

COMMENTARY

- Global equities (+5.3% in US dollars) rose on decent earnings, pharmaceutical companies reporting promising early COVID-19 vaccine trial results and further massive fiscal stimulus announcements in the US and EU—emerging markets (+8.9%) outperformed on dollar weakness while US (+5.9%) and European (+3.9%) bourses rose despite rising second wave pandemic infection rates clouding the economic outlook
- Most commodities including copper (+6.8%) and oil (+5.2%) gained, supported by the US and European stimulus announcements—the US dollar index (-4.4%) had its worst month since 2010 prompting technical break-outs in gold (+9.5%) and silver (+34.9%)
- The Foord global funds' outperformance was maintained despite the very narrow market—the top five US tech companies have gained more than 35% this year and now account for 20% of the S&P 500, while the index's remaining constituents have fallen approximately 5% in an increasingly bifurcated and risky market
- The FTSE/JSE Capped All Share Index (+2.9% in rands) was led higher by resources (+9.0%) with financials (+0.4%) flat and industrials (-1.3%) weaker—holdings in physical gold ETF NewGold (+8.5%), Anheuser-Busch Inbev (+10.3%) and BHP Group (+4.0%) contributed to returns while industrials Italtile (-13.9%) and Aspen (-7.7%) detracted
- The All Bond Index (+0.6%) rose as the yield curve continued to steepen with short dated yields pulled down by SARB's quarter-point repo rate—core holding in the shorter duration R186 (+1.5%) outperformed as markets continue to price in higher South African sovereign debt risk over the longer dated debt maturities
- Listed property (-3.2%) declined after June's bounce—the fund has a low allocation to the sector via London-listed property stock Capital & Counties
- The rand (+1.6%) appreciated on positive emerging market sentiment and dollar weakness but has declined 17.9% this year and remains vulnerable longer term—despite rand strength, the allocation to foreign assets (+2.6% in rand) was the largest contributor to fund returns

FEE RATES (CLASS A)

Initial, exit and switching fees	0.0%
Standard annual fee for equalling benchmark	1.0% plus VAT
Performance fee sharing rate	10% (over- and under-performance)
Minimum annual fee	0.5% plus VAT
Maximum annual fee	Uncapped
Foreign assets	The fee accrued in the Foord global funds is rebated in full

ANNUALISED COST RATIO (CLASS A)

	12 MONTHS	36 MONTHS
TER —Basic	1.23%	1.24%
—Performance	0.29%	-0.21%
Transaction costs	0.02%	0.01%
Total cost ratio	1.54%	1.04%

FEE STRUCTURE

The annual fee is based on portfolio performance fee with the daily fee rates being adjusted up or down based on the portfolio's one-year rolling return relative to that of its benchmark and is subject to a minimum fee rate.

PERFORMANCE FEES

Performance fees align investor and manager return objectives by rewarding the manager for outperformance while penalising the manager for underperformance. Foord's performance fee structure increases or decreases the daily fee levied based on the over- or underperformance of the Foord unit trust portfolios relative to their benchmarks. When the portfolio return exceeds the benchmark return, the daily performance fee rate is increased proportionately. Similarly, underperformance causes the daily performance fee rate to decrease proportionately. Performance fee rates are not capped for the reason that outperformance is generally not earned smoothly.

The annual fee is adjusted up or down daily by the performance fee calculated as the difference between the rolling one-year net-of-fee return and the benchmark return for the same period, multiplied by the performance fee sharing rate.

PERFORMANCE FEE EXAMPLES FOR FOORD FLEXIBLE FUND OF FUNDS (CLASS A)

	SCENARIO			
	A	B	C	D
Foord 1-year rolling return	10.0%	10.0%	10.0%	10.0%
Benchmark 1-year rolling return	8.0%	12.0%	10.0%	16.0%
Relative performance	+2.0%	-2.0%	0.0%	-6.0%
Performance fee sharing rate	10.0%	10.0%	10.0%	10.0%
Daily adjustment to 1% annual fee	+0.2%	-0.2%	0.0%	-0.6%
Annual fee rate applied (excl. VAT)	1.2%	0.8%	1.0%	0.5%*

* Minimum fees apply

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IMPORTANT INFORMATION FOR INVESTORS

Foord Unit Trusts (RF) (Pty) Ltd (Foord Unit Trusts) is an approved CISCA Management Company (#10), regulated by the Financial Services Board. Portfolios are managed by Foord Asset Management (Pty) Ltd (Foord), an authorised Financial Services Provider (FSP: 578). The custodian/trustee of Foord Unit Trusts is RMB Custody and Trustee Services (a division of FirstRand Bank Limited), contactable on T: 087 736 1732, F: 0860 557 774, www.rmb.co.za.

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 is calculated for the portfolio. Individual investor performance may differ as a result of the actual investment date, the date of reinvestment and withholding taxes. 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 and maximum commissions is available on request. Distributions may be subject to mandatory withholding taxes. Portfolio information is presented using effective exposures. 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 the portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate.

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UNIT PRICE

Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio. Forward pricing is used. Prices are determined at 15h00 each business day and are published daily on www.foord.co.za and in national newspapers. The cut-off time for instruction is 14h00 each business day.

TER

A Total Expense Ratio (TER) is a measure of a portfolio's annual expenses, fees and charges, expressed as a percentage of the average daily value of the portfolio. These expenses include the annual fee, VAT, audit fees, bank charges and costs, including trading costs, incurred in any underlying funds. Included in the TER, but separately disclosed, is a performance fee (or credit) resulting from overperformance (or underperformance) against the benchmark. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Performance return information and prices are always stated net of the expenses, fees and charges included in the TER. The TER for the fund's financial year ended 29 February 2020 was 1.03%.

FOREIGN INVESTMENT RISK

The portfolio may include underlying foreign investments. Fluctuations or movements in exchange rates may cause the value of underlying foreign investments to go up or down. The 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 that may be imposed by the relevant authorities in the relevant countries.

Foord is a member of the Association for Savings and Investment SA.

This is a Minimum Disclosure Document. Published on 5 August 2020. Additional detailed analysis is published in the Quarterly Portfolio Report available on www.foord.co.za