SYNOPSIS

PERFORMANCE (TOTAL RETURN)

	Portfolio	Benchmark
Annualised (since 01/09/2002)	13.0%	11.2%
Last 12 months	6.9%	1.5%
Last 3 months	- 0.3%	1.2%

PORTFOLIO VALUE

R 25 237.3 million (30/06/2020: R 26 054.6 million)

TRANSACTIONS

Net sales of JSE equities and commodities
Purchases of SA property
Sales of SA bonds
Net withdrawals

INVESTMENT OUTLOOK AND PORTFOLIO CONSTRUCTION

World: Economic recovery to be slow and volatile
Unprecedented monetary and fiscal support
Inflation risks are mounting
Geopolitical risks rise
Elevated market volatility
US election could spark volatility
Weaker dollar supports higher gold price

South Africa: Slow pace of economic recovery
Unsustainable fiscal deficits to continue
Rising risk of full-blown debt spiral
Slow recovery in employment levels
Inflation outlook remains benign
Rand vulnerable to capital outflows

Portfolio construction: Focus on capital preservation and high liquidity
Foreign assets at the prudential maximum, quality equities preferred
Bias to JSE-listed global businesses
Increasing select "SA Inc." opportunities
Cautious on SA listed property
NewGold ETF is an attractive, uncorrelated investment
Meaningful bond allocation captures high real yield opportunity
High liquidity levels provide optionality

EFFECTIVE ASSET ALLOCATION (previous)

	Foord target		Portfolio	
	%	%	%	%
JSE equities	38	(37)	36	(36)
Foreign assets	30	(30)	35	(33)
JSE property	3	(4)	3	(4)
Commodities	5	(4)	5	(5)
SA bonds	22	(22)	17	(17)
Money market	2	(3)	4	(5)
	100		100	

1. PORTFOLIO PERFORMANCE

1.1 Total performance to 30 September 2020

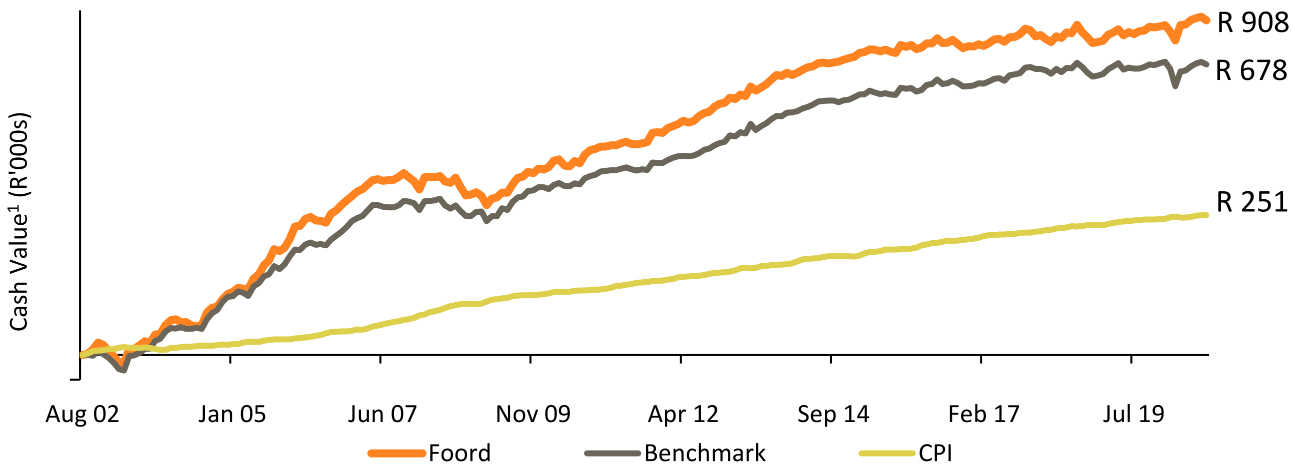
	Portfolio %	Benchmark* %	Variance %	Peer Group# %	CPI %
From inception (01/09/2002)	13.0	11.2	1.8		5.2
15 years	10.6	9.3	1.3	9.0	5.6
10 years	9.2	7.8	1.4	7.8	5.1
7 years	5.7	5.3	0.4	5.4	4.8
5 years	4.4	4.1	0.3	4.0	4.6
3 years	3.0	1.9	1.1	2.3	4.0
1 year	6.9	1.5	5.4	1.8	3.0
9 months	4.0	- 0.9	4.9	-0.7	2.6
3 months	- 0.3	1.2	- 1.5	1.3	1.7

* Market value weighted average return of the South Africa – Multi Asset – High Equity unit trust sector (excluding Foord Balanced Fund)

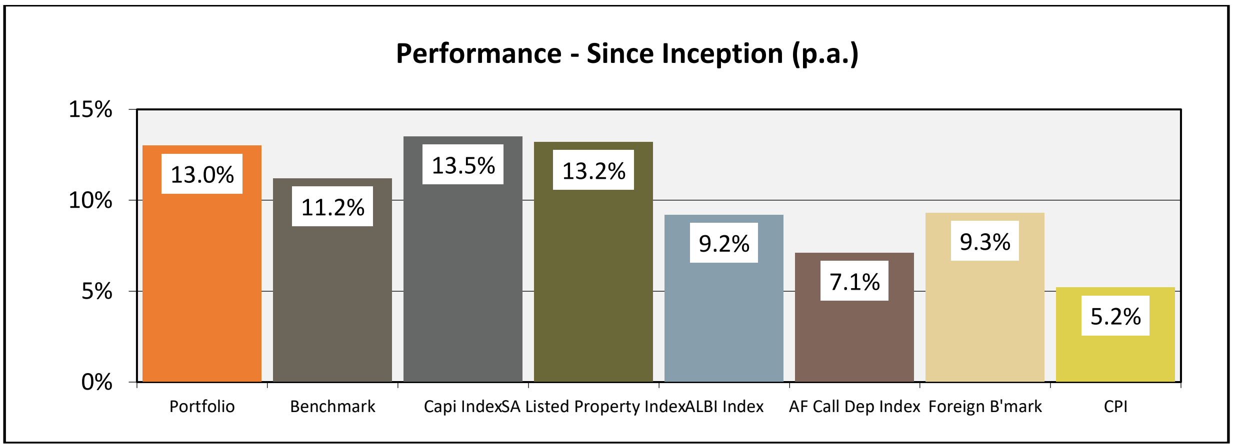
\# (ASISA) South Africa – Multi Asset – High Equity

CPI estimated for September 2020

Daily linked total rates of return (capital and income) based on unit price. Returns in percent net of service fees and fund expenses. Returns for periods exceeding 12 months are annualised percentages.



[1] Current value of R100 000 notional lump sum invested at inception, distributions reinvested (graphically represented in R'000s above)



1.2 Selection to 30 September 2020

	JSE equities		JSE property		Interest bearing			Foreign assets	
	Portfolio	Capi Index	Portfolio	SA Listed Property Index#	Portfolio	ALBI Index	AF Call Dep Index	Portfolio	Bench-mark*
	%	%	%	%	%	%	%	%	%
From inception (01/09/2002)	14.7	13.5	7.8	13.2	9.9	9.2	7.1	10.5	9.3
15 years	11.2	11.3	4.2	7.5	8.9	8.0	6.7	13.3	12.6
10 years	7.6	9.3	1.4	1.8	7.8	7.6	5.8	15.9	16.7
7 years	1.6	5.8	- 6.1	- 4.4	8.3	7.2	6.1	12.9	14.5
5 years	- 1.6	4.2	- 15.8	- 12.8	9.0	7.6	6.4	12.7	12.7
3 years	- 6.8	1.5	- 13.5	- 23.8	9.6	7.3	6.2	12.8	14.9
1 year	- 4.3	0.9	- 36.0	- 46.1	10.7	3.6	5.3	26.4	21.6
9 months	- 9.2	- 3.7	- 40.5	- 46.4	8.1	1.8	3.6	24.3	25.2
3 months	0.6	1.5	- 14.3	- 14.1	3.1	1.5	0.9	- 0.1	2.4

The FTSE/JSE SA Listed Property Index

* 60% Morgan Stanley World Equity Index in rand and 40% FTSE World Govt Bond Index in rand

Asset class returns are calculated on a gross basis, using the modified dietz methodology (compounded monthly)

1.3 Sector contribution to 30 September 2020

(Returns x weight)

	JSE equities	JSE property	Interest bearing*	Other assets	Foreign assets	Portfolio
	%	%	%	%	%	%
1 year	- 1.9	- 1.9	2.1	1.8	8.7	8.8
9 months	- 3.8	- 2.2	1.5	2.0	8.1	5.6
3 months	0.2	- 0.5	0.6	0.1	- 0.1	0.3

* Bonds and cash combined

Returns in percent, calculated on a gross basis

Quarterly performance comment:

- SA fixed interest was the largest performance contributor—the core holding in the medium-term R186 meaningfully outperformed the All Bond Index
- The global equity component made the second largest contribution as global equity markets powered ahead albeit with some retracement in September—but foreign assets in total detracted at the margin as the rand recovered some of its steep losses over the previous six months
- SA equities contributed positively, driven mostly by a continued rally in the resources sector—core holdings BHP Group, FirstRand and Anheuser-Busch InBev advanced, partially offset by declining Aspen, Naspers and a general underweight in mining companies
- Property detracted on an absolute basis but the underweight allocation to the sector protected investor capital—core holding in London value play Capital & Counties detracted while niche property stock Stor-Age held up
- The diversifying physical gold position was positive—the dollar price of the metal rose more than the rand strengthened

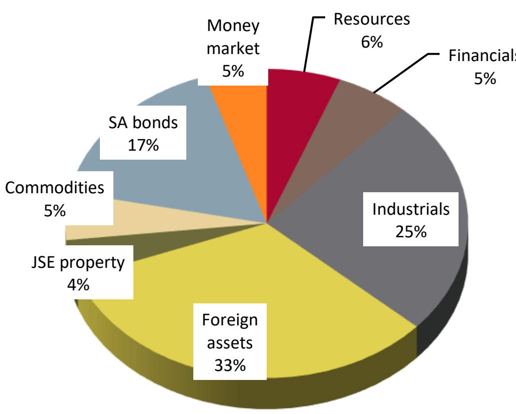
2. PORTFOLIO STRUCTURE

Mandate (%)		Portfolio Effective exposure 30/06/2020 %	Portfolio Effective exposure 30/09/2020 %	FTSE/JSE Capped Weightings %
	JSE equities: resources	6	5	13
	JSE equities: financials (ex property)	5	6	6
	JSE equities: industrials	25	25	17
0 - 75	JSE equities*	36	36	36
0 - 30	Foreign assets	33	35	
	Foord International Fund	14	14	
	Foord Global Equity Fund	20	21	
	Currencies	-2	-1	
	Corporate debt	1	1	
0 - 25	JSE property	4	3	
0 - 10	Commodities	5	5	
0 - 40	SA bonds	17	17	
0 - 40	Money market	5	4	
		100	**100**	
	Total portfolio	**R 26 054.6m**	**R 25 237.3m**	

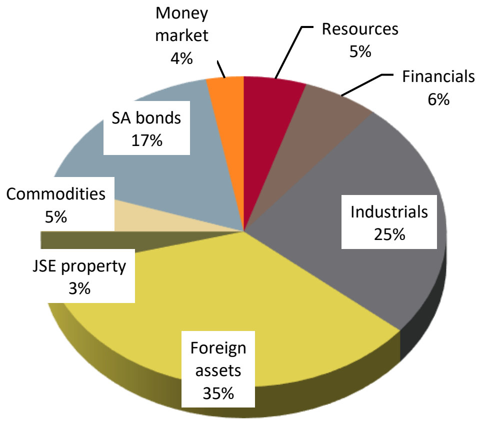
*Size distribution of JSE equities	30/06/2020 %	30/09/2020 %	FTSE/JSE Capped %
Large capitalisation	86	84	90
Mid capitalisation	9	10	7
Small capitalisation	5	6	3
	100	**100**	**100**

Exposure analysis	Domestic %	Foreign %	Total %
Equities	36	27	63
Listed property	3	0	3
Corporate bonds	1	1	2
Government bonds	16	1	17
Commodities	5	1	6
Money market	4	5	9
	65	**35**	**100**

Effective exposure 30/06/2020



Effective exposure 30/09/2020



3. MARKET BACKGROUND AND OUTLOOK

3.1 World

- Economic activity rebounded off historic second-quarter pullbacks as lockdowns eased and economies started to reopen—but recession risks persist given base effects, high unemployment, second wave fears and expiring income replacement stimulus measures
- Developed market bond yields fluctuated several minor degrees around irrational lows on unrelenting central bank stimulus—markets briefly reflected rising inflation risks after the US Federal Reserve fundamentally changed its rate setting policy to average inflation targeting
- Precious metals gold and silver rose further on US dollar weakness and continued monetary and fiscal largesse—precious metals and even cryptocurrencies should stay well bid amid expected dollar softness and growing fiat currency risks
- The vagaries of global market sentiment seesawed emerging market bourses as high yields, demographics and natural resource endowments simultaneously signalled reward and danger—but bigger risks lurk in the developed world corporate debt and alternatives markets as zero interest rates inexorably drive capital to unsustainable companies
- Geopolitical risks mounted when President Trump closed the Chinese consulate in Houston on accusations of espionage, threatened further embargoes on Chinese tech firms Huawei and TikTok and extended export restrictions to China's biggest semiconductor manufacturer, SMIC—China continues to play the long game afforded by its political system, as domestic economic activity took travel and hospitality activity back to pre-pandemic levels
- Gains in a small number of very large US technology companies pushed US equity markets to their most expensive levels since the technology bubble in 2000—the quarter was characterised by a wave of new listings and general corporate activity typically evident of investor exuberance
- Rising sovereign debt levels, pervasive experimental monetary (and now) fiscal policy continued to support financial markets—but the imminent US elections, increasing geopolitical tensions and indications of rising COVID-19 second-wave infection rates could each materially weigh on markets

3.2 South Africa

- The SA economy contracted a record 16% in the second quarter due to COVID-19 lockdowns—an economic recovery is already evident, but the pace of growth is insufficient for a fragile economy hamstrung by uncoordinated and inconsistent government policy responses
- Finance Minister Mboweni's supplementary budget stressed the rising risk of a full-blown debt spiral if government does not cut expenditure—given the growth vacuum and growing budgetary share of debt funding costs
- A fiscal deficit of 15% of GDP is not unreasonable for the 2020/21 fiscal year—forecast to narrow to 10% in 2022 if government stimulus ceases and the wage bill reduction is successfully implemented as currently proposed
- Unemployment rose by 2.8 million people in the second quarter as lockdown regulations led to widespread job losses—employment recovery will be slow given the dearth of fixed investment opportunities despite government commitment to fast track infrastructure projects
- The SA government bond yield curve steepened after SARB's repo rate cuts, with the longer end still availing high real yields under current inflation forecasts—but longer term risks to the inflation outlook include reserve bank independence, money printing to fund deficits and ever increasing bond issuances

3.2 South Africa (Continued)

- The rand was volatile given internal and exogenous shocks but ended slightly stronger against a weaker dollar, but is at risk from continued capital outflows despite an improved current account surplus—emerging market currencies should nevertheless enjoy tailwinds from material increases in hard currency money supply and China's strong recovery
- The managers are cautious despite optically attractive South African equity and listed property valuations—yields may not be as high as they seem given non-payment (delays) of dividends and distributions on depressed revenues in addition to pay-out ratio cuts needed to strengthen balance sheets

4. PORTFOLIO CONSTRUCTION

- The portfolio continues to be defensively positioned with the emphasis on capital preservation given high equity valuations—also the rising risks of resurging COVID-19 infection rates and the implications on the investment environment of the November US presidential election outcome
- Volatility affords opportunities to exploit market mispricing for better entry points into good quality businesses in SA and abroad—companies with strong balance sheets and sustainable, long-term earnings' growth prospects on compelling valuations
- General preference for JSE-listed global businesses given the higher risks in the SA economy and larger global economic opportunity set—well capitalised companies that should deliver hard-currency, real earnings growth through the cycle, supported by expected rand weakness
- Retain contrarian position of low resources weight on concern that market ratings and earnings are unsustainable—BHP Group is the highest quality diversified miner and is the fund's largest single equity investment
- Will not speculate investor capital in the precious metals mining sector given prevailing risks—prefer physical gold via Newgold ETF which is an uncorrelated asset and hedge against market dislocations and risks of rampant inflation
- Foreign assets are at the prudential maximum with a preference for global equities over bonds and cash with some hedges against market retracement—the fund's investments favour higher growth and better-valued emerging market businesses likely to benefit from long-term structural changes over more expensive US bourses
- SA retail and commercial property counters still face significant structural challenges despite further price retracement—the strategy is focused on niche logistic and self-storage property counters and UK-listed value play Capital & Counties
- Medium-term SA government bond investments are a meaningful part of the portfolio—the bonds are offering very high real yields given anaemic inflation
- The portfolio exhibits reasonably high levels of optionality and liquidity—allowing the managers to take advantage of attractively priced long-term opportunities

4. PORTFOLIO CONSTRUCTION (Continued)

- Our effective asset allocation target is:

Policy parameters		Foord target		Portfolio at	
		Current	Previous	30/09/2020	30/06/2020
%		%	%	%	%
0 - 75	JSE equities	38	37	36	36
0 - 30	Foreign assets	30	30	35	33
	Foord International Fund*	12	12	14	14
	Foord Global Equity Fund	18	18	21	20
	Currencies	0	0	-1	-2
	Corporate Debt	0	0	1	1
0 - 25	JSE property	3	4	3	4
0 - 10	Commodities	5	4	5	5
0 - 40	SA bonds	22	22	17	17
0 - 40	Money market	2	3	4	5
		100	**100**	**100**	**100**

* Currently 57% in equities, hedged equities 9%, property 4%, commodities 8%, government bonds 5%, corporate bonds 6% and cash 11%

D FOORD/W FRASER/D OWEN/N BALKIN
OCTOBER 2020

5. EFFECTIVE EXPOSURE AND PORTFOLIO SENSITIVITY

5.1 Effective exposure

Asset class	Market value R'000	Option exposure R'000	Effective exposure R'000	Effective exposure %
JSE equities	9,150,020		9,150,020	36.2%
Foreign assets	9,406,955	-533,752	8,873,203	35.2%
JSE property	855,377		855,377	3.4%
Commodities	1,212,984		1,212,984	4.8%
SA bonds	4,296,846		4,296,846	17.0%
Money market	315,073	533,752	848,825	3.4%
Total	**25,237,255**		**25,237,255**	**100.0%**

5.2 Sensitivity report

JSE EQUITIES

Change in portfolio equities	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
Resultant equity change *	-1,830,004	-915,002	-457,501	0	457,501	915,002	1,830,004
Resultant portfolio value *	23,407,251	24,322,253	24,779,754	25,237,255	25,694,756	26,152,257	27,067,259
Resultant portfolio change (%)	-7.3%	-3.6%	-1.8%	0.0%	1.8%	3.6%	7.3%

FOREIGN ASSETS

Change in R/$ exchange rate	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
R/$ exchange rate	**20.0981**	**18.4232**	**17.5858**	**16.7484**	**15.9110**	**15.0736**	**13.3987**
Resultant for. assets change *	1,774,641	887,320	443,660	0	-443,660	-887,320	-1,774,641
Resultant portfolio value *	27,011,896	26,124,575	25,680,915	25,237,255	24,793,595	24,349,935	23,462,614
Resultant portfolio change (%)	7.0%	3.5%	1.8%	0.0%	-1.8%	-3.5%	-7.0%

JSE PROPERTY

Change in portfolio property	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
Resultant property change *	-171,075	-85,538	-42,769	0	42,769	85,538	171,075
Resultant portfolio value *	25,066,180	25,151,717	25,194,486	25,237,255	25,280,024	25,322,793	25,408,330
Resultant portfolio change (%)	-0.7%	-0.3%	-0.2%	0.0%	0.2%	0.3%	0.7%

SA BONDS

Change in yields	**-3.0%**	**-2.0%**	**-1.0%**	**0.0%**	**1.0%**	**2.0%**	**3.0%**
Resultant fixed income change *	753,103	480,826	230,616	0	-213,131	-410,582	-593,914
Resultant portfolio value *	25,990,358	25,718,081	25,467,871	25,237,255	25,024,124	24,826,673	24,643,341
Resultant portfolio change (%)	3.0%	1.9%	0.9%	0.0%	-0.8%	-1.6%	-2.4%

*[R'000]

6. RESPONSIBLE INVESTMENT SUMMARY

Voting resolutions for Q3 2020

Portfolio	Total count	For	Against	Abstain
Adopt Financials	10	100%	0%	0%
Auditor/Risk/Social/Ethics related	56	82%	18%	0%
Buy Back Shares	12	83%	17%	0%
Director Remuneration	62	94%	6%	0%
Disapply Preemptive Rights	2	0%	100%	0%
Dividend Related	1	100%	0%	0%
Issue Shares	11	18%	82%	0%
Loan / Financial Assistance	15	53%	47%	0%
Other	18	83%	17%	0%
Political Expenditure/Donation	1	0%	100%	0%
Re/Elect Director	95	98%	2%	0%
Remuneration Policy	29	28%	72%	0%
Share under Director Control	3	0%	100%	0%
Signature of Documents	2	100%	0%	0%

Foord Global Equity Fund	Total count	For	Against	Abstain
Adopt Financials	2	100%	0%	0%
Auditor/Risk/Social/Ethics related	5	100%	0%	0%
Buy Back Shares	1	100%	0%	0%
Dividend Related	4	100%	0%	0%
Issue Shares	5	0%	100%	0%
Loan/Financial Assistance	1	0%	100%	0%
Others	5	100%	0%	0%
Re/Elect Director or members of supervisory board	22	100%	0%	0%
Remuneration Policy including directors’ remuneration	6	83%	17%	0%
Signature of Documents/Ratification of acts	3	100%	0%	0%

Foord International Fund	Total count	For	Against	Abstain
Adopt Financials	2	100%	0%	0%
Auditor/Risk/Social/Ethics related	6	100%	0%	0%
Buy Back Shares	2	100%	0%	0%
Dividend Related	3	100%	0%	0%
Issue Shares	3	0%	100%	0%
Loan/Financial Assistance	1	0%	100%	0%
Others	7	71%	29%	0%
Political Expenditure/Donation	1	0%	100%	0%
Re/Elect Director or members of supervisory board	28	100%	0%	0%
Remuneration Policy including directors’ remuneration	6	50%	50%	0%

General comments:

- There are few abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention it would typically be intentional or for strategic reasons
- We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion, we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated
- The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings

IMPORTANT INFORMATION FOR INVESTORS:
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. Neither Foord nor Foord Unit Trusts provide any guarantee either with respect to the capital or the performance return of the portfolio. 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. A feeder fund portfolio is a portfolio that, apart from assets in liquid form, consists solely of units in a single portfolio of a single investment scheme. A fund of funds invests only in other Collective Investment Schemes, which may levy their own charges, which could result in a higher fee structure for these portfolios. 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.

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.

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