



**COMMENTARY**

- Global equities (+2.2% in US dollars) scaled new highs led by European bourses (+5.1%) – pro-EU Emmanuel Macron’s French presidential election win boosted business confidence on the continent, while US equities (+1.5%) lagged on a weaker dollar
- Emerging markets (+3.0%) rose but fortunes were mixed with China (+5.3%) rising and commodity export countries retreating – the foreign portfolio’s low allocation to US equities and substantial position in Chinese consumer counters continues to benefit from this unfolding market environment
- FTSE/JSE All Share Index (-0.4% in rand) drifted lower, led by technology (-10.7%), general retailers (-8.6%) and mining (-4.7%) stocks (low allocation sectors for the portfolio) – sizeable positions in non-resource rand hedges British American Tobacco (+4.8%), Aspen (+7.1%) and Steinhoff (+2.8%) contributed meaningfully
- Gold (+0.1%) was flat, consolidating the good year-to-date (+10.1%) gains – the portfolio retains a meaningful exposure to this alternative store of value as geopolitical risks and extreme monetary policy conditions continue to form a concerning backdrop to multi-decade low levels of volatility
- The dovish Federal Reserve commentary led US bond yields marginally lower despite labour market improvements and improved wage growth, while SA government bond yields were flat – yield-seeking global capital flows into emerging market assets provide a false underpin to valuations and currencies which the managers believe will likely reverse in time
- The rand (+2.2% vs US dollar) was volatile but gained against a weak US dollar in a benign emerging markets environment despite domestic political spasms – the portfolio’s weak-rand bias remains given the heightened medium-term political risks and structurally weak macro-economic fundamentals
- The managers have maintained the emphasis on capital preservation with a relatively high short-term fixed interest exposure – the portfolio is tactically positioned for increased near-term volatility

**FEE RATES (CLASS R)**

Initial, exit and switching fees	0.0%
Standard annual fee for equalling benchmark	1.0% plus VAT
Performance fee sharing rate	10% (over- and under-performance)
Minimum annual fee	0.5% plus VAT
Maximum annual fee	Uncapped
Foreign assets	The 1.35% fee accrued in the Foord International unit trusts is rebated in full

**ANNUALISED COST RATIO (CLASS R)**

	12 MONTHS	36 MONTHS
TER —Basic	1.15%	1.15%
—Performance	-0.50%	0.36%
Transaction costs	0.00%	0.00%
Total cost ratio	0.65%	1.51%

**FEE STRUCTURE**

The annual fee is based on portfolio performance fee with the daily charge rate being adjusted up or down based on the portfolio’s return relative to that of its benchmark and is subject to a minimum fee rate. The performance fee is calculated and accrued daily based on the relative return for the preceding day.

**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 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 outperformance is generally not earned smoothly.

The annual fee is adjusted up or down daily by the performance fee calculated by multiplying the performance fee sharing rate by the relative return of the preceding day.

**PERFORMANCE FEE EXAMPLES FOR FOORD FLEXIBLE FUND OF FUNDS (CLASS R)**

	SCENARIO				
	A	B	C	D	E
Foord return for preceding day	0.25%	0.02%	0.03%	-0.25%	-0.25%
Benchmark return for preceding day	0.03%	0.03%	0.03%	0.03%	0.03%
Relative performance for preceding day	0.22%	-0.01%	0.00%	-0.28%	-0.28%
Compounded 365-day effective annual fee	>0.50%	>0.50%	>0.50%	>0.50%	<0.50%*
Performance fee sharing rate	10.00%	10.00%	10.00%	10.00%	10.00%
Daily performance fee rate	0.02%	0.00%	0.00%	-0.03%	-0.03%
Effective annualised fee rate applied	9.44%	0.63%	1.00%	-8.81%	0.50%

\* When the compounded 365-day effective annual fee decreases below 0.5%, a minimum annual fee of 0.5% is levied.

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**IMPORTANT INFORMATION FOR INVESTORS**

Foord Unit Trusts (RF) (Pty) Ltd (Foord Unit Trusts) is an approved CISA Management Company (#10), regulated by the Financial Services Board. 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](http://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 provide any guarantee either with respect to the capital or the performance return of the investment. 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 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 including 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](http://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 underperformance) against the benchmark. A higher TER ratio does not necessarily imply a poor return, nor does a low 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.

**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.

This is a Minimum Disclosure Document. Published on 5 June 2017. Additional detailed analysis is published in the Quarterly Portfolio Report available on [www.foord.co.za](http://www.foord.co.za)