SYNOPSIS

PERFORMANCE (TOTAL RETURN)

	Portfolio	Benchmark
Annualised (since 01/04/2008)	11.7%	10.2%
Last 12 months	14.8%	8.1%
Last 3 months	2.3%	1.7%

PORTFOLIO VALUE

R 9 527.2 million (30/09/2020: R 9 167.1 million)

INVESTMENT OUTLOOK AND PORTFOLIO CONSTRUCTION

World: Economic recovery is expected to continue
Unprecedented monetary and fiscal support
Inflation risks are mounting
Geopolitical risks remain high
Elevated market volatility
Higher US corporate taxes and government spending
Weaker dollar supports commodity prices

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

Portfolio construction: Equities attractive but selection important
Foreign assets retained with preference for equities
Added to JSE-listed global businesses, notably Naspers
Took advantage of weakness in gold price to add to NewGold ETF
No change to view JSE listed property investments
Reduced bond allocation counterbalanced by an increase in duration

EFFECTIVE ASSET ALLOCATION (previous)

	Foord target		Portfolio	
	%	%	%	%
JSE equities	20	(15)	20	(15)
Foreign assets	60	(60)	59	(61)
JSE property	1	(2)	1	(1)
Commodities	4	(4)	4	(4)
SA bonds	13	(17)	14	(17)
Money market	2	(2)	2	(2)
	100		100	

1. PORTFOLIO PERFORMANCE

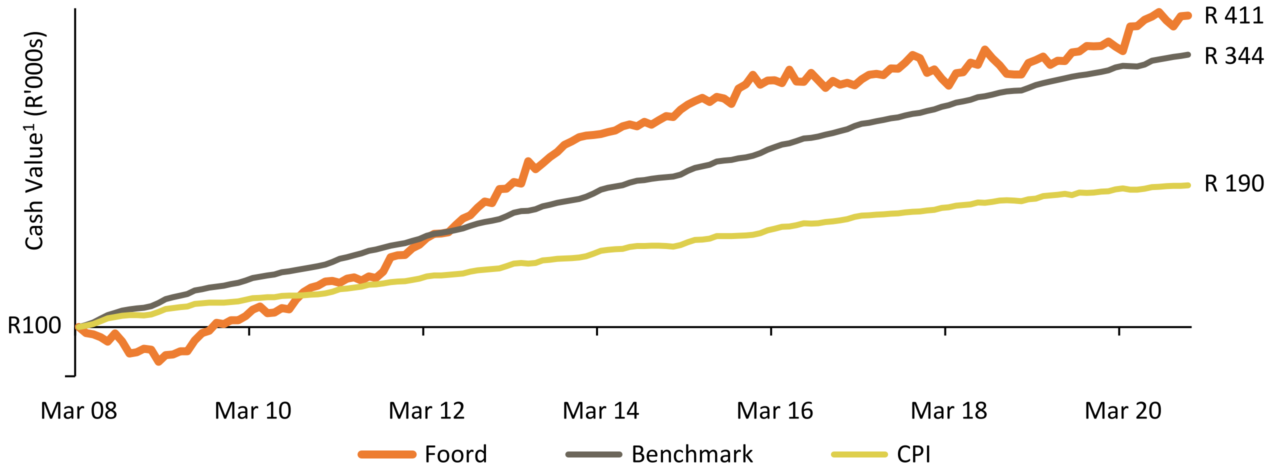
1.1 Total performance to 31 December 2020

	Portfolio	Benchmark*	Variance	Peer Group#
	%	%	%	%
From inception (01/04/2008)	11.7	10.2	1.5	8.5
10 years	13.0	10.1	2.9	10.8
7 years	8.2	9.8	- 1.6	7.4
5 years	5.5	9.6	- 4.1	4.6
3 years	9.0	8.9	0.1	7.6
1 year	14.8	8.1	6.7	11.5
3 months	2.3	1.7	0.6	1.3

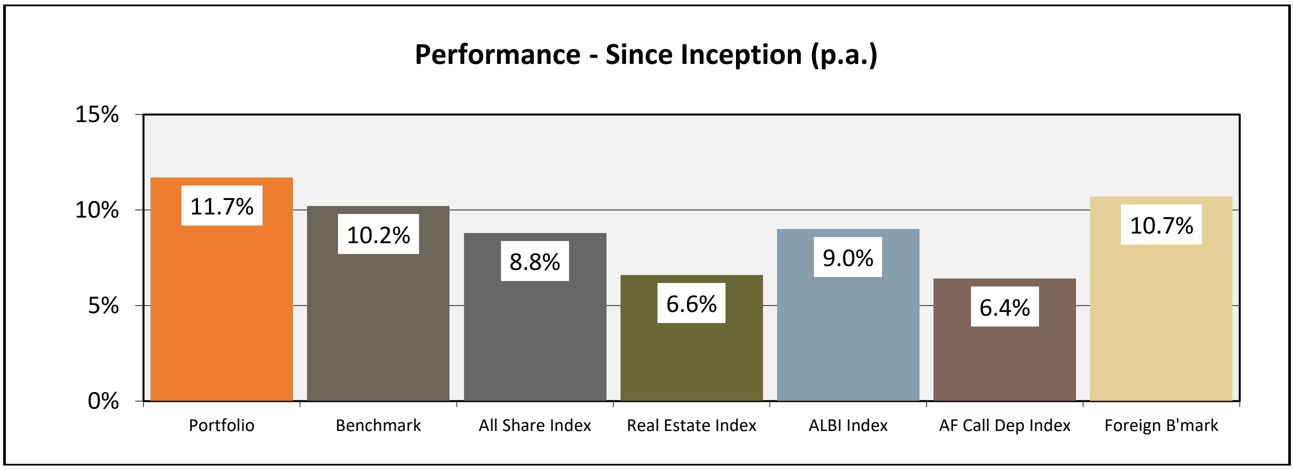
* CPI + 5% per annum

(ASISA) Worldwide – Multi Asset – Flexible average

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 1 year and above 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 Sector contribution to 31 December 2020

(Returns x weight)

	JSE equities %	JSE property %	Interest bearing* %	Other assets %	Foreign assets %	Portfolio %
1 year	1.4	- 1.0	2.0	0.2	13.8	16.4
3 months	2.3	0.2	0.9	- 0.4	- 0.2	2.8

* Bonds and cash combined

Returns in percent, calculated on a gross basis

Quarterly performance comment:

- SA equities contributed most to performance with financials, industrials and resources all advancing—holdings in Anheuser-Busch InBev, FirstRand, Afrox and Omnia led the returns
- SA fixed interest securities were positive as the yield curve fell and flattened—the core holding in the medium-term R186 slightly underperformed the All Bond Index as yields at the long end fell, but has strongly outperformed over the year
- The global equity component continued to outperform, ending the year 8% ahead of the benchmark MSCI All Country World Index—but foreign assets in total detracted at the margin this quarter as the rand gained
- Listed property through the holding in Capital & Counties made a positive contribution
- The diversifying physical gold position detracted from performance over the quarter—on a lower dollar gold price and stronger rand

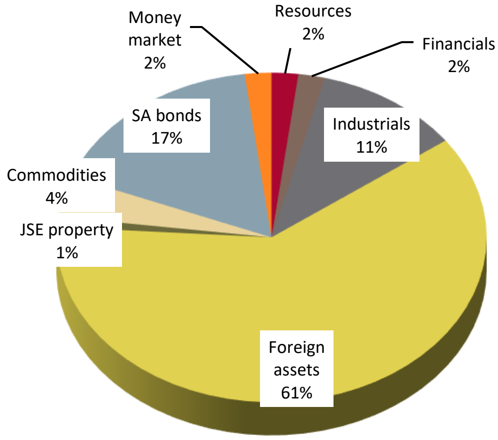
2. PORTFOLIO STRUCTURE

Mandate (%)		Portfolio Effective exposure 30/09/2020 %	Portfolio Effective exposure 31/12/2020 %	FTSE/JSE ALSI Weightings %
	JSE equities: resources	2	3	7
	JSE equities: financials (ex property)	2	2	3
	JSE equities: industrials	11	15	10
0 - 100	JSE equities*	15	20	20
	Foreign assets	61	59	
	Foord International Fund	23	22	
	Foord Global Equity Fund	38	37	
0 - 25	JSE property	1	1	
	Commodities	4	4	
	SA bonds	17	14	
0 - 100	Money market	2	2	
		100	**100**	
	Total portfolio	**R 9 167.1m**	**R 9 527.2m**	

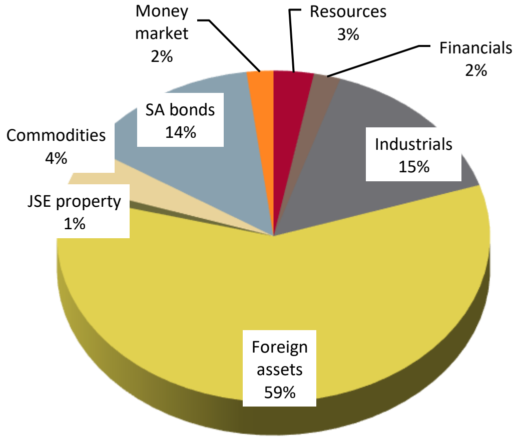
*Size distribution of JSE equities	30/09/2020 %	31/12/2020 %	FTSE/JSE ALSI %
Large capitalisation	69	71	91
Mid capitalisation	8	7	6
Small capitalisation	23	22	3
	100	**100**	**100**

Exposure analysis	Domestic %	Foreign %	Total %
Equities	20	51	71
Listed property	1	1	2
Corporate bonds	0	1	1
Government bonds	14	0	14
Commodities	4	2	6
Money market	2	4	6
	41	**59**	**100**

Effective exposure 30/09/2020



Effective exposure 31/12/2020



3. MARKET BACKGROUND AND OUTLOOK

3.1 World

- Economic activity improved from the historic second-quarter recession as momentum built on less stringent lockdowns—but the emergence latterly of more transmissible variants and increasingly onerous winter lockdowns suggests that economic recovery in 2021 may not be as robust as first expected
- Positive vaccine trial news flow and the first UK and US inoculations supported expectations for a faster return to normal and propelled equity markets to new highs—the time required to reach global herd immunity is uncertain given the logistical challenges of vaccinating that many people and developing countries' ability to access sufficient supply
- The US elections did little to settle US political uncertainty given President Trump's non-capitulation and legal challenges to Biden's electoral college and popular vote victories—the Democratic clean sweep now makes higher US corporate taxes and increased spending much more likely
- The passage of an additional $900 billion US relief package further buoyed markets—but the unprecedented peacetime global deficit spending went to personal consumption and not productivity enhancing infrastructure investments, raising the spectre of higher long-term inflation as debt burdens spiral
- The major central banks (excluding China) maintained their extreme monetary policy stance with cash pouring into alternative assets and corporate credits in search of higher yields as a result—global corporate debt issuance in 2020 reached a record $5.4 trillion, resulting in much weaker balance sheets and sharply rising risk of default should solvency ratios not improve meaningfully
- The US dollar was weaker on the sheer scale of US monetary stimulus and as the eleventh-hour Brexit trade deal buoyed the euro and pound—dollar weakness should persist as the Democrats implement their economic agenda and investors move out of safe havens ahead of economic recovery following the vaccine roll-outs
- Industrial commodity prices surged as market sentiment for economic recovery in 2021 gained momentum—the weaker dollar should provide further support for commodity prices with growing inflation risks in the long-term expected to keep precious metals prices well bid

3.2 South Africa

- The economy recovered at pace from the severe second-quarter recession but is still expected to have contracted by at least 5% in 2020—an unexpected summer second-wave infection caused by a new, more transmissible SARS-CoV-2 variant, return to Level 3 restrictions and bungled vaccine procurement have elevated the risks to meaningful economic recovery
- The mini-budget was disappointingly vague on government's strategy for arresting the rapidly deteriorating public finances—the slim chance of meaningful public wage reductions and incomprehensible support for bankrupt SOEs does not bode well for the trajectory of the country's debt spiral
- SA equities delivered good returns with financials, resources and industrials rallying on buoyant emerging markets sentiment—despite the weak economic outlook, select 'SA Inc.' companies are attractively valued, but resource companies appear to be near the peak of their earnings and operating margins cycles
- The SA government bond yield curve moved lower and flatter as long bond yields fell on the risk-on environment amid hopes for a faster return to normal in 2021—yields remain attractive in the benign inflationary environment but longer term inflation risks include reserve bank independence, money printing and ever-increasing bond issuances

3.2 South Africa (Continued)

- Listed property was the best performing asset class as investors were bottom feeding the optically attractive yields, but the asset class is down 34% for the year as property values were marked down amid recession-driven negative rent reversions—risks to distributions persist, given weakening balance sheets, rising debt ratios and persistently difficult trading conditions
- The rand appreciated on broad-based US dollar weakness, but is at risk from capital outflows despite an improved current account surplus—emerging market currencies should stay well bid while market sentiment remains positive for vaccine rollouts, allowing a return to more normal levels of economic activity
- The first, long overdue, high level corruption arrests provided much needed balm to the national psyche—but the country's fortunes remain intricately linked to internal ANC factional frictions, with the time for much needed structural economic reforms starting to run desperately short

4. PORTFOLIO CONSTRUCTION

- Equity weight increased as global and SA markets rallied latterly and although positive news flow should be supportive, the longer-term risks continue to rise—US market valuations are very high relative to history, only justifiable by extremely low borrowing costs
- A meaningful allocation to equities is maintained but the managers are cautious given the prevailing risks—stock selection is critical with positions focused on good quality, niche global companies at attractive valuations that are well positioned to survive further stress
- The manager opportunistically allocated capital to mostly JSE-listed global businesses notably Naspers, BHP and AB-Inbev given the higher risks in the SA economy and more attractive global opportunity set—well capitalised companies that should deliver hard-currency, real earnings growth through the cycle, supported by expected longer term rand weakness
- The manager added to the diversifying physical gold position via the NewGold ETF—the fall in the price of the metal suggests market participants are confident that positive news on the delivery of COVID-19 vaccines is likely to lead to a permanent recovery in global growth without significantly higher inflation risks, but both assumptions are likely to be severely tested in the coming quarters and should support the price of gold Despite some recovery in SA retail and commercial property counters, the sector faces significant structural challenges—UK-listed value play Capital & Counties remains the sole allocation in this sector
- SA government bond investments are somewhat reduced but remain a meaningful part of the portfolio - the lower allocation to bonds were offset by an increase in the allocation to high coupon paying longer dated government bonds, which should the yield curve flatten as expected will benefit significantly more to falling rates than the R186
- Reasonably high levels of optionality and liquidity are maintained through the allocation to domestic bonds and cash on call —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 Current %	Foord target Previous %	Portfolio at 31/12/2020 %	Portfolio at 30/09/2020 %
0 - 100	JSE equities	20	15	20	15
	Foreign assets	60	60	59	61
	Foord International Fund*	25	25	22	23
	Foord Global Equity Fund	35	35	37	38
0 - 25	JSE property	1	2	1	1
	Commodities	4	4	4	4
	SA bonds	13	17	14	17
0 - 100	Money market	2	2	2	2
		100	**100**	**100**	**100**

* Currently 72% in equities, property 5%, commodities 7%, corporate bonds 6% and cash 10%

D FOORD/W FRASER
JANUARY 2021

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	1,937,253		1,937,253	20.3%
Foreign assets	5,587,864		5,587,864	58.7%
JSE property	135,497		135,497	1.4%
Commodities	365,434		365,434	3.9%
SA bonds	1,298,556		1,298,556	13.6%
Money market	202,645		202,645	2.1%
Total	**9,527,249**		**9,527,249**	**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 *	-387,451	-193,725	-96,863	0	96,863	193,725	387,451
Resultant portfolio value *	9,139,798	9,333,524	9,430,386	9,527,249	9,624,112	9,720,974	9,914,700
Resultant portfolio change (%)	-4.1%	-2.0%	-1.0%	0.0%	1.0%	2.0%	4.1%

FOREIGN ASSETS

Change in R/$ exchange rate	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
R/$ exchange rate	**17.6336**	**16.1642**	**15.4294**	**14.6947**	**13.9600**	**13.2252**	**11.7558**
Resultant for. assets change *	1,117,573	558,786	279,393	0	-279,393	-558,786	-1,117,573
Resultant portfolio value *	10,644,822	10,086,035	9,806,642	9,527,249	9,247,856	8,968,463	8,409,676
Resultant portfolio change (%)	11.7%	5.9%	2.9%	0.0%	-2.9%	-5.9%	-11.7%

JSE PROPERTY

Change in portfolio property	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
Resultant property change *	-27,099	-13,550	-6,775	0	6,775	13,550	27,099
Resultant portfolio value *	9,500,150	9,513,699	9,520,474	9,527,249	9,534,024	9,540,799	9,554,348
Resultant portfolio change (%)	-0.3%	-0.1%	-0.1%	0.0%	0.1%	0.1%	0.3%

SA BONDS

Change in yields	**-3.0%**	**-2.0%**	**-1.0%**	**0.0%**	**1.0%**	**2.0%**	**3.0%**
Resultant fixed income change *	261,555	166,163	79,299	0	-72,569	-139,133	-200,323
Resultant portfolio value *	9,788,804	9,693,412	9,606,548	9,527,249	9,454,680	9,388,116	9,326,926
Resultant portfolio change (%)	2.7%	1.7%	0.8%	0.0%	-0.8%	-1.5%	-2.1%

*[R'000]

6. RESPONSIBLE INVESTMENT SUMMARY

Voting resolutions for Q4 2020

Foord Absolute Return	Total count	For	Against	Abstain
Adopt Financials	2	100%	0%	0%
Auditor/Risk/Social/Ethics related	25	100%	0%	0%
Buy Back Shares	6	100%	0%	0%
Director Remuneration	15	93%	7%	0%
Issue Shares	5	0%	100%	0%
Loan / Financial Assistance	6	50%	50%	0%
Other	15	73%	27%	0%
Re/Elect Director	45	100%	0%	0%
Remuneration Policy	12	50%	50%	0%
Shares under Director Control	2	0%	100%	0%
Signature of Documents	3	100%	0%	0%

Foord Global Equity Fund (Luxembourg)	Total count	For	Against	Abstain
Auditor/Risk/Social/Ethics related	2	50%	50%	0%
Issue Shares	1	100%	0%	0%
Others	1	100%	0%	0%
Re/Elect Director	19	100%	0%	0%
Remuneration Policy including directors' remuneration	6	33%	67%	0%

Foord International Fund	Total count	For	Against	Abstain
Auditor/Risk/Social/Ethics related	2	50%	50%	0%
Issue Shares	1	100%	0%	0%
Others	3	100%	0%	0%
Re/Elect Director	18	100%	0%	0%
Remuneration Policy including directors' remuneration	5	80%	20%	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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