SYNOPSIS

PERFORMANCE (TOTAL RETURN)

	Portfolio	Benchmark
Annualised (since 02/09/2002)	14.0%	14.1%
Last 12 months	25.6%	28.6%
Last 3 months	3.0%	1.6%

PORTFOLIO VALUE

R 3 995.3 million (31/03/2021: R 4 013.0 million)

INVESTMENT OUTLOOK AND PORTFOLIO CONSTRUCTION

World: Economic recovery to continue
Unprecedented monetary and fiscal support
Inflation is accelerating
Geopolitical risks rise
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: Added to resources weight
Reduced global businesses slightly
Select 'SA Inc.' companies are attractive
Meaningful allocation to healthcare companies
Media via Naspers and Prosus is largest sector weight
Cautious on SA listed property
NewGold ETF is quasi cash and a hedge against volatility
Cash levels low

EFFECTIVE ASSET ALLOCATION (previous)

	Foord target		Portfolio	
	%	%	%	%
JSE equities	95	(90)	96	(91)
JSE property	2	(4)	2	(3)
Commodities	2	(3)	1	(2)
Money market	1	(3)	1	(4)
	100		100	

1. PORTFOLIO PERFORMANCE

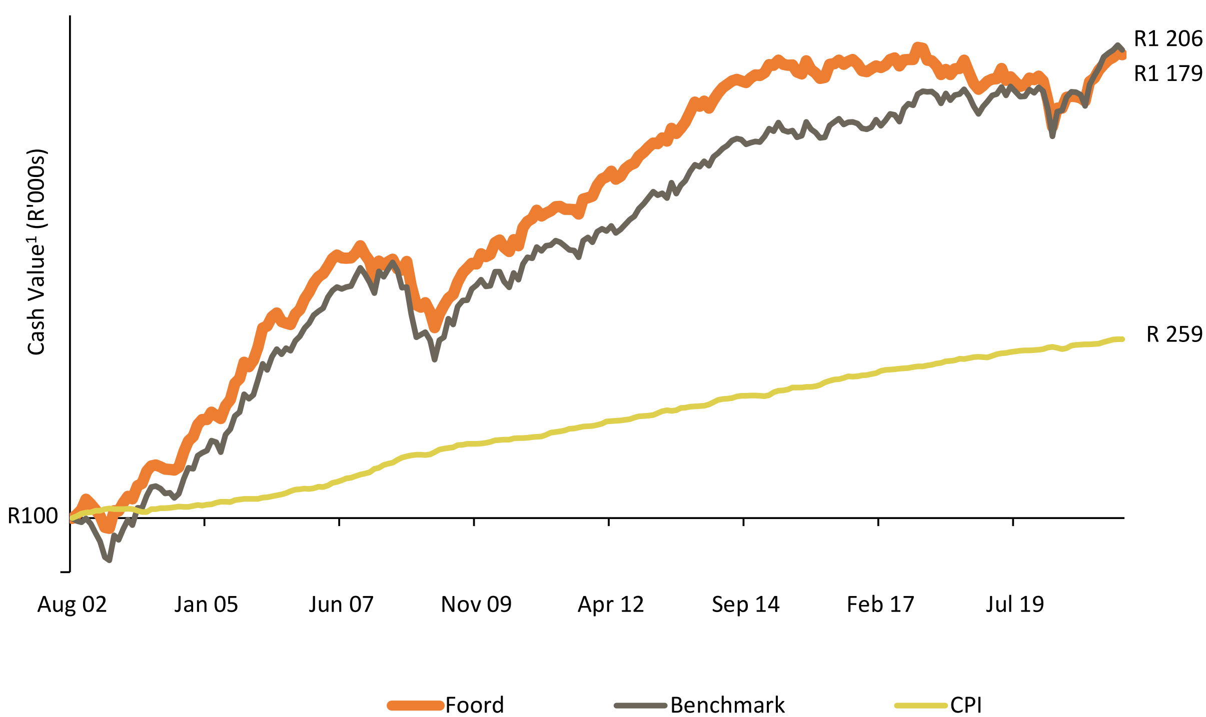
Total performance to 30 June 2021

	Portfolio %	Benchmark* %	Variance %	Peer Group# %
From inception (02/09/2002)	14.0	14.1	- 0.1	12.8
15 years	10.0	11.1	- 1.1	9.0
10 years	8.6	11.0	- 2.4	8.2
7 years	2.0	7.1	- 5.1	4.5
5 years	1.0	8.2	- 7.2	4.7
3 years	2.6	8.3	- 5.7	5.3
1 year	25.6	28.6	- 3.0	26.5
6 months	13.4	14.6	- 1.2	13.4
3 months	3.0	1.6	1.4	0.5

* Total return of the FTSE/JSE Capped All Share Index (prior to 01/07/2018 FTSE/JSE All Share Index)

(ASISA) South Africa Equity – General (SA only) average

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



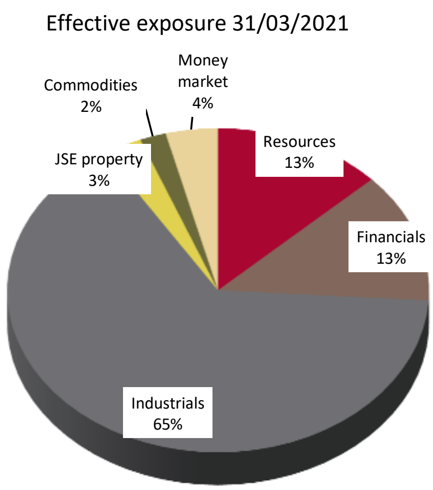
[1] Current value of R100 000 notional lump sum invested at inception, distributions reinvested (graphically represented in R'000s above)

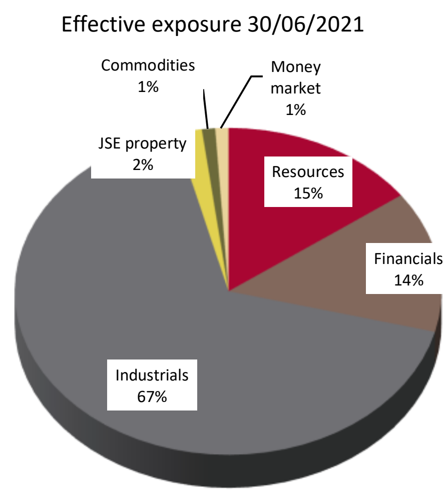
Quarterly performance comment:

- The lower resources weight and zero allocation to precious metals miners was the largest single contributor to fund's outperformance—index heavyweights Implats and Angloplats both corrected after a very strong rally
- The fund's investment in mid-cap industrials also contributed positively to relative performance—higher than benchmark holdings in Invicta, Hudaco, Omnia and Bidvest contributed to outperformance
- Investments in the healthcare sector also added value with core holding Aspen being the largest single stock contributor to the fund's outperformance—hospital holdings were mixed, with Life Healthcare outperforming sharply on the US FDA's approval of Biogen's Alzheimer drug, while Netcare underperformed and Mediclinic was neutral
- The largest sector allocation, consumer services, also contributed positively with strong performance from holdings in Foschini, Massmart and Pepkor—while Spurcorp, Spar Group and Italtile detracted
- The overseas companies' allocation was the largest detractor from relative performance as Richemont, the fifth largest fund position but at a lower weight than its 10% weight in the index, outperformed the market—partially offset by top-10 investment Anheuser-Busch InBev, which had a strong quarter
- The principal investment in the media sector detracted on a relative basis—largest fund holding Naspers/Prosus retraced on the stronger rand, weakness in key underlying investment Tencent and negative sentiment towards the announced share swap
- Financials detracted at the margin driven by an underweight position in outperforming Capitec—the market neutral allocation to listed property also detracted with core holding in London listed Capital & Counties underperforming on the stronger rand

2. PORTFOLIO STRUCTURE

	Portfolio Effective exposure 31/03/2021	Portfolio Effective exposure 30/06/2021	FTSE/JSE Capped ALSI Weightings
	%	%	%
JSE equities: resources	13	15	34
JSE equities: financials (ex property)	13	14	16
JSE equities: industrials	65	67	45
JSE property	3	2	3
JSE equities*	94	98	98
Commodities	2	1	
Money market	4	1	
	100	**100**	
Total portfolio	**R 4 013.0m**	**R 3 995.3m**	
*Size distribution of JSE equities	%	%	%
Large capitalisation	70	68	89
Mid capitalisation	14	15	8
Small capitalisation	16	17	3
	100	**100**	**100**





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

- Resource weight increased by adding to Anglo American on price weakness given increased confidence in long-term copper prices as constrained supply struggles to meet demand from renewables and electric cars—BHP Group is still our preferred sector investment with Sasol the third largest resource investment
- Healthcare weight is material—good absolute and relative performance offsetting the trimming of Aspen and Life Healthcare positions
- Aspen is the fund's third largest holding—with bright prospects after securing favourable long-term funding from the World Bank and three European governments
- Life Healthcare was trimmed after significant share price appreciation following US FDA's approval of Biogen's Alzheimer drug—while this will significantly benefit Life Healthcare, the share price responded quickly
- Investment in JSE-listed global businesses reduced slightly—although they remain very resilient, we redeployed some Richemont capital into beaten-down SA focused opportunities
- Consumer and financials increased by adding to a basket of hospitality companies with depressed prices but sufficiently resilient balance sheets to weather the tough operating environment—management teams have been able to manage down expenses in line with lower revenue under COVID-19 conditions
- Media remains the largest weight in the portfolio with the combined Naspers and Prosus investments—although the recently announced swap has caused significant market controversy and will increase complexity, the underlying business will remain largely unchanged after the transaction
- The Naspers and Prosus holding in Tencent is worth more than their current market caps, especially since they also have a separate $39 billion ecommerce portfolio (we use a more conservative number) and substantial liquidity following the Tencent sell-down—the$5 billion share buyback included in the restructuring transaction should add value over time as management retires shares at a significant discount to even our conservative valuation estimate
- Reduced NewGold ETF and utilised cash—redeployed into SA opportunities
- Reduced property weight by trimming Storage into strength—using proceeds to invest into a new financials company and for opportunities in the hospitality industry

4. PORTFOLIO CONSTRUCTION (Continued)

- Our effective asset allocation target is:

	Capped ALSI	Foord target		Portfolio at	
	Current	Current	Previous	30/06/2021	31/03/2021
	%	%	%	%	%
Precious metals	11	0	0	0	0
Commodity cyclicals	27	15	12	15	13
Capital goods/construction	1	0	0	0	0
Information technology	0	0	0	1	1
Industrials/transport	4	11	10	12	10
Overseas companies	13	10	12	10	11
Health	2	13	12	13	12
Consumer/services	7	16	14	16	15
Telecommunications	4	1	1	1	0
Media	12	14	15	14	15
Financials	16	15	14	14	13
Property	3	2	4	2	4
Commodities	0	2	3	1	2
Money market	0	1	3	1	4
	100	**100**	**100**	**100**	**100**

N BALKIN/D FOORD/N HOSSACK
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	3,814,097		3,814,097	95.5%
JSE property	87,617		87,617	2.2%
Commodities	55,216		55,216	1.4%
Money market	38,327		38,327	0.9%
Total	**3,995,257**		**3,995,257**	**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 *	-762,819	-381,410	-190,705	0	190,705	381,410	762,819
Resultant portfolio value *	3,232,438	3,613,847	3,804,552	3,995,257	4,185,962	4,376,667	4,758,076
Resultant portfolio change (%)	-19.1%	-9.5%	-4.8%	0.0%	4.8%	9.5%	19.1%

JSE PROPERTY

Change in portfolio property	**-20.0%**	**-10.0%**	**-5.0%**	**0.0%**	**5.0%**	**10.0%**	**20.0%**
Resultant property change *	-17,523	-8,762	-4,381	0	4,381	8,762	17,523
Resultant portfolio value *	3,977,734	3,986,495	3,990,876	3,995,257	3,999,638	4,004,019	4,012,780
Resultant portfolio change (%)	-0.4%	-0.2%	-0.1%	0.0%	0.1%	0.2%	0.4%

*[R'000]

6. RESPONSIBLE INVESTMENT SUMMARY

Voting resolutions for Q2 2021	Total count	For	Against	Abstain
Adopt Financials	5	100%	0%	0%
Auditor/Risk/Social/Ethics related	38	89%	11%	0%
Buy Back Shares	13	100%	0%	0%
Director Remuneration	33	100%	0%	0%
Disapply Preemptive Rights	3	0%	100%	0%
Dividend Related	1	100%	0%	0%
Issue Shares	8	0%	100%	0%
Loan / Financial Assistance	12	58%	42%	0%
Other	10	100%	0%	0%
Political Expenditures/Donation	1	0%	100%	0%
Re/Elect Director	81	100%	0%	0%
Remuneration Policy	18	44%	56%	0%
Share Option Scheme	3	33%	67%	0%
Shares under Director Control	5	20%	80%	0%
Signature of Documents	2	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.

This document is not an advertisement, but is provided exclusively for information purposes and should not be regarded as 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 info@foord.co.za. The document is protected by copyright and may not be altered without prior written consent.

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

Foord Asset Management is an authorised Financial Services Provider (FSP: 578).