INVESTMENT OBJECTIVE
The fund aims to grow retirement fund savings by meaningful, inflation-beating margins over the long term. The fund is managed to comply with the prudential investment limits set for South African retirement funds (Regulation 28 to the Pension Funds Act).

INVESTOR PROFILE
Investors whose risk tolerance is below that of pure equity fund investors and those who require the asset allocation decision to be made for them, within prudential guidelines. Because the fund complies with Regulation 28, it is ideally suited to being a substantial component of any retirement savings portfolio and is especially suitable for retirement funds, pension fund members and holders of contractual savings products.

DOMICILE
South Africa

MANAGEMENT COMPANY
Foord Unit Trusts (RF) (Pty) Ltd

VAT Registration Number: 4560201594

FUND MANAGERS
Nick Balkin, Dave Foord, William Fraser and Daryll Owen

INCEPTION DATE
1 September 2002 / 1 March 2012

BASE CURRENCY
South African rands

EQUITY INDICATOR
Indicates the relative weight of equities in the portfolio. A higher weight could result in increased volatility of returns.

CATEGORY
South African - Multi-Asset - High Equity

PORTFOLIO SIZE
R3.3 billion

UNIT PRICE (CLASS B3)
5043.86 cents

NUMBER OF UNITS (CLASS B3)
43.3 million

LAST DISTRIBUTIONS
29/02/20: 78.12 cents per unit
31/08/19: 80.15 cents per unit

BENCHMARK
The market value weighted average total return of the South African - Multi-Asset - High Equity unit trust sector, excluding Foord Balanced Fund.

SIGNIFICANT RESTRICTIONS
Maximum equity exposure of 75%; maximum offshore exposure of 30%; complies with pension fund investment regulations (Regulation 28).

INCOME DISTRIBUTIONS
End-February and end-August each year.

INCOME CHARACTERISTICS
Medium yield, approximately double that of a general equity fund. Income distributions are reduced by the annual service charge, which varies with the relative performance of the fund against its benchmark.

PORTFOLIO ORIENTATION
Medium to high weighting in JSE shares and includes exposure to listed property, commodity securities, bonds, money market instruments and foreign assets.

FOREIGN ASSETS
Foreign asset exposure is obtained predominantly via Foord International Fund (FIF) and Foord Global Equity Fund Luxembourg (FGEF), sub-funds of Foord SICAV domiciled in Luxembourg and Foord Global Equity Fund (FGEF) domiciled in Singapore. FIF is a conservative, multi-asset class fund, FGEF and FGEFL comprise portfolios of global shares and cash. All funds are priced in US dollars.

RISK OF LOSS
Lower than that of a pure equity fund. High in periods shorter than 6 months, lower in periods greater than one year.

TIME HORIZON
Longer than three years.

ASSET ALLOCATION (MAX LIMITS IN BRACKETS *)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>SA %</th>
<th>FOREIGN %</th>
<th>TOTAL %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>33.4</td>
<td>25.1</td>
<td>58.5</td>
</tr>
<tr>
<td>Listed property</td>
<td>4.3</td>
<td>0.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1.0</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Government bonds</td>
<td>18.2</td>
<td>1.1</td>
<td>19.3</td>
</tr>
<tr>
<td>Commodities</td>
<td>4.9</td>
<td>1.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Money market</td>
<td>6.1</td>
<td>1.7</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>67.9 (100)</td>
<td>32.1 (30)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Market value breaches (if any) to be rectified within 12 months.

CHANGES IN PORTFOLIO COMPOSITION

INVESTMENT STRATEGY VS. INFLATION

In managing retirement portfolios, Foord aims to achieve returns that exceed inflation plus 5% per annum over any rolling five-year period. The Investment Strategy vs Inflation chart shows the annualised returns over rolling 5 years achieved by Foord on a composite of similar portfolios since the inception of the strategy on 1 January 1984 (gross of annual fees). This composite return information includes the market value weighted returns of the Foord Balanced Fund unit trust from 1 September 2002. Foord Balanced Fund unit trust is now the single largest portfolio in the composite. The chart illustrates that the actual composite return achieved for investors over any rolling five-year period has never dipped below the South African inflation rate. It also demonstrates that real returns of 5% per annum are consistently achievable in mandates of this nature when measured over the appropriate long-term period.

PORTFOLIO PERFORMANCE VS. BENCHMARK

INVESTMENT STRATEGY VS. INFLATION

1. Converted to reflect the average yearly return for each period presented
2. Inception date of R100 000 notional lump sum invested at inception, distributions reinvested (graphically represented in R’000s above)
3. Class B3 from 1 March 2012, Class A previously
4. Net of fees and expenses
5. Source: Morningstar, performance as calculated by Foord
6. Highest and lowest actual 12 month return achieved in the period

1. Top 10 investments as at 29/02/20
2. Converted to reflect the average yearly return for each period presented
3. Current value of R100 000 notional lump sum invested at inception, distributions reinvested (graphically represented in R’000s above)
4. Class B3 from 1 March 2012, Class A previously

1. Top 10 investments as at 29/02/20

Inflation 5% hurdle Excess return
**Foord Balanced Fund (Class B3) March 2020**

**Commentary**

- Global equities (-13.2% in US dollars) fell on plummeting growth expectations as global Covid-19 pandemic mass shutdowns took effect – emerging markets (-15.4%) underperformed, led by oil exporters Brazil (-38.2%) and Russia (-23.3%) as the Russia-Saudi Arabian oil price war sent oil prices (-55%) to 17-year lows.
- Developed market bond yields and the US 10-year hit fresh lows, the US dollar gained and gold (+1.2%) rose after investors pushed into safe-havens as global risk appetite evaporated – while the major industrial commodity prices fell as global demand expectations declined sharply.
- The FTSE/JSE Capped All Share Index (-13.3% in rands) also fell with resources (-12.4%), financials (-29.3%) and industrials (-22.6%) all sharply lower – sectors in which the fund is grossly overweight, SA listed property (-36.6%) and general retailers (-31.8%), capitulated as the market factored in the economic costs of the three-week shutdown.
- The All Bond Index (-9.7%) declined on selling pressure as investors scrambled for liquidity with the core holding in the high coupon, shorter duration R186 government bond (-7.5%) faring better – SA government bonds remain an attractive investment given the high yields and absence of near-term inflation pressures in the South African economy.
- The rand (-13.9% vs the US dollar) is one of the worst performing currencies this year (-27.4% YTD vs the US dollar) as the global demand shock compounded South Africa's structural headwinds – Moody's finally joined Fitch and S&P in downgrading SA debt to sub-investment grade, with all three agencies now on a negative outlook.
- The maximum allocation to foreign assets, derivative protection on US equities, low allocation to SA Inc. companies and the Newgold investment all helped to shield investor capital – the excellent relative performance was achieved without mass-selling of equities, a gamble that precipitates a second binary decision on timing the market low.

**Fee Rates (Class B3)**

- Initial, exit and switching fees: 0.0%
- Standard annual fee for equalising benchmark: 0.4% plus VAT
- Performance fee sharing rate: 10% of outperformance
- Minimum annual fee: 0.4% plus VAT
- Maximum annual fee: Uncapped

**ANNUALISED COST RATIO (CLASS B3)**

<table>
<thead>
<tr>
<th></th>
<th>12 MONTHS</th>
<th>36 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TER — Basic</td>
<td>0.75%</td>
<td>0.76%</td>
</tr>
<tr>
<td>— Performance</td>
<td>0.09%</td>
<td>0.03%</td>
</tr>
<tr>
<td>Transaction costs*</td>
<td>0.04%</td>
<td>0.03%</td>
</tr>
<tr>
<td>Total cost ratio</td>
<td>0.88%</td>
<td>0.82%</td>
</tr>
</tbody>
</table>

* The quantum of transaction costs is affected by the quantum of the gross in- and outflows over the period presented.

**Fee Structure**

- The annual fee is based on portfolio performance with the daily fee rate being adjusted up or down based on the portfolio's 2-year rolling return relative to that of its benchmark and is subject to a minimum fee rate. Fees accrue in the Foord global funds as disclosed.

**Performance Fees**

Performance fees align investor and manager return objectives by rewarding the manager for outperformance while penalising the manager for underperformance. Foord's performance fee structure increases or decreases the daily fee levied based on the over- or underperformance of the Foord unit trust portfolios relative to their benchmarks.

When the portfolio return exceeds the benchmark return, the daily performance fee rate is increased proportionately. Similarly, underperformance causes the daily performance fee rate to decrease proportionately. Performance fee rates are not capped for the reason that underperformance is generally not earned smoothly.

The annual fee is adjusted daily by the performance fee calculated as the difference between the rolling 2-year net-of -fee return and the benchmark return for the same period, multiplied by the performance fee sharing rate.

**Performance Fee Examples for Foord Balanced Fund (Class B3)**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foord 2-year rolling return</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Benchmark 2-year rolling return</td>
<td>8.0%</td>
<td>12.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Relative performance</td>
<td>+2.0%</td>
<td>-2.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Performance fee sharing rate</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Daily adjustment to 0.4% annual fee</td>
<td>+0.2%</td>
<td>-0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Annual fee rate applied (excl. VAT)</td>
<td>0.6%</td>
<td>0.4%*</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

* Minimum fees apply

**Important Information for Investors**

Foord Unit Trusts (RF) (Pty) Ltd (Foord Unit Trusts) is an approved CISCA Management Company (#101). Portfolios are managed by Foord Asset Management (Pty) Ltd (Foord), an authorised Financial Services Provider (FSP: 578). The custodian/trustee of Foord Unit Trusts is RMB Custody and Trustee Services (a division of FirstRand Bank Limited), contactable on: T: 087 736 1732, F: 0860 557 774, www.rmb.co.za.

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. Foord Unit Trusts does not engage in scrip lending. Foord’s performance fee structure increases or decreases the daily fee levied based on the over- or underperformance of the Foord unit trust portfolios relative to their benchmarks. A schedule of fees and charges and maximum commissions is available on request. Distribution may be subject to mandatory withholding taxes. Portfolio information is presented using effective exposures. A fund of funds invests only in other Collective Investment Scheme portfolios, which may levy their own charges, which could result in a higher fee structure. A feeder fund is a portfolio that, apart from assets in liquid form, consists solely of units in a single portfolio of a Collective Investment Scheme which could result in a higher fee structure. 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.

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**Unit Price**

Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio excluding any income accruals and less any permissible deductions from the portfolio. Forward pricing is used. Prices are determined at 15h00 each business day and are published daily on www.foord.co.za and in national newspapers. The cut-off time for instruction is 14h00 each business day.

**TER**

A Total Expense Ratio (TER) is a measure of a portfolio’s annual expenses, fees and charges, expressed as a percentage of the average daily value of the portfolio. These expenses include the annual fee, VAT, audit fees, bank charges and costs, including trading costs, incurred in any underlying funds. Included in the TER, but separately disclosed, is a performance fee (or credit) resulting from overperformance (or under performance) against the benchmark. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Performance return Information and prices are always stated net of the expenses, fees and charges included in the TER. The TER for the fund’s financial year ended 29 February 2020 was 0.80%.

**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.

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

Published on 3 April 2020. Additional detailed analysis is published in the Quarterly Portfolio Report available on www.foord.co.za.