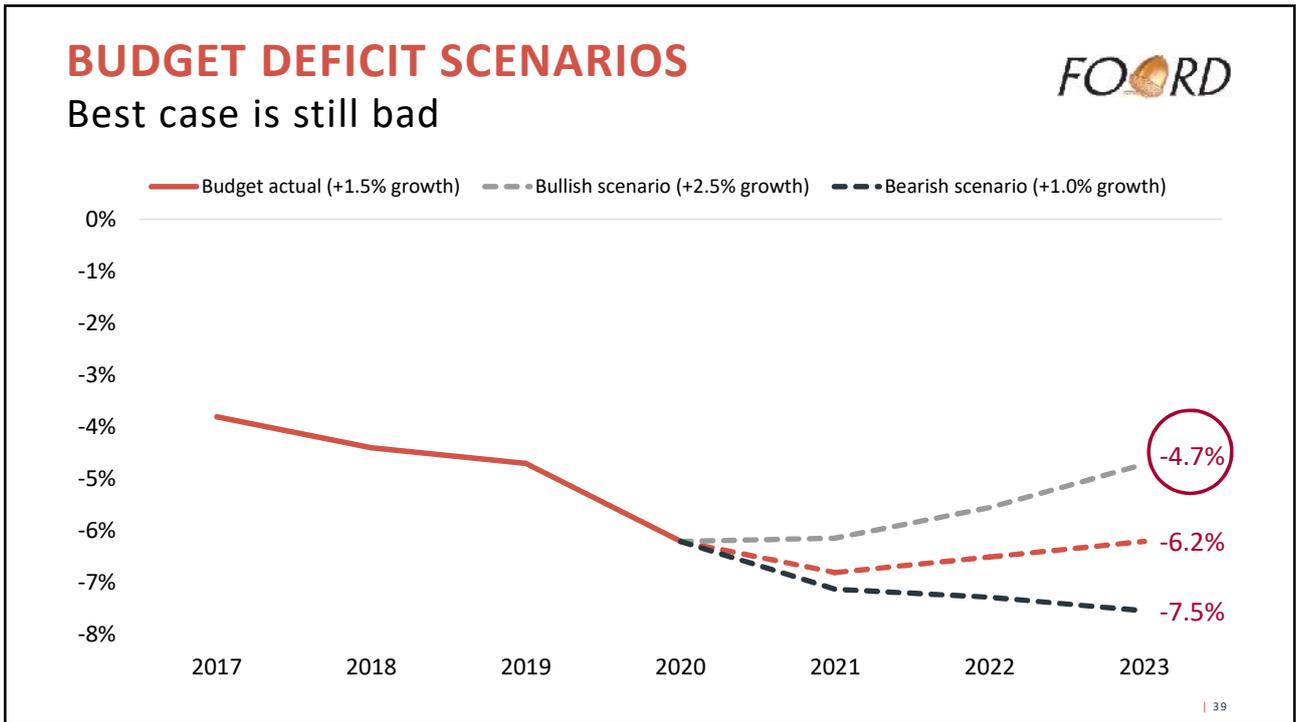
36



37



38



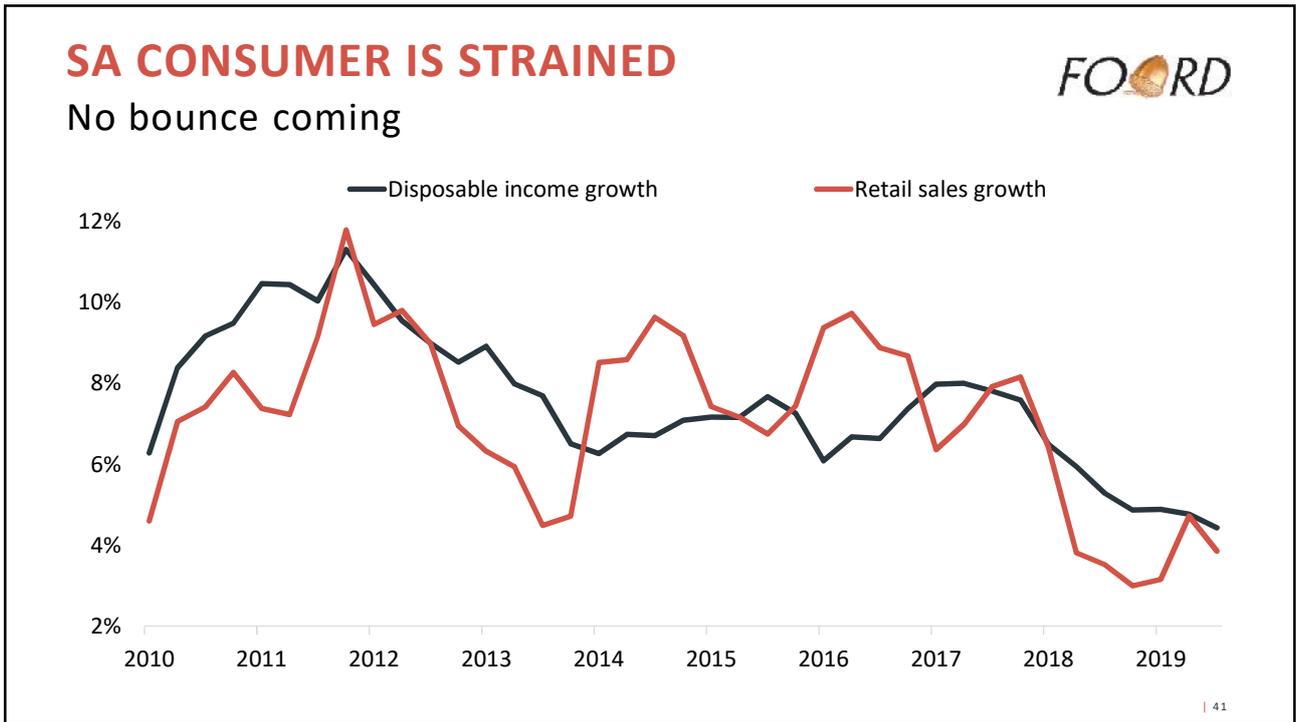
39

FOORD

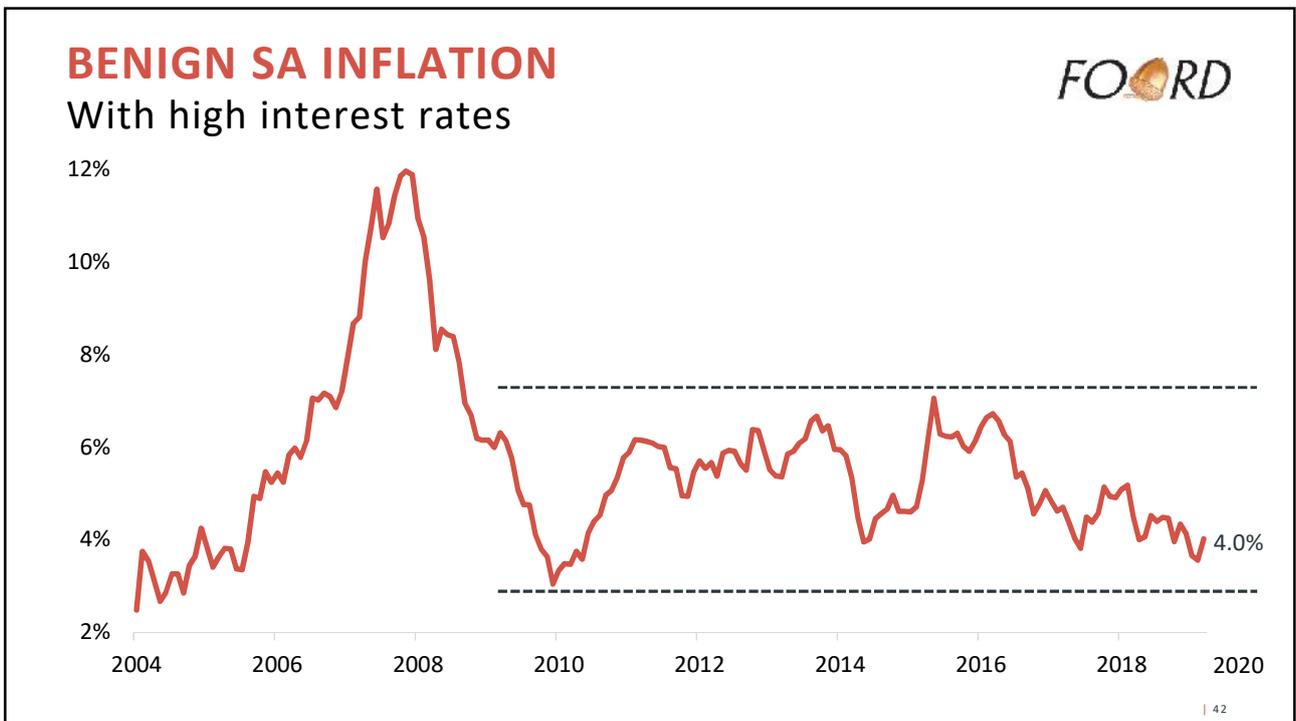
“For a nation to try to tax itself into prosperity is like a man standing in a bucket trying to lift himself up by the handle.”

Winston Churchill

40



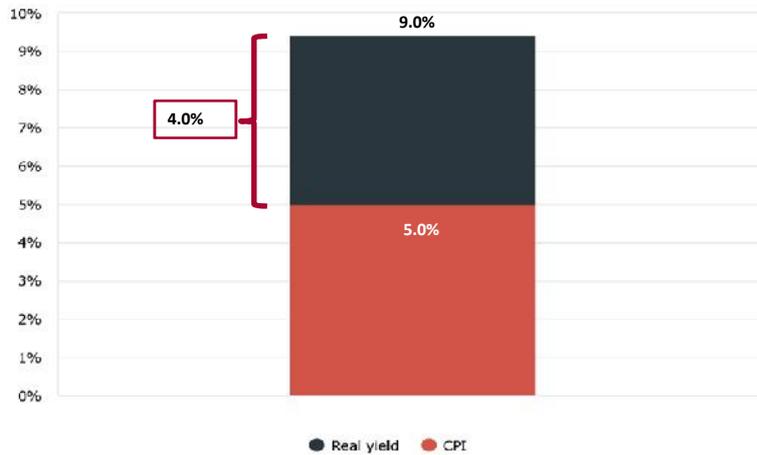
41



42

HIGH REAL YIELDS

R186 government bond

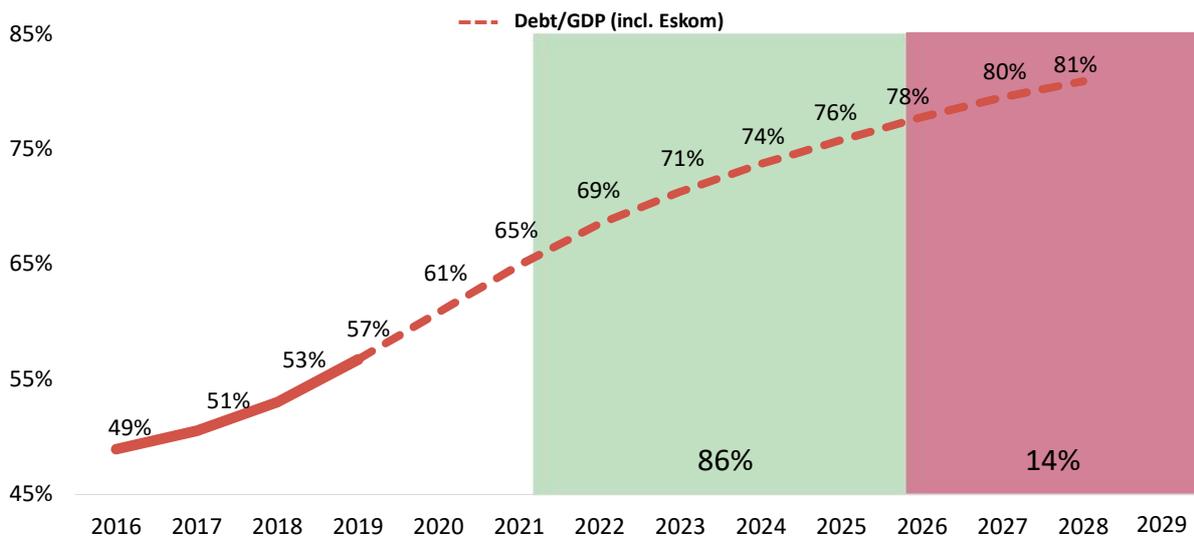


| 43

43

BOND INVESTMENTS

The sweet spot



| 44

44

FOUR SCENARIOS

Shifting probabilities



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

| 45

45

NICHE OPPORTUNITIES

Will grind it out



| 46

46

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

| 47

47



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/Nigeriasocernet

48



THANK YOU

COPYRIGHT 2020 FOORD. ALL RIGHTS RESERVED

Foord Unit Trusts (RF) (Pty) Ltd (Foord Unit Trusts) is an approved CISA Management Company (#10). Assets are managed by Foord Asset Management (Pty) Ltd (Foord), an authorised Financial Services Provider (FSP: 578). Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Performance may be affected by changes in the market or economic conditions and legal, regulatory and tax requirements. Foord Unit Trusts does not provide any guarantee either with respect to the capital or the performance return of the investment. Unit trusts are traded at ruling prices and can engage in borrowing. Foord Unit Trusts does not engage in scrip lending. Commission and incentives may be paid and if so, this cost is not borne by the investor. A schedule of fees and charges, including performance fees, and maximum commissions is available on www.foord.co.za or directly from Foord Unit Trusts. Distributions may be subject to mandatory withholding taxes. Portfolios may include underlying foreign investments. Fluctuations or movements in exchange rates may cause the value of underlying foreign investments to go up or down. Underlying foreign investments may be adversely affected by political instability as well as exchange controls, changes in taxation, foreign investment policies, restrictions on repatriation of investments and other restrictions and controls which may be imposed by the relevant authorities in the relevant countries. A fund of funds invests only in other Collective Investment Scheme portfolios, which may levy their own charges, which could result in a higher fee structure. A feeder fund is a portfolio that, apart from assets in liquid form, consists solely of units in a single portfolio of a Collective Investment Scheme which could result in a higher fee structure. Foord Unit Trusts is authorised to close any of their portfolios to new investors in order to manage them more efficiently in accordance with their mandates. This document is not an advertisement, but is provided exclusively for information purposes and should not be regarded advice, an offer or solicitation to purchase, sell or otherwise deal with any particular investment. Economic forecasts and predictions are based on Foord's interpretation of current factual information, and exploration of economic activity based on expectation for future growth under normal economic conditions, not dissimilar to previous cycles. Forecasts and commentaries are provided for information purposes only and are not guaranteed to occur. While we have taken and will continue to take care that the information contained herein is true and correct, we request that you report any errors to Foord at unittrusts@foord.co.za. The document is protected by copyright and may not be altered without prior written consent.