SYNOPSIS

PERFORMANCE (TOTAL RETURN)

	Portfolio	Benchmark
Annualised (since 02/01/2014)	7.1%	8.8%
Last 12 months	8.8%	8.8%
Last 3 months	2.6%	1.9%

PORTFOLIO VALUE

R 889.6 million (31/03/2021: R 862.6 million)

TRANSACTIONS

Net purchases of JSE equities
Net sales of JSE property
Purchases of commodities and SA bonds

INVESTMENT OUTLOOK AND PORTFOLIO CONSTRUCTION

World: Economic recovery to continue
Unprecedented monetary and fiscal support
Inflation to accelerate
Earnings growth supports market valuations
Higher US corporate taxes and government spending
Commodity price rally to moderate

South Africa: Economic recovery fleeting and uneven
Fiscal deficit to moderate
Debt/GDP outlook improves on growth and revenue surprises
Employment crisis persists despite growth rebound
Inflation surge to moderate by year end
Rand gains likely overdone

Portfolio construction: Market conditions favourable on improving economic outlook and company fundamentals
Stock and sector choice critical with accelerating global inflation
Foreign equities favoured over bonds and cash for inflation protection
SA bonds offer high real yield opportunities despite nascent inflation risks
Listed property focused on niche investments with low gearing
Physical gold offers uncorrelated returns and high probability of real capital protection
Reasonably high levels of optionality and liquidity

EFFECTIVE ASSET ALLOCATION (previous)

	Foord target		Portfolio	
	%	%	%	%
JSE equities	30	(30)	31	(29)
Foreign assets	30	(30)	28	(29)
JSE property	4	(4)	4	(4)
Commodities	4	(4)	4	(4)
SA bonds	25	(24)	26	(25)
Money market	7	(8)	7	(9)
	100		100	

1. PORTFOLIO PERFORMANCE

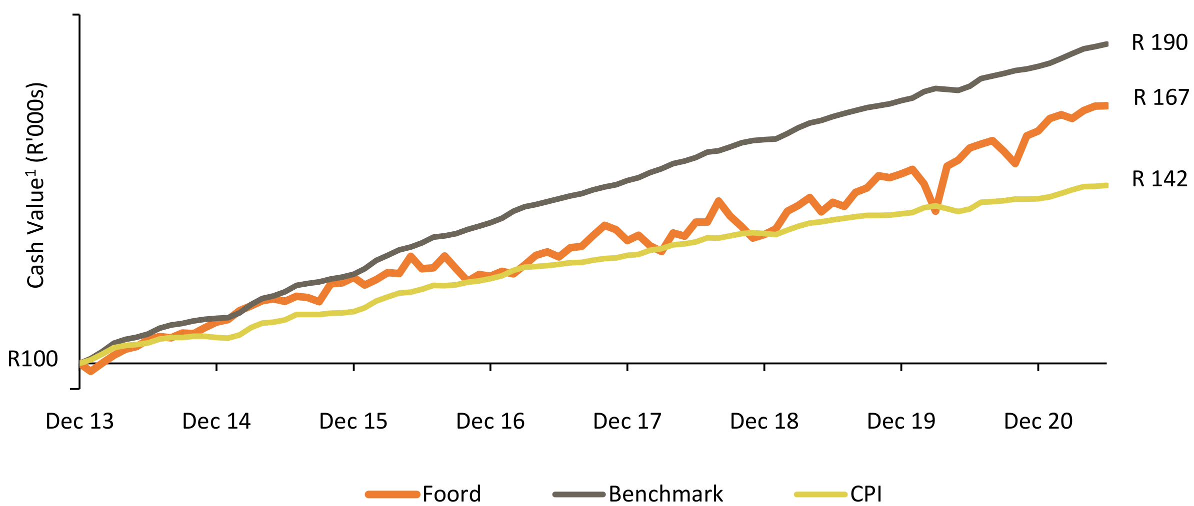
1.1 Total performance to 30 June 2021

	Portfolio %	Benchmark* %	Variance %	Peer Group# %
From inception (02/01/2014)	7.1	8.8	- 1.7	6.2
7 years	6.9	8.6	- 1.7	5.9
5 years	6.7	8.2	- 1.5	5.8
3 years	8.0	7.8	0.2	6.6
1 year	8.8	8.8	0.0	13.8
6 months	5.1	4.6	0.5	7.7
3 months	2.6	1.9	0.7	2.1

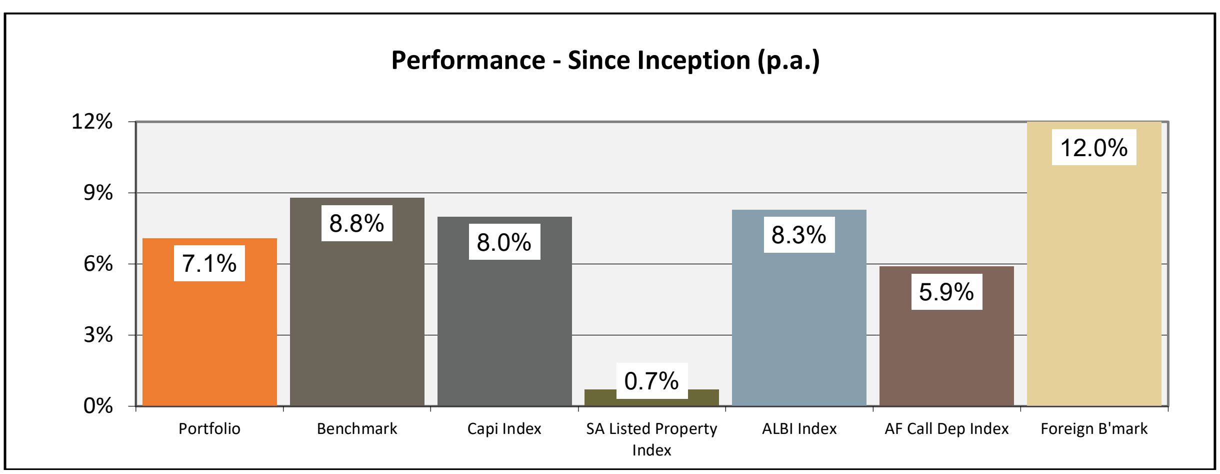
* CPI + 4% per annum. CPI estimated for June 2021

(ASISA) South Africa – Multi Asset – Medium Equity 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 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 June 2021

	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 (02/01/2014)	3.1	8.0	- 1.8	0.7	8.0	8.3	5.9	11.2	12.0
7 years	1.5	6.9	- 2.6	- 0.1	8.1	8.4	6.0	11.7	11.8
5 years	0.8	7.8	0.8	- 6.9	8.7	9.1	6.0	11.1	9.4
3 years	1.1	8.3	2.1	- 8.8	9.0	9.1	5.4	14.0	12.6
1 year	24.3	28.6	11.8	25.2	9.7	13.4	3.5	3.8	1.2
6 months	12.9	14.6	5.2	19.3	3.4	4.7	1.7	5.0	2.9
3 months	4.3	1.6	0.0	12.1	4.2	6.6	0.9	0.8	1.6

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 June 2021

(Returns x weight)

	JSE equities	JSE property	Interest bearing*	Other assets	Foreign assets	Portfolio
	%	%	%	%	%	%
1 year	6.8	0.6	3.0	- 1.0	1.2	10.6
6 months	3.6	0.2	1.1	- 0.4	1.5	6.0
3 months	1.3	0.0	1.4	0.0	0.2	2.9

* Bonds and cash combined

Returns in percent, calculated on a gross basis

Quarterly performance comment:

- SA fixed interest contributed most to performance as the yield curve flattened—holdings in the R2030, R2032 and R2035 were the best performers as longer dated maturities outperformed, while the core allocation to medium duration R186 was also up
- SA equities also contributed positively, led by overseas companies, industrials, healthcare and consumer services while media and commodity cyclicals detracted—Pepkor, Aspen, Anheuser-Busch InBev and Richemont contributed most to performance while Naspers/Prosus and BHP Group were the biggest detractors
- The full weight to foreign assets also added value—the large allocation to strongly performing global equities more than offset the translation loss from the stronger rand
- The low weight to the best performing asset class, listed property, contributed positively at the margin—core holding in London listed Capital & Counties underperformed on the stronger rand but was more than offset by holdings in Stor-Age and NEPI-Rockcastle
- The diversifying physical gold position was neutral over the quarter—the stronger dollar gold price offsetting the stronger rand

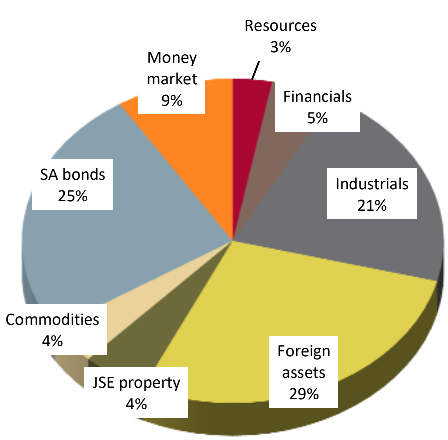
2. PORTFOLIO STRUCTURE

Mandate (%)		Portfolio Effective exposure 31/03/2021 %	Portfolio Effective exposure 30/06/2021 %	FTSE/JSE Capped ALSI Weightings %
	JSE equities: resources	3	3	11
	JSE equities: financials (ex property)	5	5	5
	JSE equities: industrials	21	23	15
0 - 60	JSE equities*	29	31	31
0 - 30	Foreign assets	29	28	
	Foord International Fund	15	14	
	Foord Global Equity Fund	14	14	
0 - 25	JSE property	4	4	
0 - 10	Commodities	4	4	
0 - 100	SA bonds	25	26	
0 - 100	Money market	9	7	
		100	**100**	
	Total portfolio	**R 862.6m**	**R 889.6m**	

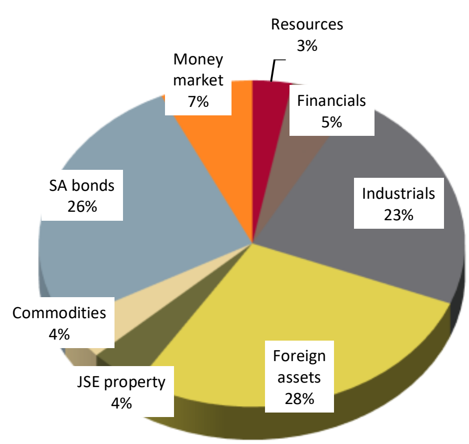
*Size distribution of JSE equities	31/03/2021 %	30/06/2021 %	FTSE/JSE Capped ALSI %
Large capitalisation	76	73	89
Mid capitalisation	18	20	8
Small capitalisation	6	7	3
	100	**100**	**100**

Exposure analysis	Domestic %	Foreign %	Total %
Equities	31	22	53
Listed property	4	1	5
Government bonds	26	0	26
Commodities	4	1	5
Money market	7	4	11
	72	**28**	**100**

Effective exposure 31/03/2021



Effective exposure 30/06/2021



3. MARKET BACKGROUND AND OUTLOOK

3.1 World

- First-half 2021 economic growth was robust as COVID-19 vaccinations surpassed three billion with many developed countries more than 50% vaccinated—but emerging markets vaccinations are lagging severely, which together with the global spread of the delta variant and tapering of direct consumer fiscal support in developed economies, means some moderation in economic growth is likely
- The US economy recorded the fastest pace of six-monthly growth in 70 years as the rapid vaccine roll-out released pent-up demand amid unprecedented levels of fiscal and monetary support—growth should now moderate, but should remain above trend given the $1 trillion infrastructure program and likely high levels of capital expenditure as the economy's supply side plays catch-up
- In the EU and UK, economic growth momentum continued to build as vaccine rollouts accelerated and monetary and fiscal conditions remained highly supportive—but the rapid spread of the delta variant in parts of the EU might trigger further temporary lockdowns and consumer hesitancy given the lower percentage of vaccinated populations relative to the US and UK
- Chinese domestic economic activity has returned to (exceeded in some instances) pre-pandemic levels as infection rates plummeted amid a vaccine roll-out reaching 20 million people per day at times—real GDP growth of ~8% is possible for 2021, but China remains central to global supply chains and vulnerable to closed borders and the global nationalist drive to repatriate supply
- Equities took fright and bond yields sold off when US inflation spiked higher than markets expected on the surge in demand in certain sectors and record low inventory levels on the supply side—while the US Federal Reserve soothed markets by attributing the nascent inflation to transitory factors, continued demand recovery and border closures constraining global supply chains could cause elevated inflation to persist
- The US dollar was weaker against the other majors on improved global data but rallied after the Fed showed it would not tolerate structurally higher inflation by bringing forward its expected interest rate hiking cycle from 2024 to 2023—developed market bond yields declined, but remain vulnerable given the probability of higher inflation for longer
- Oil and natural gas were sharply higher after OPEC+ signalled robust demand amid managed supply while precious and industrials metals also rallied but retraced latterly on US dollar strength and the market's receding inflation panic—while broad-based commodities strength is unlikely to sustain this pace (H1 was the fifth-best six-month period in 100 years), OPEC+ failure to agree revised quotas could see oil staying higher for longer, further compounding inflation risks

3.2 South Africa

- Economic recovery has been stronger than expected this year but is asymmetrical, with the agriculture and commodities industries doing well but hotels, leisure and hospitality in deep recession—the Adjusted Level 4 restrictions will detract marginally from GDP and the economy is not expected to reach pre-pandemic levels before 2023, private sector investment spending from the surprise 100MW self-generation allowance notwithstanding
- Consumer price inflation printed higher than expectations in April and May, driven by food, non-alcoholic beverages and transport costs but is likely to be short-lived given the economy's inability to absorb higher prices—SARB left interest rates unchanged at below neutral levels to support economic recovery, with a low probability of having to quickly raise rates

3.2 South Africa (Continued)

- The JSE was flat with the retracement of commodity prices dragging the resources index lower while the listed property sector continued to recover from 2020's lows—uncertainty around the duration of the Adjusted Level 4 lockdown restrictions and the unsteady vaccine rollout strategy might weigh on sentiment, making a rapid re-rating of the market unlikely
- The All Bond Index rallied with longer dated maturities outperforming as the yield curve flattened with SA bond yields tracking global rates lower—the yield curve remains too steep and long bond yields too high given further constrained issuance on the back of commodity price-driven tax collection upgrades and the likely benign inflation trajectory
- Commodity prices retraced in the second quarter but remain sharply up this year on one of the strongest cyclical rallies in history—in aggregate, elevated prices are unlikely to be sustainable as the initial benefits of developed world vaccine rollouts and direct consumer fiscal support starts to fade and global growth moderates
- The rand rallied through R14/$ on South Africa's favourable terms of trade as high commodity export prices and depressed import demand led a record trade surplus and third successive current account surplus, but later retraced as commodity prices waned and SA's COVID-19 caseload surged—while positive for South Africa's constrained public finances, the unsustainable commodities rally is unlikely to fix the structural economic challenges, leaving the currency vulnerable over the longer term

4. PORTFOLIO CONSTRUCTION

- Market conditions are favourable for equities given much improved global economic activity, with positive effects on margins and earnings—despite further gains in global equity indices we retain the equity weight due to the positive momentum in earnings upgrades, which are rising at a faster pace than prices
- Retained the full allocation to foreign assets given expectant currency tailwinds, while preferring equities to bonds and cash given inflation beating prospects of the asset class—stock and sector selection is critical given the rapid rise in global inflation and still loose monetary policies
- We prefer better-valued emerging market businesses with structural tailwinds—but unique opportunities in US listed businesses have resulted in an increase in North American assets versus a year ago
- Global indices with tech / growth-heavy constituents (main beneficiaries of the post GFC monetary policy regime) are at risk of meaningful setbacks should interest rates rise sooner or more than expected—we are protecting investors from this outcome through active asset allocation in the Foord global funds by tactically selling S&P 500 futures
- Marginally increased the duration of the sizable SA bond position into longer maturity bonds where yields are superior given the steepness of the curve—with improved margins of safety due to meaningful tax collection upgrades and issuance reduction
- Listed property allocation is focused on niche investments with low gearing levels—risk to balance sheets in the sector remain an ongoing concern given rental pressures, valuation downgrades and yield curve moves
- Maintain the diversifying physical gold position via the NewGold ETF—an uncorrelated asset and hedge against market dislocations and the risk of possible rampant inflation
- Reasonably high levels of optionality and liquidity are maintained—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 30/06/2021 %	Portfolio at 31/03/2021 %
0 - 60	JSE equities	30	30	31	29
0 - 30	Foreign assets	30	30	28	29
	Foord International Fund*	17	17	14	15
	Foord Global Equity Fund	13	13	14	14
0 - 25	JSE property	4	4	4	4
0 - 10	Commodities	4	4	4	4
0 - 100	SA bonds	25	24	26	25
0 - 100	Money market	7	8	7	9
		100	**100**	**100**	**100**

* Currently 68% in equities, 1% hedged equities, property 5%, commodities 7% and cash 19%

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JULY 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	274,891		274,891	30.9%
Foreign assets	248,341		248,341	27.9%
JSE property	37,463		37,463	4.2%
Commodities	34,989		34,989	3.9%
SA bonds	228,125		228,125	25.7%
Money market	65,771		65,771	7.4%
Total	**889,580**		**889,580**	**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 *	-54,978	-27,489	-13,745	0	13,745	27,489	54,978
Resultant portfolio value *	834,602	862,091	875,835	889,580	903,325	917,069	944,558
Resultant portfolio change (%)	-6.2%	-3.1%	-1.5%	0.0%	1.5%	3.1%	6.2%

FOREIGN ASSETS

Change in R/$ exchange rate	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
R/$ exchange rate	**17.1425**	**15.7139**	**14.9997**	**14.2854**	**13.5711**	**12.8569**	**11.4283**
Resultant for. assets change *	49,668	24,834	12,417	0	-12,417	-24,834	-49,668
Resultant portfolio value *	939,248	914,414	901,997	889,580	877,163	864,746	839,912
Resultant portfolio change (%)	5.6%	2.8%	1.4%	0.0%	-1.4%	-2.8%	-5.6%

JSE PROPERTY

Change in portfolio property	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
Resultant property change *	-7,493	-3,746	-1,873	0	1,873	3,746	7,493
Resultant portfolio value *	882,087	885,834	887,707	889,580	891,453	893,326	897,073
Resultant portfolio change (%)	-0.8%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.8%

SA BONDS

Change in yields	**-3.0%**	**-2.0%**	**-1.0%**	**0.0%**	**1.0%**	**2.0%**	**3.0%**
Resultant fixed income change *	43,612	27,839	13,343	0	-12,302	-23,661	-34,165
Resultant portfolio value *	933,192	917,419	902,923	889,580	877,278	865,919	855,415
Resultant portfolio change (%)	4.9%	3.1%	1.5%	0.0%	-1.4%	-2.7%	-3.8%

*[R'000]

6. RESPONSIBLE INVESTMENT SUMMARY

Voting resolutions for Q2 2021

Portfolio	Total count	For	Against	Abstain
Adopt Financials	5	100%	0%	0%
Auditor/Risk/Social/Ethics related	15	73%	27%	0%
Buy Back Shares	8	100%	0%	0%
Director Remuneration	6	100%	0%	0%
Disapply Preemptive Rights	3	0%	100%	0%
Dividend Related	1	100%	0%	0%
Issue Shares	4	0%	100%	0%
Loan / Financial Assistance	5	80%	20%	0%
Other	9	100%	0%	0%
Political Expenditure/Donation	1	0%	100%	0%
Re/Elect Director	59	100%	0%	0%
Remuneration Policy	8	25%	75%	0%
Shares under Director Control	3	33%	67%	0%
Signature of Documents	2	100%	0%	0%

Foord Global Equity Fund	Total count	For	Against	Abstain
Adopt Financials	27	100%	0%	0%
Auditor/Risk/Social/Ethics related	51	76%	24%	0%
Buy Back Shares	22	77%	23%	0%
Dividend Related	12	100%	0%	0%
Issue Shares	16	6%	94%	0%
Others	63	62%	37%	1%
Re/Elect Director or members of supervisory board	399	99%	1%	0%
Remuneration Policy including directors’ remuneration	86	33%	67%	0%
Signature of Documents/Ratification	4	25%	75%	0%

Foord International Fund	Total count	For	Against	Abstain
Adopt Financials	23	100%	0%	0%
Auditor/Risk/Social/Ethics related	27	74%	26%	0%
Buy Back Shares	12	67%	33%	0%
Dividend Related	5	100%	0%	0%
Issue Shares	19	21%	79%	0%
Others	40	85%	10%	5%
Re/Elect Director or members of supervisory board	210	99%	1%	0%
Remuneration Policy including directors’ remuneration	44	45%	55%	0%
Signature of Documents/Ratification	1	100%	0%	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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