FOREWORD

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This year has started with a geopolitical bang. It has been a volatile start to what might be a fraught year. We hope that level heads will prevail all round.

We lead this 76th edition of *Foreword* with our feature article, *2025: The Year in Review.* **Mike Townshend** reflects on a year of outsized market gains and considers what this may mean as we move into 2026. Then, **Linda Eedes** revisits a critical investing discipline in *Staying the Course: Why Time in the Market Still Matters Most*.

Dylan Griffiths explores whether listed property may be regaining its footing in *Listed Property — Room for Growth*, while **Nick Balkin** and **Rashaad Tayob** tackle a timely portfolio question in *Gold Fever: To Own the Metal or the Mines?* We also turn to some of the quieter building blocks of long-term wealth, with **Diane Behr** writing on *Why the Tax-Free Savings Account Deserves a Place in Every Portfolio*.

Alongside our investment commentary, we share some Foord news, including the appointment of Wei Lu Tan as CEO of Foord Singapore. And introduce our latest children's book, *That's just nuts*, where author **Christina Castle** gives a glimpse into our continued commitment to financial literacy.

We close, as always, with *Markets in a Nutshell* — our regular quarterly snapshot of global and South African markets and the forces shaping them.

We hope you enjoy this edition and find it both informative and reassuring. Thank you for your continued trust in Foord. We look forward to navigating the year ahead with discipline, patience and perspective. Best wishes to you and yours for a happy, healthy and prosperous 2026.

Regards

Paul Cluer
Managing Director

2025: THE YEAR IN REVIEW

Last year proved to be a year of strong gains across virtually all asset classes, in South Africa as well as in most regions abroad. This came despite persistent geopolitical uncertainty, Trump's policy volatility, and stagnant growth in South Africa. Portfolio manager MIKE TOWNSHEND looks at the year that was.

We had warned that Trump's unpredictability could increase investment risk. This played out quickly after his January inauguration, with the introduction of punitive tariffs, tightened border controls, cuts to key government departments and a sweeping reset of US foreign policy.

Markets were spooked. By the end of the first quarter, global equities had dropped more than 15% on fears that growth would stall. But as the administration backtracked on some of its harsher policies, sentiment stabilised. A sharp rally followed in the second half of the year, supported by the US Federal Reserve cutting interest rates three times from September onwards.

The S&P 500 gained 17% in 2025 — its third consecutive year of double-digit returns — driven by continued investor excitement around artificial intelligence. But international equities did even better, helped by US dollar weakness. Developed markets in Europe and Asia posted better returns, with standouts like South Korea (+80%) and China's Hang Seng Index (+36%).

Commodities also enjoyed a stellar year. Gold surged to record highs as investors sought safety from economic uncertainty and geopolitical risk. Precious metals like platinum and silver followed suit. Copper, too, climbed to fresh peaks. Oil was the outlier, falling over 20% due to ample supply and subdued demand. Some parts of the commodity complex are starting to look frothy.

This environment suited South Africa well. The country exports precious metals and imports oil, so the commodity mix was favourable. Local assets rallied hard. The JSE was one of the best-performing global markets in 2025, gaining 62% in US dollars. Resources stocks more than doubled, while financials and industrials rose more modestly — around 20% in rand terms.

The South African bond market also had a good year. Lower inflation, falling interest rates, and a drop in perceived country risk pushed yields down. The All Bond Index rose by a quarter over the year. The broad rally across SA assets — despite weak GDP growth — was supported by strong commodity prices, better electricity supply, improving rail and port performance, and a more credible fiscal stance. The rand, long a proxy for investor sentiment, rallied sharply. It ended the year at R16.59 to the dollar, but we expect some pullback in 2026.

The flagship Foord International Fund had a standout year. It gained 31% in US dollars, rewarding the patience of long-term investors. The fund benefited from broad geographic diversification and a long-standing underweight to the expensive US market, in favour of better-valued Chinese consumer and tech shares. This positioning hurt in 2024 but paid off handsomely in 2025. The Foord Global Equity and Foord Asia ex-Japan funds delivered market-matching returns, despite being constructed very differently.

The Foord SA funds achieved strong absolute returns, though our cautious stance in more speculative, cyclical areas meant we lagged peers. That's a trade-off we're comfortable with. Preserving capital and managing downside risk remain our top priorities. All multi-asset class funds returned more than 15%, while the Foord Equity Fund gained 21.5%. The Equity Fund has compounded at over 18.9% p.a. over three years. We continue to find attractive value in select local counters.

As I write this article, 2026 has begun with a jolt. The brazen US abduction of Venezuela's President Nicolás Maduro and his wife shocked the world. Washington's desire for Greenland is threatening transatlantic unity. Trump's assault on the Fed continues with US Department of Justice criminal probe of Chairman Powell. Mass protests in Iran are testing the regime's grip there. And Russia's war on Ukraine grinds on with little practical response from Europe, which is in political malaise. It's a volatile start to what could be a fraught year. Our portfolios remain broadly diversified and ready to weather what comes next.

GOLD FEVER: TO OWN THE METAL OR THE MINES?

Gold has once again reclaimed investor attention. Its price surged to record highs in 2025 as central banks ramped up purchases, investors sought shelter from rising geopolitical risk, and the credibility of major fiat currencies came under strain. Portfolio managers NICK BALKIN and RASHAAD TAYOB tackle an important portfolio question relating to gold — how to own it?

For more than 2,000 years, gold has stood apart as a scarce, tangible store of value with no counterparty risk. It remains one of the few assets that tends to perform well when others falter. But for investors the question isn't whether to own gold — it's how. Should exposure come through the metal itself, or through the companies that mine it?

Gold exchange-traded funds (ETFs) provide clean, low-cost access to bullion. They track the metal price directly, with none of the operational risk, cost pressures or capital allocation uncertainty that comes with mining businesses. For this reason, bullion remains the preferred gold exposure in Foord's retirement fund portfolios. These strategies aim to preserve capital and grow wealth steadily across cycles. Gold ETFs help to deliver that outcome by offering liquidity and diversification without operational risk.

Gold miners are different. They offer geared exposure to the gold price — profits can rise much faster than the metal when prices move — but they also carry real business risks. Mining is capital intensive, politically exposed and operationally complex. Historically, returns have been inconsistent and there have been years when gold miners have been loss making. For that reason, gold miners are not a structural holding across all Foord portfolios.

But they do have a place, especially in funds where the investment horizon is long, which includes equity funds. Such funds have higher risk budgets and portfolio managers look to own businesses that can generate long-term capital growth.

Owning precious metals miners in such portfolios will depend on two conditions being met.

First, we must have a constructive, longer-term view on the gold price. Second, the fundamentals of the mining business must support the investment case. We watch for disciplined cost management, capital efficiency, and the ability to generate returns through the cycle. In these conditions, miners can outperform bullion and may offer a better risk–reward profile for long-term investment strategies.

It's worthwhile noting that in multi-asset portfolios — which includes traditional retirement fund portfolios — we have other tools to manage risk and correlations across asset classes, geographies and currencies to achieve inflating-beating returns. In these portfolios, we favour gold ETFs for their more predictable return profile and greater downside protection. This is part of our safety-first investment philosophy for such strategies.

Gold remains a strategic asset in Foord's portfolios — one we've held consistently through cycles. Whether expressed through bullion or miners depends on the mandate, the market, and the risk budget. That flexibility is essential to how we manage money: disciplined, valuation-aware, and always aligned to portfolio purpose.

LISTED PROPERTY — ROOM FOR GROWTH

Listed property isn't the easiest asset class to like. It is sensitive to interest rates, relies on access to debt and in South Africa is also entangled with weak growth, broken infrastructure and patchy investor sentiment. However, investment analyst DYLAN GRIFFITHS writes that with interest rates turning and regional dynamics improving, the property sector may offer room for growth.

Listed property sits somewhere between bonds and equities. Rental income provides predictability, usually inflation linked. Capital values rise when rental demand outpaces supply or when falling rates lift what investors are willing to pay for those same cash flows. This latter point matters now because interest rates — the biggest headwind to the property sector in recent years — are finally trending lower, both locally and abroad.

In South Africa, inflation has cooled and the South African Reserve Bank has begun to ease monetary policy. Interest rates are no longer as restrictive as they recently were. This makes the cost of capital more manageable and improves the outlook for dividends, valuations and investor sentiment across the property sector. But not all property companies are created equal: some are still grappling with excessive debt or uninspiring property portfolios. Selection, as always, matters.

Foord's judicious exposure to the listed property sector reflects this subtlety. We invest only where the risk–reward profile is attractive and the fundamentals support long-term investment. Some of our holdings provide exposure to South African property markets, while others give us access to property portfolios outside the country — adding geographic diversification and valuable rand hedge characteristics to the mix.

Regionally, the Western Cape stands apart. Better governance, working infrastructure and inward migration have created real demand for commercial and industrial space. With new supply constrained, this has translated into low vacancies, rising rentals and more resilient asset values. Our investment in Spear REIT — a Western Cape-focused listed property REIT (see Did You Know?) — gives us targeted exposure to this investment thesis.

Listed property is not without risk. Prices can swing on sentiment, the sector is sensitive to borrowing costs and economic growth, and owning the wrong names can be costly. But when selected carefully and sized appropriately, listed property can add meaningful diversification and return potential to a portfolio.

As always, we have no fixed allocation to the sector within our investment portfolios. Listed property must compete for its place alongside cash, bonds, equities, gold and offshore assets. There are times in the cycle when the investment case is compelling. We can hold — and have held — listed property in high weights. For now, our exposure remains selective and deliberate, but property remains on our investment radar.

STAYING THE COURSE — WHY TIME IN THE MARKET STILL MATTERS MOST

Foord's investment philosophy, shaped over more than four decades, rests on a simple, if uncomfortable, truth: the surest way to build investment wealth is to give your investments time. Investment executive LINDA EEDES writes that staying invested creates the space for compounding to work.

Long-term data from the Foord Flexible Fund shows why the time horizon matters. Over any one year, returns can vary widely. Over five and ten years, the range of outcomes narrows and shifts upward. Even the leanest ten-year stretch since 2008 has beaten inflation by more than two percent annually; the best — by nearly ten percent per annum.

A disciplined focus on capital protection is what makes compounding possible. Aggressive funds often sprint ahead in buoyant markets. The catch comes when markets reverse, since more risk typically means deeper losses. The mathematics of recovery is punishing — a 50% loss requires a 100% gain to reach parity. Funds that lose less don't need heroic recoveries, so compounding can restart sooner. Over a full cycle, that steadiness usually wins.

Valuation discipline is another pillar. Over long periods, dividends and earnings growth drive almost all investment returns. In contrast, changes in valuation tend to wash out over time. However, valuations matter more over shorter periods. When markets are expensive, the risk of future underperformance rises sharply.

The US equity market, particularly its technology giants, continues to trade at very elevated valuations. This suggests a higher risk of low — or even negative — returns over the coming decade. Buying high and selling low has never sat well with us. Elsewhere, European and emerging Asian markets offer more attractive valuations. This is reflected in Foord's global positioning, with a more balanced allocation across the US, Europe and emerging Asia.

Technology is an important long-term theme. But tech valuations remain frothy, especially in the US. We therefore favour other markets and sectors, including healthcare and consumer staples. Quality companies such as Tencent, Roche and Fever Tree combine resilient earnings with valuations that don't stack the odds against investment success.

Structural challenges persist in South Africa, but select 'SA Inc.' businesses still offer compelling value. Midcap valuations are attractive, and improving fundamentals have allowed us to increase exposure to domestic names across financials, consumer staples, healthcare and construction. Many shares still trade below their five-year average valuations, which could add upside if sentiment improves.

The recent experience of the Foord Flexible Fund reinforces the need for a long-term view. Midway through 2024, returns trailed its inflation-plus-5% objective and investors were concerned. Yet, at the time of writing, the fund has moved back ahead of its target over almost every timeframe.

Real wealth creation is not found in the noise of the day, but in the discipline of the decade. For the patient investor time is not an obstacle — it is the greatest asset of all.

WEI LU TAN APPOINTED CEO OF FOORD SINGAPORE

We are pleased to announce the appointment of Wei Lu Tan as Chief Executive Officer of Foord Singapore with effect from 1 January 2026. Her nomination was approved by the Monetary Authority of Singapore in December 2025, and she also joins the board of Foord Asset Management (Singapore) Pte. Limited.

Wei Lu joined Foord as Chief Operating Officer in early 2025 after a two-decade career at GIC, Singapore's sovereign wealth fund. There, she co-led a global investment support team and worked closely with investment professionals, industry partners, and senior management. Her depth of experience spans investment operations, governance, business planning, client relations, and strategic execution.

Wei Lu's appointment follows the resignation of Agnes Cai, who enjoyed a 10-year tenure at Foord and was CEO for six years until her departure at the end of June 2025 to pursue a new chapter outside of asset management (see Foreword 74). Paul Cluer served as interim CEO through the second half of 2025 while Foord evaluated permanent leadership options. Although Wei Lu had joined as COO, her visit to the Cape Town office — and the alignment she found with Foord's values, people and purpose — opened the door to a broader role.

Wei Lu brings a calm, considered style to leadership and a deep understanding of what makes investment firms work well behind the scenes. She has already earned the respect of the wider team, stepping up during a period of transition.

Please join us in congratulating Wei Lu and supporting her as she leads Foord's Singapore business into its next chapter.

WHY THE TAX FREE SAVINGS ACCOUNT DESERVES A PLACE IN EVERY PORTFOLIO

As we move into 2026, it's worth revisiting some of the quieter building blocks of long-term investing. Not the ideas that dominate headlines, but the ones that do the work steadily over decades. One of these is the Tax-Free Savings Account (TFSA). Director DIANE BEHR provides more insight on the TFSA.

Despite being available for many years, TFSAs remain underused or are often not used to their full potential. That's a missed opportunity, because the TFSA offers something rare in investing: growth that is never taxed.

The rules are simple. Investors can contribute up to R36,000 per tax year, with a lifetime contribution limit of R500,000. On their own, these numbers don't look particularly impressive. The real benefit comes from contributing consistently and allowing time and compounding to do their work.

All returns earned inside a TFSA — interest, dividends and capital gains — are completely tax-free. This means every rand of growth stays invested and continues compounding year after year. Over long periods, the difference between taxed and untaxed growth becomes significant.

To illustrate this, a monthly contribution of R3,000 over roughly 13.8 years (166 months) adds up to R498,000 invested. At an assumed return of 10% per year, that investment could grow to approximately R1.07 million over this time. Around R570,000 of the final value comes purely from growth — and none of it is taxed. Contributing monthly also provides a small additional benefit as money is invested earlier and has more time to compound than if contributions are made once a year.

In a relatively high-tax country like South Africa, avoiding tax on investment growth can quietly but meaningfully improve long-term outcomes. TFSA investments are exempt from Dividend Withholding Tax, which means dividends can be fully reinvested without affecting contribution limits. TFSAs are also straightforward to open and manage, making them suitable for both new investors and those with established portfolios. While there are no lock-in periods, the greatest benefit is achieved by remaining invested for the long term.

One area that deserves more attention is product choice. A wide range of investments in South Africa qualify as TFSA products, from cash and income funds to balanced and equity funds. While this flexibility is useful, it also means investors need to think carefully about how they use the structure.

Because withdrawals cannot be replaced without using up contribution limits, a TFSA is best viewed as a long-term investment — often 15 years or more. With such a long time horizon, the objective should generally be maximum long-term growth rather than short-term stability. For this reason, TFSAs are typically better suited to high-equity or growth-oriented portfolios.

Although equity investments can be volatile over shorter periods, investors with time on their side are usually better positioned to tolerate this volatility in exchange for higher expected real returns. Using low-growth products, such as cash, significantly reduces the long-term benefit of the tax-free structure.

In practice, almost all investors can benefit from a TFSA. Younger investors gain the most from starting early and giving compounding time to work. Established investors can use a TFSA as a permanent tax shelter within a broader portfolio. Lower-income investors still benefit, particularly from tax-free dividends on equity investments. Families can also use TFSAs to help children or grandchildren save for future expenses, while introducing them to good financial habits.

There are, however, a few rules worth remembering. Exceeding annual or lifetime contribution limits attracts punitive taxes, particularly if contributions are spread across many providers. While withdrawals are allowed at any time, amounts withdrawn cannot simply be replaced without affecting contribution limits. Withdrawals are also paid only into the TFSA holder's South African bank account.

The Tax-Free Savings Account is not complicated or exciting — and that is precisely its strength. Used patiently and invested appropriately for growth, it can quietly and meaningfully improve long-term investment outcomes.

For investors using their TFSA as a long-term growth vehicle, the Foord Equity Fund, Foord Flexible Fund and Foord Balanced Fund are well suited to capturing the benefits of tax-free compounding over time. It is also important to remember that TFSA contributions must be made before the end of the South African tax year on 28 February. Investors who have not yet used their annual allowance still have time to do so.

Contact us at unittrusts@foord.co.za or +27 21 532 6969 to discuss how best to utilise your Tax Free Savings Account.

THAT'S JUST NUTS — FOORD'S LATEST CHILDREN'S BOOK

Investing isn't always about numbers, graphs, markets and economics. At Foord it's also about acorns, squirrels, woodpeckers, tortoises and now monkeys. Author and Foord communications manager, CHRISTINA CASTLE, gives us a sneak peek into the pages of our latest and timely children's book about saving and investing, That's just nuts.

Six years ago, we embarked on a financial literacy journey with our book More than enough — a little book with a big message. In the book, Anele the squirrel learns the importance of growing acorns for today and for the years and years and years to come. This was followed by Little by little a few years later — where Anele and her best friend Mpumi the woodpecker get a lesson in time and patience. Two hundred thousand copies of these books have found their way into communities, schools, libraries, learning centres and, most importantly, homes across South Africa. And all for free.

This year we proudly share our third book, That's just nuts and introduce a new character, cheeky Simon, who has a crazy seed. There is speculation that this seed will grow fast and deliver a quick bounty. But Anele and Mpumi are not so sure — they know how long it takes acorns to grow into oak trees. To them, Simon's seed just sounds a bit nuts.

Beautifully illustrated by Carla Kreuser, this book is full of drama, sparkle, shock and surprise. A little like the markets we work in every day, but far more entertaining. A timely and timeless addition to your bookshelf, this new story will help make sense of talk of bubbles, bullion and other speculative excesses that sometimes sound a bit too good to be true.

A wonderful read for all ages — but particularly four-to-seven-year-olds — we encourage you to read this series to the children in your lives. Available online at (https://foord.co.za/insights/publications/teach-your-child-to-invest) or in hard copy from our office in Cape Town.

But for now, listen and read along right here. Enjoy.

DID YOU KNOW? REAL ESTATE INVESTMENT TRUSTS (REITs)

Real Estate Investment Trusts (REITs) allow investors to gain exposure to income-generating property without having to buy physical buildings. In South Africa, REITs own and manage a wide range of assets — from shopping centres and offices to industrial parks, logistics warehouses and specialist properties such as healthcare facilities.

The South African REIT structure was formally introduced in 2013, bringing greater clarity and consistency to the listed property sector. To qualify as a REIT, companies must meet specific regulatory requirements, including distributing most of their taxable earnings to investors. This is why listed property is often associated with income, largely derived from rental streams.

Like all investments, prices of REITs are influenced by economic conditions and stock-specific factors. Interest rates, tenant demand and broader property fundamentals all affect performance. Periods of rising rates can place pressure on valuations, while improving economic growth can support both income and capital values over time.

For investors, REITs can play a useful role in portfolio construction. They provide exposure to real assets, diversification beyond traditional equities and bonds, and access to a sector closely linked to economic activity.

FOORD

MARKETS IN A NUTSHELL

	WORLD	SOUTH AFRICA
Equities	Global equities advanced, led by European and UK stocks, despite weaker data and geopolitical concerns — Chinese shares gave back some of their year-to-date gains, while emerging markets gained on dollar weakness and soaring metals prices	The JSE extended its rally as resource stocks surged on stronger metals prices and financials rebounded after months of selling — SA was one of the better-performing equity markets globally for the year
Bonds	Global bond yields moved in a tight range and credit spreads compressed further in a risk-on environment — while in Japan, the 10-year bond yield breached 2% for the first time in a generation after the BoJ lifted rates	SA bonds rallied strongly on moderating inflation and the SARB's repo rate cut — helped by lower borrowing needs and renewed foreign demand for SA bonds
Currencies	The US dollar declined into year-end as rate cut expectations firmed — most developed and emerging market currencies posted gains, with the yen and euro firming notably	The rand appreciated meaningfully against the US dollar — supported by firm commodity prices, renewed capital inflows and broad-based dollar weakness
Commodities	Precious metals gold, silver and platinum surged to record highs as real yields declined and central banks increased purchases of bullion, and copper rallied strongly into the year end — but oil traded lower, weakened on oversupply concerns, while copper rebounded sharply	
Economy	The US GDP print exceeded expectations growth but the data was compromised due to the government shutdown, while Eurozone activity stabilised — China's economy was on course to achieve a 5% annual growth, but momentum started to slow	SA economic growth expanded for the fourth consecutive quarter on improved mining and trade — but indicators remained weak, with low business confidence and muted investment
Monetary and fiscal policy	The US Federal Reserve and Bank of England delivered rate cuts as inflation trended lower, even as fiscal deficits are ballooning — central banks in developed markets signalled an end to the tightening cycle, with bond markets pricing in a more dovish policy stance into 2026	The SARB delivered a well-signalled repo rate cut, citing contained inflation and improved domestic fundamentals — while National Treasury trimmed weekly bond issuance on the improving fiscal outlook

DISCLOSURE